

## **Commercial Solutions Opening (CSO)**

### **Office of the Secretary of Defense Defense Innovation Unit (Experimental)**

#### **SECTION 1 - INTRODUCTION**

##### ***1.1 Background and Authority***

The *2014 Quadrennial Defense Review* (QDR) established innovation as a central line of effort in the national defense strategy of the United States. Asymmetric technological capabilities enabling the U.S. to maintain a decisive military advantage over its adversaries and peer competitors are steadily eroding. Globalization has contributed significantly to a renaissance in commercial innovation fueled by venture capital investment that far exceeds the research and development budget of the Department of Defense (DoD). As a result, the global technology ‘water line’ has risen faster than DoD’s ability to outpace it alone. More so, rogue nations and non-state actors have gained ready access to new technology leading to an advancement in their offensive capabilities. Consequently, the Secretary of Defense launched the Defense Innovation Unit (Experimental), or DIUx, in order to accelerate the development, procurement and integration of commercially-derived disruptive capabilities to regain our nation’s technological lead and enabling a third offset strategy.

Under the authority of 10 U.S.C. 2371b, DIUx is interested in awarding funding agreements (agreements) to nontraditional and traditional defense contractors to carry out prototype projects that are directly relevant to enhancing the mission effectiveness of military personnel and the supporting platforms, systems, components, or materials proposed to be acquired or developed by the Department of Defense, or to improvement of platforms, systems, components, or materials in use by the armed forces. The information provided in this Commercial Solutions Opening (CSO) is intended to ensure that to the maximum extent practicable, competitive procedures are used when entering into agreements to carry out these prototype projects.

##### ***1.2 CSO Procedure***

This CSO is seeking proposals for innovative, commercial technologies that accelerate attainment of asymmetric defense capabilities. In this context, innovative means any new technology, process, or business practice, or any new application of an existing technology, process, or business practice that contributes to the sustainment of global peace and U.S. national security.

This is an open (available for 5 years), two-step (solution brief/demonstration followed by proposal) CSO. This CSO is considered a competitive process. Solution briefs shall be submitted as specified in Section 3, Part A of this CSO. The Government will evaluate solution briefs against the criteria stated in this announcement. Those Companies whose solution briefs are evaluated to be of merit may, if funding is available, be invited to submit a formal proposal following the instructions provided in Section 3, Part B of this CSO. If the Company’s solution

brief is identified for funding during this period, they will be invited to submit a formal proposal following the instructions provided in Section 3, Part B of this CSO. The Government may also invite Companies to demonstrate their technology following a solution brief review. The Government does not anticipate paying Companies for demonstrations.

The Government may engage in discussions with Companies to include discussions during the development of the formal proposal.

The Government may add additional topics of interest at any time. Interested Companies are encouraged to frequently check the CSO for updates.

A prototype can generally be described as a physical or virtual model used to evaluate the technical or manufacturing feasibility or military utility of a particular technology or process, concept, end item or system. The quantity developed should be limited to that needed to prove technical or manufacturing feasibility or evaluate military utility. This CSO will result in the award of prototype projects, which include not only commercially-available technologies fueled by commercial or strategic investment, but also concept demonstrations, pilots, and agile development activities that can incrementally improve commercial technologies or concepts for defense application.

Benefits of the CSO process and OTAs include:

- A streamlined application process requiring only minimal corporate and technical information
- Fast track evaluation timelines for solution briefs; with notification made, in most cases, within 30 calendar days of topic closure
- Negotiable payment terms
- Capital is non-dilutive
- All intellectual property (IP) rights are negotiable and the Government does not plan to own any IP
- Direct feedback from operators, customers and users within the DoD to help product teams develop and hone product design and functionality
- Potential follow-on funding for promising technologies and sponsorship of user test cases for prototypes and possible follow-on production.

## **SECTION 2 - DEFINITIONS**

"Other Transaction for Prototype Projects" refers to this type of Other Transaction Agreement (OTA). This type of OTA is authorized by 10 U.S.C. 2371b for prototype projects directly relevant to enhancing the mission effectiveness of military personnel and the supporting platforms, systems, components, or materials proposed to be acquired or developed by the DoD, or for the improvement of platforms, systems, components, or materials in use by the armed forces. This type of OTA is treated by DoD as an acquisition instrument, commonly referred to as an "other transaction" for a prototype project or a Section 2371b "other transaction".

