1	IN THE SUPREME COURT OF THE UNITED STATES
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3	KINGDOMWARE TECHNOLOGIES, :
4	INC., :
5	Petitioner : No. 14-916
6	v. :
7	UNITED STATES. :
8	X
9	Washington, D.C.
10	Monday, February 22, 2016
11	
12	The above-entitled matter came on for oral
13	argument before the Supreme Court of the United States
14	at 10:06 a.m.
15	APPEARANCES:
16	THOMAS G. SAUNDERS, ESQ., Washington, D.C.; on behalf
17	of Petitioner.
18	ZACHARY D. TRIPP, ESQ., Assistant to the Solicitor
19	General, Department of Justice, Washington, D.C.; on
20	behalf of Respondent.
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1 PROCEEDINGS 2 (10:06 a.m.) 3 CHIEF JUSTICE ROBERTS: We'll hear argument 4 first this morning in Case No. 14-916, Kingdomware 5 Technologies v. United States. 6 Mr. Saunders. 7 ORAL ARGUMENT OF THOMAS G. SAUNDERS ON BEHALF OF THE PETITIONER 8 9 MR. SAUNDERS: Mr. Chief Justice, and may it 10 please the Court: 11 By its plain terms, the 2006 Veterans Act 12 requires the VA to consider veterans first under the 13 Rule of Two before awarding contracts to other 14 suppliers. 15 That mandate, which applies only to the VA 16 and reflects the agency's unique obligation to veterans, 17 contains no exception for the contracts formed when the 18 VA makes awards under the Federal Supply Schedule. And 19 the government's attempt to create such an exception 20 fares no better than its prior attempts to resist the 21 mandate. 22 Its semantic distinction between contracts 23 and orders conflicts with its own concession that an FSS 24 order is a contract in the ordinary sense. It 25 creates --

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1	JUSTICE ALITO: Before you get too deeply
2	into the merits of the case, could you just tell us what
3	relief you could get at this point that's consistent
4	with the Tucker Act?
5	MR. SAUNDERS: We're seeking a declaratory
6	judgment that, with respect to these particular
7	procurements, the VA erred in failing to conduct market
8	research and and to apply the Rule of Two before
9	going straight to the FSS.
10	JUSTICE GINSBURG: On the ground that this
11	is capable of repetition yet evasive of review, is that
12	your your answer to the mootness?
13	MR. SAUNDERS: Absolutely. It's it's
14	recurred the same situation's recurred numerous
15	times. Even during the course of this litigation,
16	Kingdomware continues to be actively competing for these
17	contracts, and these contracts are of a short duration.
18	JUSTICE KENNEDY: What was the amount of
19	this contract?
20	MR. SAUNDERS: This contract was for a base
21	amount of \$33,000.
22	JUSTICE ALITO: Isn't it strange to get a
23	declaratory judgment that something unlawful occurred in
24	the past but that no other relief is available for this
25	past violation of the law?

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1 MR. SAUNDERS: Well, no other relief is 2 available solely because of the passage of time it has 3 taken for this case to work its way up to this Court. 4 And that's why the doctrine of capable of repetition yet 5 evading a view -- review is --6 JUSTICE ALITO: What -- what I'm getting at 7 What good would such a declaratory judgment do? is: MR. SAUNDERS: Well, once -- once the legal 8 9 rights, once the meaning of 8127(d) is established in 10 this case by that declaratory judgment, then going 11 forward, you would expect that the VA will comply with 12 this Court's interpretation of the law. And so it would 13 be a tremendous benefit to the veterans community going 14 forward from that declaration, from that elucidation of 15 the legal rights here. 16 JUSTICE SOTOMAYOR: You did -- your client 17 stipulated away the cost that it would have been 18 entitled to after winning before the GAO, correct? 19 MR. SAUNDERS: The --20 JUSTICE SOTOMAYOR: So there was relief. 21 You just gave it away, essentially. 22 MR. SAUNDERS: Well, the -- the Tucker Act 23 doesn't allow for the protest costs, and so the -- the 24 relevant costs that might have been allowed would be bid preparation costs. 25

