

## Palantir Prospers Through Compromise

Written by Nick Sanders  
Monday, 19 March 2018 00:00

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It's been a long time since we wrote about Palantir, the company that (in our view) is the poster child for why the Department of Defense doesn't get the innovation it says it wants. We first wrote about Palantir three years ago, in [this article](#).

The article described a conflict between Palantir, a "commercial alternative" to the Distributed Common Ground System (DCGS), which reportedly suffered from poor performance in the field. DCGS, naturally, was fielded by traditional defense contractors, while Palantir was offered by Silicon Valley. We quoted one report that stated, "Palantir costs millions, compared to the billions the military has been pouring into DCGS." At least one Congressman weighed into the fray, asking why "old tired (bureaucrats)" were "stopping the warfighter from getting what they know works."

Indeed, why would you go with an expensive, poorly performing, solution when the warfighters were clamoring for an inexpensive, high-performing, solution? You wouldn't in a rational environment. But as we all know, the defense acquisition environment is far from rational.

That first article concluded with a note that the Army continued to push the DCGS solution, by forming "teams of experts" to help with training personnel in the field, and by releasing an RFP for DCGS Increment 2. We noted that response was a "very traditional response by a very traditional defense program" – which is kind of the opposite of innovation, isn't it?

Eighteen months later, we published a [brief update](#) note that Palantir had filed suit in the U.S. Court of Federal Claims, alleging that the Army's DCGS strategy was "both illegal and irrational." Importantly, Palantir alleged that the Army's insistence on sticking with the problematic DCGS instead of adopting the better functioning Palantir solution had cost lives.

A few months later, we noted that Palantir had been successful in its bid protest suit. We quoted a report, saying the Judge was –

... ordering the Army 'to go back and look seriously at whether there are in fact commercial products that can meet its needs either without modification or with some modification, but whether there are in fact commercial products, including from Palantir, that meet its needs,' ...

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The court upheld Palantir's central legal argument that the Army violated a 1994 law -- the Federal Acquisition Streamlining Act -- by not conducting the market research needed to determine if commercially available items could meet its needs with or without modification. ...

This was an important ruling, because it reaffirmed the official, statutory, preference for commercial items. The ruling also reaffirmed the need to conduct proper market research before concluding that there were no commercial alternatives available to meet the needs of the warfighter.

That last article was published at the end of 2016 and it's been radio silence since then.

But now comes [news](#) that Palantir has succeeded, and the Army has awarded the company a \$876 million contract to "replace the troubled Distributed Common Ground System." That same report stated "In addition to the Army deal, Palantir has been making inroads elsewhere in the U.S. government. After the company made a similar legal challenge to the U.S. Navy, officials [agreed](#) to revamp its technology procurement process last year."

In [another article](#) reporting the contract award, DefenseNews echoed our statement(s) about the situation, writing "DCGS-A is a poster child for how the Army has struggled to develop and field a highly technical capability while ignoring the pace of technological development outside of the defense world. It's also an example where existing technology could have already provided a functional capability without further development."

How did Palantir win its battle with entrenched Pentagon bureaucracy? It did so by forming an alliance with one of the traditional defense contractors that supplied DCGS. It partnered with Raytheon, effectively turning that major defense contractor from enemy into an ally. The DefenseNews article (authored by Jen Jensen, link above) reported—

While Palantir has not yet announced what it will be providing to the Army for testing, court documents from its lawsuit stated that its data-management product — Palantir Gotham Platform — does exactly what DCGS-A was trying to do and comes at a much lower cost.

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Raytheon, which has been one of the many players in earlier versions of DCGS-A, will supply its FoXTEN open architecture software product, according to Todd Probert, company vice president for Mission Support and Modernization within Raytheon's Intelligence, Information and Services business, in a statement provided to Defense News.

While we would like to hail this victory as a turning-point for defense acquisition, we suspect it's not as significant as it might other wise be. Palantir's co-founder, Peter Thiel, is a well-known Trump fundraiser and supporter who has significant influence in the White House. We're cynically sure that influence made a difference in the Army's willingness to contract with Palantir.

Regardless of the rationale for the acquisition sea-change, the fact is that Palantir will now have a chance to showcase its product. If that product performs well, we hope and trust Palantir will join the ranks of successful defense contractors.