“Prototype” can generally be described as a physical or virtual model used to evaluate the technical or manufacturing feasibility or military utility.

“Nontraditional Defense Contractor” means as the term is defined in section 2302(9) of title 10, United States Code. With respect to applicable authority, means an entity that is not currently performing and has not performed, for at least the one-year period preceding the solicitation of sources by the Department of Defense for the procurement or transaction, any contract or subcontract for the Department of Defense that is subject to full coverage under the cost accounting standards prescribed pursuant to section 1502 of title 41 and the regulations implementing such section. This includes all small business concerns under the criteria and size standards in Title 13, Code of Federal Regulations, part 121 (13 CFR 121).

“Innovative” means--

- (1) any new technology, process, or method, including research and development; or
- (2) any new application of an existing technology, process, or method.

### **SECTION 3 - GUIDELINES FOR PREPARATION AND SUBMISSION OF SOLUTION BRIEFS AND PROPOSALS**

The purpose of the solution brief is to identify innovative solutions for the Department and preclude effort on the part of the Company whose proposed work is not of interest to the Government. Accordingly, Companies are encouraged to submit solution briefs following the instructions detailed below (Part A). While proposal instructions for any follow-on complete proposal are detailed below (Part B) the Government will provide specific proposal instructions in the invitation to submit a full proposal. An invitation from the Government Agreements Officer to submit a complete proposal, which includes a statement of work and a cost proposal, does not guarantee that the submitting organization will be awarded funding. Solution briefs should specifically identify the focused topic(s) category listed on the CSO website. This info will be posted on the DIUx website, [diux.mil/workwithus](http://diux.mil/workwithus). In general, companies will be notified within 30 calendar days after the topic area of interest has closed whether or not their solution brief is of interest at this time.

#### **Guidelines for Solution Brief Submissions:**

- 1) It is generally desired that active R&D is underway for concepts submitted under this CSO. Active R&D includes analytical studies and laboratory studies to physically validate the analytical predictions of separate elements of the technology, as well as software engineering and development.

- 2) The costs of preparing and submitting solution briefs are not considered an allowable direct charge to any contract or agreement.
- 3) Unnecessarily elaborate brochures or proposals are not desired.
- 4) Use of a diagram(s) or figure(s) to depict the essence of the proposed solution is strongly encouraged.
- 5) Multiple solution briefs addressing different topic areas may be submitted by the same organization; however, each solution brief may only address one concept based on the stated Government topic area of interest. Companies may submit solution briefs at any time during the 5-year announcement period.
- 6) The period of performance for any solution brief or proposal submitted under this CSO should generally be no greater than 24 months.
- 7) Technical data with military application may require appropriate approval, authorization, or license for lawful exportation.
- 8) All solution briefs shall be unclassified. Solution briefs containing data that is not to be disclosed to the public for any purpose or used by the Government except for evaluation purposes shall include the following sentences on the cover page:

“This solution brief includes data that shall not be disclosed outside the Government, except to non-Government personnel for evaluation purposes, and shall not be duplicated, used, or disclosed -- in whole or in part -- for any purpose other than to evaluate this submission. If, however, an agreement is awarded to this Company as a result of -- or in connection with -- the submission of this data, the Government shall have the right to duplicate, use, or disclose the data to the extent agreed upon by both parties in the resulting agreement. This restriction does not limit the Government's right to use information contained in this data if it is obtained from another source without restriction. The data subject to this restriction are contained in sheets [insert numbers or other identification of sheets]”

Each restricted data sheet should be marked as follows:

“Use or disclosure of data contained on this sheet is subject to the restriction on the title page of this proposal.”

- 9) Foreign-Owned businesses may be a submitter alone or through some form of teaming arrangement with one or more United States-owned businesses. However, the ability to obtain an agreement based upon a submission may depend upon the ability of the Foreign Owned business to obtain necessary clearances and approvals to obtain proscribed information.
- 10) Questions regarding the objectives or preparation of the solution brief should be addressed to CSOquestions@diux.mil.