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1	But the very point of this case is there
2	wasn't an opportunity to bid. This isn't a situation in
3	which the opportunity was put out there and Kingdomware
4	was able to compete for it. It was it skipped
5	through the Rule of Two process required by 8127, went
6	straight to the Federal Supply Schedule, and the first
7	that Kingdomware ever learned of it was when the
8	announcement went up saying that the contract had been
9	awarded on the sole-source basis to someone else under
10	the Federal Supply Schedule.
11	So under the circumstances of this case,
12	where it's about the government going to a procedure it
13	shouldn't be going to first, there's no opportunity to
14	amass those bid protests.
15	JUSTICE SOTOMAYOR: Your client is still an
16	FSS vendor and is still competing for contact
17	contracts that the
18	MR. SAUNDERS: Yes.
19	JUSTICE SOTOMAYOR: Okay.
20	MR. SAUNDERS: And and our client he's
21	listed it in the FSS, but most importantly for this case
22	is a service-disabled veteran-owned small business and
23	continues to be listed in the VA's database, which
24	limits the eligibility for the Rule of Two here.
25	JUSTICE SOTOMAYOR: The government takes the

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1 position that if we rule in your favor, that means that 2 we're doing away with, effectively, the FSS. 3 Is that your view? MR. SAUNDERS: No. Absolutely not. The FSS 4 5 is still going to apply to a large number of 6 procurements. Congress, when it made this targeted 7 provision mandatory and focused on the VA, also said in 8127(e) that it only applies to the businesses that are 8 9 registered in the VA's database. 10 And it did that for two reasons: Number 11 one, as opposed to the self-certification procedures of 12 the Small Business Act, which are more open to abuse, it 13 wanted to prescreen and make sure these are the real 14 deal here in the database. And that also ensures that 15 the VA has this information at its fingertips. 16 Currently, there are about 7,000 people 17 listed in that database. There are going to be tons of procurements for which the VA will simply consult its 18 own database and see that there is no veteran-owned 19 20 business that's eligible to do this. 21 JUSTICE SOTOMAYOR: Can it tell from that 22 database whether or not a particular vendor is a veteran 23 or a disabled veteran? 24 MR. SAUNDERS: Oh, absolutely. The -- the database -- and this is one -- this is very clear -- the 25

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1 VA has its own VA-specific database mandated by law that 2 is limited to veteran-owned and service-disabled, veteran-owned small businesses. And the only people who 3 4 are eligible under 8127(e) for this preference are 5 people who are contained in that database. 6 JUSTICE SOTOMAYOR: Well, there's two 7 There is the general database and there is databases. 8 the FSS database. Are we talking about the same one? 9 MR. SAUNDERS: No, we're talk -- we're 10 talking about a separate VA-specific database. And --11 and so what's happening is the VA is gathering in this 12 information. It knows who the veteran-owned small 13 businesses are. And then, rather than consulting its 14 own database to see who they are, it's been going 15 straight to the FSS. 16 JUSTICE SOTOMAYOR: Which -- and then you 17 are wanting to do away with the FSS? 18 MR. SAUNDERS: No, not at all. Because --19 JUSTICE SOTOMAYOR: So they go through the 20 FSS and find the veteran-owned businesses? MR. SAUNDERS: Not -- not under this 21 22 mandate, because the -- the mandate here in the law is 23 tied to the VA's database. And people who are listed as 24 a veteran-owned small business under the FSS database don't go through those same --25

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1	JUSTICE GINSBURG: Mr. Saunders, I think
2	that Justice Sotomayor's question is asking you to
3	address what happens if there's than urgent need. I
4	think you would concede it's a slower process if you
5	have to use the Rule of Two. And and suppose there
6	is an urgent need for a certain good or service.
7	MR. SAUNDERS: Well, two things: Number
8	one, the Rule of Two only applies when you have both
9	fair and reasonable price and best value to the
10	United States. So if there's truly an urgent need and
11	it's not going to be met by going through the Rule of
12	Two, then I think you have leeway within the best-value
13	determination.
14	CHIEF JUSTICE ROBERTS: Well, but that
15	strikes me as a a very thin protection.
16	Are these terms imply a lot of
17	discretion: What's fair? What's reasonable? What's
18	best value? The idea that that's going to operate as a
19	significant restraint on the requirement that the VA
20	locate veteran businesses seems a real stretch to me.
21	MR. SAUNDERS: But but the process
22	here I mean take you through the process of
23	applying the Rule of Two. It's limited to the universe
24	of the people in the database. So all the VA has to do
25	is fire up its own database and see who's out there.

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1	For the heartland
2	JUSTICE KAGAN: How is it apparent that a
3	particular veteran's business can perform a particular
4	contract? I mean, what in the database shows you, yes,
5	this veteran's small business is capable of performing
6	this contract in a reasonably effective way?
7	MR. SAUNDERS: The because the database
8	has the North American Industry Classification System
9	codes, which are actually the same codes that correspond
10	to what's in the FSS.
11	And to the extent there is additional
12	information that's needed, it's very easy to contact the
13	veterans in those that database.
14	CHIEF JUSTICE ROBERTS: Counsel, could you
15	get back to your answer to my question?
16	MR. SAUNDERS: Oh. And and so there's
17	for the heartland of of small-business contracting,
18	the are going to fall into the simplified acquisition
19	procedures under part 13 of the Federal Acquisition
20	Regulation. That's for services under \$150,000. And
21	for procurement of goods, it's now up to \$7 million.
22	And under that system, you have a greatly
23	streamlined process for the smallest contracts, micro
24	purchases. It's it's really just you make the
25	decision for the sort of lower tier of contracts,

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1 certainly for anything under \$25,000, all the -- all the 2 government's doing is placing a purchase order under the 3 simplified acquisition procedures.

There is a standard form. It's Form 1449. It's a single sheet of paper. And that's the purchase order that they place. And quite frankly, the form looks almost identical to FSS Form 347 for how you place the order.

9 So for the lower-level stuff, there is 10 already a procedure outside the FSS that's incredibly 11 streamlined. And as you begin to get to larger 12 dollar-valued contracts, the requirements of going 13 within the FSS begin to ramp up in terms of having to 14 seek price reductions. And also, if you think of how 15 the FSS operates in terms of services, you might be listed on there for the GSA as someone who can provide 16 information technology, customized computer programming. 17

18 But to go to Justice Kagan's question about 19 how do you know can you actually do this work? That 20 same process plays out under the FSS. For the services, 21 yes, someone's listed as a custom computer programmer. 22 But the agency still has to issue a statement of work 23 saying this is what we actually need done. Here are our 24 requirements. It puts that out there with their request 25 for quotations that come in from the various FSS

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1 suppliers. 2 Now, they will be constrained by, you know, 3 the prices that they listed before on the FSS, but it 4 still is an interactive process. It's not just firing 5 up the computer and -- and clicking --6 JUSTICE GINSBURG: When is it -- what's it --7 8 JUSTICE KENNEDY: And I suppose there is 9 some system for the government to check to see whether or not this person really has been offering this good, 10 has -- has a track record, because that goes with the 11 12 fair and reasonable price? 13 MR. SAUNDERS: Yes, absolutely. And they 14 can compare, you know, a broad -- when they're doing the 15 market research, they have a lot of flexibility to 16 compare here. The other thing I will say is that there is 17 a broad grant of discretion to the VA in terms of what 18 it requires in the database. So if it finds that it 19 20 needs more information to make this law work up front 21 from the vendors, then it can require that. It can take 22 the effort that it spent resisting the mandate and put 23 it into making the mandate work within its existing --24 JUSTICE BREYER: Is this the case --25 JUSTICE GINSBURG: You mentioned the best

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1	value to the United States is one of the qualifications.
2	I understand fair and reasonable price. But
3	what is offer best value to the United States? What
4	does that add to the fair and reasonable price?
5	MR. SAUNDERS: Well, best value is designed
6	to go beyond price. It's it's really sort of the
7	totality of the circumstances. It lets the government
8	consider quality, its its needs. In this case it
9	would allow it to consider the urgency of a particular
10	procurement.
11	CHIEF JUSTICE ROBERTS: Well, the sort of
12	thing that there will be an awful lot of litigation
13	about, don't you think?
14	MR. SAUNDERS: Against a framework that has
15	been recognized, the discretion you know, there's
16	litigation within an APA framework in terms of arbitrary
17	and capricious review.
18	CHIEF JUSTICE ROBERTS: Well, you're putting
19	a lot more weight on that excuse me on that
20	provision if you prevail on your statutory
21	interpretation argument. And it seems to me that that
22	provision is inevitably going to lead to litigation.
23	How do you tell what's best? It's a combination of
24	price and quality. It's not any absolute that you can
25	identify, and you know, what's fair, what's reasonable.