11) Submissions must be submitted electronically via the DIUx website: [diux.mil/workwithus](http://diux.mil/workwithus).

**SECTION 3 PART A: SOLUTION BRIEF PREPARATION**  
***(STEP 1 OF THE 2-PART CSO PROCESS)***

The Solution Brief Preparation Step of this CSO is a two-phase process. In Phase 1, Submitter's solution brief should not exceed five pages using 12-point font. Alternatively, solution briefs may take the form of slides, which should not exceed fifteen. These limits are not requirements, but strong recommendations.

**PHASE 1 SOLUTION BRIEF CONTENT**

*Title Page (does not count against page limit)*

Company Name, Title, Date, Point of Contact Name, E-Mail Address, Phone, and Address.

*Executive Summary (one page)*

Provide an executive summary of the technology.

*Technology Concept*

Describe the unique aspects of your technology and the proposed work as it relates to the topic area of interest. Identify whether the effort includes the pilot or demonstration of existing commercial technology (identified as commercially ready and viable technology), or the development of technology for potential defense application. If development or adaptation is proposed, identify a suggested path to mature the technology. Identify aspects which may be considered proprietary.

*Company Viability*

Provide a brief overview of the company. Provide a summary of current fundraising to date or a summary of the top line (gross sales/revenues). Provide a summary of product commercialization and go-to-market strategy.

**PHASE 1 SOLUTION BRIEF BASIS OF EVALUATION**

Individual solution briefs will be evaluated without regard to other submissions received under this announcement. The Government will aim to complete the Phase I evaluation of solution briefs within 30 calendar days of the closing of the submittal period and notify the Company of the status.

Phase 1 Solution briefs shall be evaluated on the basis of the technical merit of the proposed concept, i.e., the feasibility of the proposed solution to address the topic area of interest. The

Government will further evaluate the relevancy of the proposed concept/technology/solution to the topic area of interest and the degree to which the proposed concept provides an innovative, unique and/or previously under-utilized capabilities. Finally, the Government will evaluate the strength of the company and business viability of the proposed solution. The Government may elect to use external market research in the evaluation of a company's viability.

Additional technical evaluation criteria specific to a particular project may be used. In these instances, the additional criteria will be posted with the topic area of interest on the DIUx website.

Upon review of a solution brief, the Government may elect to invite a company into Phase 2 of the Solution Brief Step. In Phase 2, Companies will be invited to pitch and/or demonstrate their technology in person or request additional information from the Company.

#### PHASE 2 SOLUTION BRIEF CONTENT

In Phase 2, information may be provided to the Government during the in-person pitch/demonstration and/or in a written submission. The pitch should provide more details on the technical and business viability of the proposed solution submitted in phase one. Regardless of format, the Phase 2 Solution Brief must also address:

##### *Estimated Price/Schedule*

Provide a rough order of magnitude price and notional schedule for how this concept could be tested within the DoD.

##### *Defense Utility*

Operational Impact – if known, describe how the DoD will be impacted by your technology. Explain the beneficial impacts and quantify them as appropriate. Detail who the operational users of the technology are expected to be or could be.

##### *Prototype*

State how this effort fits the CSO definition of a prototype, and which one of the following best applies for this prototype project:

- There is significant participation by a small business or nontraditional defense contractor; or
- At least one third of the total cost of the prototype project is to be paid out of funds provided by parties to the transaction other than the Federal Government.

##### *Data Rights Assertions*

The solution brief will identify any intellectual property involved in the effort and associated restrictions on the Government's use of that intellectual property.

In addition to these required areas, the Government may request the Company provide additional information/detail with respect to the Technology Concept information provided in the Phase 1 Solution Brief.

## PHASE 2 SOLUTION BRIEF BASIS OF EVALUATION

Individual solution briefs will be evaluated without regard to other submissions received under this announcement. The Government will aim to complete review of Phase 2 solution briefs within 30 calendar days of the in-person pitch/demonstration and/or receipt of additional written information, whichever is later, and notify the Company if they are invited to submit a full proposal or if their technology is not of interest to the Government at this time.