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1	I I think the businesses that you
2	represent would be litigating those terms it's hard
3	to say almost in every case.
4	MR. SAUNDERS: I given the the
5	standards for making that out, I don't think that you
6	would see rampant litigation in this area in terms of
7	the the squishiness of the time cuts in favor of the
8	government in that sense there.
9	JUSTICE KENNEDY: How do how do we know
10	how to evaluate your answer or the government's position
11	if the government comes and says, oh, this is just
12	unworkable, it's going to be difficult if we've never
13	been involved in government contracting? Are there
14	findings? Are there are there writings in law
15	reviews or what what do we look to, to determine the
16	empirical basis for your argument, or the lack of
17	empirical basis for your argument?
18	MR. SAUNDERS: I think it's looking to
19	JUSTICE KENNEDY: Based on what we think is
20	going to happen?
21	MR. SAUNDERS: Well, no. It's looking to
22	the the authorities that exist on the face of the
23	statute, in terms of look at the simplified acquisition
24	procedures and how streamlined they can be, look at the
25	FSS procedures and how complicated and and they

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1 can be as the dollar values ramp up. 2 JUSTICE GINSBURG: But there is no empirical 3 evidence because this is -- this is a new kind of 4 provision, this mandatory set-aside; isn't that true? So we don't have any -- any logic. We don't have any 5 6 experience at all. 7 MR. SAUNDERS: We -- we don't have direct experience with the mandatory provision like this 8 9 because it's been resisted for a decade and hasn't 10 qone --11 JUSTICE SOTOMAYOR: Hasn't the SBA been 12 using it? 13 MR. SAUNDERS: Well, under the Small 14 Business Act, there were agencies that were doing 15 set-asides, and then it was made explicit that they could do set-asides within the FSS. We also have been 16 17 dealing with situations for many years where you have 18 other preferences outside of the Small Business Act 19 framework in terms of Federal Prison Industries, the 20 AbilityOne Program for the blind and the severely disabled that have always taken precedence over the FSS. 21 22 And it's not proved to be unworkable to give those 23 mandates mandatory effect without going to the FSS. 24 And you know, we've also cited -- you see in our reply briefs -- sources saying -- and we have a 25

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treatise that we've cited -- that's discussed the fact that the simplified acquisition procedures for these low value contracts are just as simple, if not in many ways, simpler.

5 JUSTICE SOTOMAYOR: But you're not talking 6 about just the small value contracts. You want the 7 supply to all contracts, to all orders. So to tell me 8 that it works for the small ones is not answering the 9 questions of my colleagues. How much is it going to 10 complicate the big ones?

MR. SAUNDERS: Well, for the -- for the big ones, the FSS itself is already complicated. It's already ramping up in complexity as the contracts get bigger.

15 And quite frankly, when we get to those bigger dollar figures, the idea that if -- if a small 16 business is going to qualify for a contract that's above 17 \$150,000, that we can't go through the procedures that 18 Congress mandated here, the VA can't even consult its 19 20 own database and see whether there's an eligible supplier before going straight to the FSS I don't think 21 22 holds water in that sense.

And at the end of the day here, we're looking at a mandate that was plain on its face in terms of Congress saying shall award contracts, contracts

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1 being an expansive, all-inclusive term here. And these 2 policy judgments are judgments that Congress made in 3 terms of the administrative feasibility of this when it 4 decided to move away from the failed Small Business Act 5 approach and go to the mandatory approach here. 6 JUSTICE BREYER: That's why I wondered --7 I'm not certain how this works -- that I read the 8 statute. It says, "The department shall award contracts 9 on the basis of competition restricted to veterans. If, 10 if, if. Okay? Well, what wouldn't be awarded according 11 to veterans? I mean, what was surprising to me is that 12 the goal was to have 3 percent awarded to veterans. 13 But if I read this the way you read it, 14 everything will be awarded to veterans. I mean, maybe 15 not literally, but there are millions of veterans. There are probably hundreds of thousands or millions of 16 17 veterans' businesses. So wouldn't everything be awarded 18 to veterans? What wouldn't be? 19 MR. SAUNDERS: No, not -- not at all. 20 JUSTICE BREYER: What wouldn't? That's what 21 I want you to address. 22 MR. SAUNDERS: The vast -- for the -- given 23 the limited number of veteran-owned small businesses 24 that are out there, and --25 JUSTICE BREYER: How many are there?

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MR. SAUNDERS: When -- when Congress was 1 2 going through the legislative history here, it was 3 hearing that maybe 15 percent of businesses. So 4 there --5 JUSTICE BREYER: It may be 15 percent of 6 businesses, but the question is what does the Department 7 of Veterans Affairs buy? And my quess is they buy lots 8 of stuff. They buy household stuff, they buy paper 9 towels, they buy buildings, they buy all kinds of 10 things. And in respect to all the things they buy, if you read this, a contract supplies to everything. I 11 12 guess they'll buy it all from veterans. Now, it's 13 just -- or 90 percent, I don't know. It's very 14 surprising to me that Congress would have wanted the 15 Veterans Administration to buy everything from veterans. 16 Now -- now, that's -- or nearly everything. 17 Now you explain to me -- I must be missing something -- and -- and you explain to me what I'm 18 19 missing. 20 MR. SAUNDERS: First, the -- the fair and 21 reasonable price and best value requirement --22 JUSTICE BREYER: No, no, I understand that. 23 I said they have certain qualifications, of course. Do 24 you think the veterans -- things aren't -- they have

25 reasonable prices. They -- they have -- they're

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1 qualified. They do a fine job. Let's say it's 2 surprising that Congress would have wanted nearly 3 everything to be bought from veterans, that's all. And 4 where am I wrong? 5 MR. SAUNDERS: You're wrong in terms of 6 the -- the natural cap on the limit of businesses that 7 are out there, but where there is a veteran-owned small business that can perform the requirement --8 9 JUSTICE BREYER: I'm not saying they can't 10 perform. 11 MR. SAUNDERS: No, no. I'm saying --12 JUSTICE BREYER: I want you to address what 13 you're calling this natural cap. You're saying to me 14 you're wrong, it doesn't mean everything, it means like 10 percent. Is that what you're saying? Or what --15 16 what are you saying? 17 Explain what it is. I read it. I thought it's everything. Now you explain why it isn't 18 everything or nearly everything. I mean, if you're not 19 20 a veteran, Congress wouldn't normally say you don't get a leq up, but to shut you out entirely? I mean, 21 22 that's -- that's just my problem that I want you to 23 explain. 24 MR. SAUNDERS: It's -- it is everything, all the contracts for which there is a veteran-owned small 25

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1 business that can supply --2 JUSTICE BREYER: Are you saying Congress 3 want -- just wanted everything that veterans can supply 4 to be supplied by veterans? And if I say, is that everything, it's not 90 -- it's not a hundred percent, 5 6 probably not 99 percent, but it might be 80 percent. I 7 mean, I'm guessing. You tell me. You're the expert. What percent is it when you win? 8 9 MR. SAUNDERS: When I win I don't think 10 we're going to be talking about numbers that high. 11 Congress in the legislative history was talking about 15 12 percent of the --13 JUSTICE KENNEDY: I thought your answer 14 would be a hundred percent. 15 MR. SAUNDERS: I'm just saying as a 16 practical matter. In terms of what Congress --17 JUSTICE SOTOMAYOR: What's the --18 JUSTICE KENNEDY: What is your answer to Justice Breyer? A hundred percent provided the 19 20 statutory requirements are satisfied? 21 MR. SAUNDERS: Yes; that is correct. When 22 there is a business --23 JUSTICE KENNEDY: And we know how many 24 businesses there are because they registered under a special procedure. 25