Phase 2 Solution Briefs shall be evaluated on the following factors:

- 1) The proposed concept is directly relevant to enhancing DoD mission effectiveness
- 2) A rough order of magnitude (ROM) price is acceptable
- 3) A notional schedule is acceptable
- 4) There is significant nontraditional and/or small business participation, or the company is prepared to provide a 1/3 cost share (see definitions, section two)
- 5) The proposed concept qualifies as a prototype effort
- 6) The potential impact of data rights assertions

In addition to the above factors, if additional information is provided by the Company in its Phase 2 Solution Brief with respect to the areas evaluated in Phase 1 (Technical merit of the proposed concept, , the relevancy of the proposed concept to the topic area of interest, the degree to which the proposed concept provides innovative/unique and/or previously under-utilized capabilities, and the strength of the company and business viability of the proposed solution) the Phase 2 Evaluation will include these factors.

## **SECTION 3, PART B: PROPOSAL PREPARATION (STEP 2 OF THE 2-PART CSO PROCESS)**

When invited to do so by the Government, a Company may develop and submit a full proposal. Companies may discuss ideas and details of the proposal during the proposal writing process with the Government. Each proposal submitted shall consist of two sections: Section 1 shall provide the technical proposal and Section 2 shall address the price/cost/schedule portions of the proposal.

Proposals containing data that is not to be disclosed to the public for any purpose or used by the Government except for evaluation purposes shall include the following sentences on the cover page:

***“This proposal includes data that shall not be disclosed outside the Government and shall not be duplicated, used, or disclosed -- in whole or in part -- for any purpose other than to***

***evaluate this proposal. If, however, an agreement is awarded to this Company as a result of -- or in connection with -- the submission of this data, the Government shall have the right to duplicate, use, or disclose the data to the extent agreed upon by both parties in the resulting agreement. This restriction does not limit the Government's right to use information contained in this data if it is obtained from another source without restriction. The data subject to this restriction are contained in sheets [insert numbers or other identification of sheets]”***

Each restricted data sheet should be marked as follows:

***“Use or disclosure of data contained on this sheet is subject to the restriction on the title page of this proposal.”***

Include documentation proving your ownership of or possession of appropriate licensing rights to all patented inventions (or inventions for which a patent application has been filed) that will be utilized under your proposal for DIUx. If a patent application has been filed for an invention that your proposal utilizes, but the application has not yet been made publicly available and contains proprietary information, you may provide only the patent number, inventor name(s), assignee names (if any), filing date, filing date of any related provisional application, and a summary of the patent title, together with either: (1) a representation that you own the invention, or (2) proof of possession of appropriate licensing rights in the invention.

Provide a good faith representation that you either own or possess appropriate licensing rights to all other intellectual property that will be utilized under your proposal for DIUx. Additionally, proposers shall provide a short summary for each item asserted with less than unlimited rights that describes the nature of the restriction and the intended use of the intellectual property in the conduct of the proposed research.

## **Section 1, Technical Proposal**

### *Title Page*

Company Name, Title, Point of Contact Name, Date, E-Mail Address, Phone, and Address and any subcontractors or team members. Include an abstract which provides a concise description of the proposal.

### *Propose a Technical Approach*

Describe the background and objectives of the proposed work, the approach, deliverables, and the resources needed to execute it. Include the nature and extent of the anticipated results. Include ancillary and operational issues such as certifications, algorithms, and any engineering/software development methodologies to be used. This proposal must include a Statement of Work (SOW) identifying the work to be performed and the deliverables. Provide a detailed project schedule that outlines the various phases of work to be accomplished within 24 months. You may refer to the solution brief that prompted this proposal request, but do not duplicate it.

### *Government Support Required*

Identify the type of support, if any, the Company requests of the Government in general such as facilities, equipment, data, and information or materials.

### **Section 2, Price Proposal**

The Company shall propose the total price to complete the prototype project and shall provide any other data or supporting information as the parties agree is necessary for the determination of a fair and reasonable price.