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1 MR. SAUNDERS: Right. And so when there is 2 the business that's available, yes, it should be getting 3 all those opportunities. That's exactly what 4 Congress --5 JUSTICE KAGAN: Well, what Justice -- what 6 -- Justice Breyer raised a question about the way this statute is worded because it says, "For purposes of 7 8 meeting the goals." And the goals are very low; the 9 goals are 3 percent. 10 So it seems odd for a statute to say for persons of meeting a 3-percent goal, you should do the 11 12 following, which will lead to 90 percent. 13 MR. SAUNDERS: Well, a few points, Justice 14 Kagan. First, the 3-percent goal was the 15 government-wide goal under the Small Business Act. This 16 provision for service-disabled veterans requires the VA 17 to set a higher goal. 18 JUSTICE KAGAN: How high? 19 MR. SAUNDERS: It doesn't -- it doesn't 20 require the specific number. It has to be higher than 21 3 percent. And we're talking about --22 JUSTICE KAGAN: That could be four percent. 23 MR. SAUNDERS: It -- it could be, but we're 24 talking about a period in time when there have been goals since 1999, discretionary authority since 2003. 25

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1 And as of 2005, the government's progress towards its 2 3-percent goal was .6, six-tenths of 1 percent. 3 JUSTICE KAGAN: No, it sounds like the 4 government did very badly in meeting its goals. And you 5 can understand why Congress would have done something to 6 say the government -- and specifically the VA -- has to 7 do a lot better toward meeting its goals. 8 But the goals are still, you know, pretty 9 far down compared to what Justice Breyer was indicating is the natural tendency of this system that you're 10 describing to produce -- you know, almost everything is 11 12 given to a veteran. 13 MR. SAUNDERS: Well, where there is a veteran that's eligible. But even at the time that this 14 15 was done, the goals had always been a 3 percent government-wide goal. Individual agencies were required 16 17 to set their goals based on the maximum practical opportunity, and so even at the time going into this, 18 19 the VA had already set a higher goal. I believe it was 20 7 percent. 21 The goals that it had set under the statute 22 have been even higher than that. And the answer is, 23 yes, the government was expecting the VA -- this to be 24 an important mandate for the VA because this was tied to 25 the VA's unique obligation to help veteran-owned small

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businesses rather than setting up --1 2 CHIEF JUSTICE ROBERTS: You -- you mentioned 3 that the -- you've mentioned several times, I think, 4 that there has to be a veterans -- veteran-owned business that's eligible as -- as -- but don't you think 5 6 there will be a lot more veteran-owned businesses if you 7 prevail? In other words, if everything is open to the preference, as long as there is, you know, two that get 8 9 the preference, don't you think a lot more veterans -won't it make a lot more sense for them to go into 10 11 business rather than some other line of work? 12 MR. SAUNDERS: It may well be. And Congress 13 would think that's fantastic. We're --14 CHIEF JUSTICE ROBERTS: Well, you shouldn't 15 be telling us that the limitation is that there's only 16 so many veteran-owned businesses, because if you 17 prevail, there will be many times that. 18 MR. SAUNDERS: Yeah. And there could be, 19 and then that -- you know, this was enacted at a time in 20 2006 where we were facing incredible unemployment rate among veterans. And so if this is encouraging formation 21 22 of more veteran-owned small businesses --23 JUSTICE BREYER: I see many good things. 24 People would enlist in the Armed Forces. They would have careers assured after. It just still surprises me, 25

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but my question is not really aimed at you. It's aimed at the other side, and you would have a chance to answer this question.

4 I can understand. I accept your argument, 5 I don't know why there would be any pretty much. 6 exception to the SS -- the FSS, or whatever it's called. 7 But I was rather stopped by the lower 8 court's argument which they have given up, which is that 9 right in the statute, not in a preference, but right in the statute it says, "For purposes of meeting the 10 goals," under Section A. That, I understand. 11 12 And then what you do is you'd have goals; 13 they should be tough goals, and -- and if you're way 14 ahead of the goals, then maybe you don't have to do it. 15 That was their argument. The government's given that

16 up.

So -- so I don't know what to do. I mean, I'm going to ask them for help --

19 MR. SAUNDERS: But --

JUSTICE BREYER: -- and then -- the same --MR. SAUNDERS: The government has given that up because the stated purpose of setting those goals was to increase contracting opportunities. And the House report here was referring to tools to meet, if not exceed, its contracting goals. The goals were never

1 intended to be ceilings here. And if, in retrospect, it 2 seems like there might be some mismatch between the 3 mandate and the goals, you have to remember that at this 4 time they were so far from meeting even the more modest 5 goals that Congress was thinking of this in mandatory 6 terms: We have to do everything we can here to ramp up 7 this obligation, because the old approaches, the 8 discretionary approaches aren't working.

9 And the idea that in doing that they would, 10 without saying anything to that effect in the statute, 11 leave an enormous loophole that lets the agency take up 12 to 60 percent of its procurements off the top and just 13 send them straight to the FSS doesn't jive, especially 14 when you remember that at the time that the agency was 15 missing its goals, those contracting goals counted not 16 just open market contracts, but FSS orders were being 17 counted. When the government was doing .6 against the 3 percent goal, that was both on the open market and on 18 the FSS. Congress was worried about that failure across 19 20 the board and enacted a mandatory provision.

21 CHIEF JUSTICE ROBERTS: Thank you, counsel.22 Mr. Tripp.

23 ORAL ARGUMENT OF ZACHARY D. TRIPP

24 ON BEHALF OF THE RESPONDENT

25 MR. TRIPP: Mr. Chief Justice, and may it

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1 please the Court:

2 The mandate here applies when the VA awards 3 wholly new contracts, not when it places orders under 4 old ones.

JUSTICE GINSBURG: Mr. Tripp, would you preliminarily explain why the government walked away from what was a winning position in the Federal circuit? I mean, it's really odd. I read the Federal circuit decision, and I expected to open the government brief and say, yeah, the Federal circuit was right.

11 You're telling us the Federal circuit was 12 wrong.

13 MR. TRIPP: I guess -- about the Federal 14 circuit's position, we think the Federal circuit's 15 rationale is right, so far as it goes, but that it's 16 incomplete. And so the Federal circuit has a complete 17 answer for why Petitioner's sort of maximalist position is wrong, which is that if -- if this mandate applies in 18 100 percent of procurements, then the secretary's 19 20 discretion to set goals is pretty much wiped out, and it's hard to even talk about them as goals at all. But 21 22 the fact that there needs to be discretion somewhere in 23 this scheme doesn't really answer where the discretion 24 needs to exist.

25 And the distinction that we're drawing --

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1 first, I want to be clear about the distinction that 2 we're drawing. We're not saying that when you place an 3 order under a preexisting contract that that's not a 4 kind of contract; of course it is. We say that outright 5 in our brief. What we're saying is that when Congress 6 establishes a procedure that applies when an agency, 7 quote, awards contracts, that's naturally read to refer 8 to awarding wholly new contracts, not placing orders 9 under old ones.

JUSTICE ALITO: Your answer to Justice Ginsburg is that the Federal circuit was actually right even though you disagree with its reasoning. And isn't the real answer to -- is the real answer to this question that the -- the VA regulations don't say anything about goals?

MR. TRIPP: But it's not only that the VA 16 17 regulations don't say anything about goals. It's that the VA's regulations map up perfectly with the argument 18 that we're -- we're pressing here, which is 19 20 that this is a mandate that we apply in 100 percent of procurements when we are awarding a wholly new contract. 21 22 We do it every single time under the regulations, but 23 those regulations never even come up. You never --24 like, a contracting officer doesn't begin a procurement 25 by turning to part 819.70 of the -- of the FAR. There's

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1 like a 5,000-page document, right? 2 They can open up, march their way through, 3 place an FSS order under part -- part 8. And when you 4 place an order under a preexisting contract, the FAR is 5 crystal clear that you do not consider set-aside 6 requirements. 7 JUSTICE SOTOMAYOR: I don't quite --8 MR. TRIPP: And so the argument we're 9 advancing here is foursquare with the way our 10 regulations actually work and what our practices have been on the ground since 2009. 11 12 JUSTICE SOTOMAYOR: So why is it that you 13 call these order -- order contracts? I look at --14 MR. TRIPP: Pardon? 15 JUSTICE SOTOMAYOR: I look at your history, 16 and you, yourself, the government itself, calls these orders order contracts. 17 18 MR. TRIPP: An order is a kind of contract, you know, under the --19 20 JUSTICE SOTOMAYOR: It's not a kind. It is 21 a contract. 22 MR. TRIPP: Yeah. Yeah, it's a contract 23 under the --24 JUSTICE SOTOMAYOR: So tell me what kind of contract do you have, absent the order with the FSS 25

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vendor?