#### **BASIS FOR PROPOSAL REVIEW**

Proposals will be evaluated as they are received through a Government subject matter expert panel. Proprietary information will be protected from potential competitors. Proposals will be reviewed under the following criteria:

- 1) The degree to which the proposal is relevant to disruptive defense capabilities, including the degree to which it enhances and / or accelerates innovative development contributing toward third offset strategies.
- 2) Technical merit of the proposal with an emphasis on innovative solutions.
- 3) Realism and adequacy of the proposal performance schedule
- 4) Realism and reasonableness of the price

### **SECTION 4 - AWARDS**

Upon favorable review and available funds, the Government may choose to make an award. Awards will be fixed price and will be made using Other Transaction Agreements (OTAs). OTAs allow federal agencies to implement faster and streamlined methods and do not carry all the requirements of traditional Federal Acquisition Regulation-based procurement contracts. The Agreements Officer will negotiate directly with the Company on the terms and conditions of the OTA, including payments

To receive an award, one of the following must be present:

- Significant participation by non-traditional defense companies; or
- One-third cost share of the total agreed-upon price unless an exception under section 2371b(d)(1) applies.

To receive an award, Companies must have a Dunn and Bradstreet (DUNS) number and must register in the System for Award Management (SAM). This system verifies identity and ensures that payment is sent to the right party. In general, to invoice and receive payment after award of an OTA, Companies must register in Wide Area Work Flow. The Agreements Officer will provide assistance to those Companies from whom a full proposal is requested. The company must be considered a responsible party by the Agreements Officer, and is not suspended or debarred from such agreement by the Federal Government, and is not prohibited by Presidential Executive Order, or law from receiving such award.

Awards under this CSO will be made to proposers on the basis of the evaluation criteria listed above, and program balance to provide overall value to the Government.

#### COMPTROLLER GENERAL ACCESS TO INFORMATION

In projects that provide for payments in a total amount in excess of \$5,000,000, the agreement may include a clause that provides for the Comptroller General the ability to examine the records of any party to the agreement or any entity that participates in the performance of the agreement.

#### **SECTION 5 - FOLLOW-ON WORK**

Upon completion of the prototype project under the OTA, the Government and Company may agree to additional work. If this additional work logically follows from the original prototype project, the Government may request a new proposal from the Company. This proposal may be negotiated with the Agreements Officer without the need to submit a new solution brief.

#### **SECTION 6 – NON-GOVERNMENT ADVISORS**

- 1) Solution briefs - Non-Government advisors may be used in the evaluation of solution briefs and will have signed non-disclosure agreements (NDAs) with the Government. The Government understands that information provided in response to this CSO is presented in confidence and may contain trade secret or commercial or financial information, and it agrees to protect such information from unauthorized disclosure to the maximum extent permitted or required by Law, to include-
  - a. 18 USC 1905 (Trade Secrets Act);
  - b. 18 USC 1831 et seq. (Economic Espionage Act);
  - c. 5 USC 552(b)(4) (Freedom of Information Act);
  - d. Executive Order 12600 (Pre-disclosure Notification Procedures for Confidential Commercial Information); and

e. Any other statute, regulation, or requirement applicable to Government employees.

- 2) Proposals - Non-Government advisors may also be used in the evaluations of proposals. In these cases, Companies will be notified of the name and corporate affiliation of these advisors in the request from the Government to submit a full proposal. Companies will be afforded the opportunity to enter into a specific NDA with the corporate entity prior to submission of the proposal.

DIUx policy is to treat all submissions as source selection information, and to disclose their contents only for the purpose of evaluation. Restrictive notices notwithstanding, during the evaluation process, submissions may be handled by support contractors for administrative purposes and/or to assist with technical evaluation. All DIUx and DoD support contractors performing this role are expressly prohibited from performing DIUx-sponsored technical research and are bound by appropriate nondisclosure agreements.

Submissions will not be returned. The original of each submission received will be retained at DIUx and all other non-required copies destroyed. A certification of destruction may be requested, provided the formal request is received at this office within 5 days after notification that a proposal was not selected.

## **SECTION 8 – CONTACT INFORMATION**

CSOquestions@diux.mil

Be advised, only an Agreements Officer has the authority to enter into a binding agreement on behalf of the Government. He or she will sign the agreement, and only an Agreements Officer has the authority to change the terms of the agreement.