2 MR. TRIPP: Oh, under the FSS, there's 3 already a government contract between the United States 4 and the vendor to supply an indefinite quantity of -- of 5 a certain category of products or services. And so 6 we're placing an order under those preexisting 7 contracts. JUSTICE SOTOMAYOR: How difficult is it for 8 9 you to take the database that you have with respect to what are veteran-owned businesses. Take that database, 10 11 look at it, look at what it is you need, a stapler, and 12 see if -- how many vendors on that list supply staplers, 13 and then check that against the FSS? 14 MR. TRIPP: It -- it --JUSTICE SOTOMAYOR: If there's no veteran 15 16 that matches the FSS list, then you go to the FSS. 17 What's the problem with that --18 MR. TRIPP: If I could take a step back and 19 explain why this is so important to the VA. 20 The thing that we're most troubled by is that Petitioner's position would block us from being 21 22 able to place orders under preexisting contracts. The 23 whole point of the contract --24 JUSTICE SOTOMAYOR: No. You didn't listen 25 to me.

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1	You go to your veteran-owned list; you're
2	looking for staplers. You find five veteran-owned
3	businesses on your list that sell staplers, but you want
4	to you need an FSS supplier, because you don't want
5	to negotiate a new contract. You don't want to do all
6	that hard work. You check whether there are two or more
7	of those five on the FSS list.
8	MR. TRIPP: All right. So you're saying if
9	we were going to use the Rule of Two to choose among FSS
10	vendors who are already qualified
11	JUSTICE SOTOMAYOR: Exactly. Exactly.
12	MR. TRIPP: the first point about that is
13	that Petitioner would lose. They are not a qualified
14	vendor.
15	JUSTICE SOTOMAYOR: I don't care about the
16	merits of whether it wins or loses. I'm talking about
17	the legal issue.
18	What is so difficult about that?
19	MR. TRIPP: Yeah. A couple points about
20	that.
21	The that would significantly narrow our
22	practical concerns. Our practical concerns are mostly
23	driven by by by the interpretation that we would
24	not be able to place orders under preexisting contracts
25	at all. We do this 85,000 times a year.

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1 JUSTICE SOTOMAYOR: I don't -- I don't --2 MR. TRIPP: You know, this is very important 3 to us. And so in our -- our first position about that 4 is that we just don't think that Congress did that. 5 This statute is materially identical in its wording to 6 five earlier statutes, none of which have ever been 7 interpreted that way. When Congress wanted to address 8 this --9 JUSTICE SOTOMAYOR: Except the FBA has 10 interpreted this contrary to you; so has the GAO. 11 MR. TRIPP: The FBA -- the FBA took that 12 position, and the FAR counsel, which represents the

entire procurement policy of a broad, pan-executive branch procurement agency, rejected it. So it said that it was going to be unworkable, and that it was unclear whether it would offer us a --

17 JUSTICE KAGAN: Mr. Tripp, I guess I'm not sure I understand. I mean, I understand your policy 18 concerns and -- and the way you think this will damage 19 20 procurement practices. But the statute just seems 21 pretty clear. Once you say that this is a contract, 22 what you've said in your brief and right now. And once 23 you say that, it just -- the statute says, "A 24 contracting officer of the department shall award contracts on the basis of competition restricted to 25

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1 veterans' small businesses." So that seems to kind of 2 answer the case, whatever the policy identifications 3 are. MR. TRIPP: Well, I -- I think the basic 4 5 problem with that is if you take that sort of -- just 6 like sort of 1L understanding of contract and -- and blow it through --7 8 JUSTICE KAGAN: Well, it's your own 9 understanding of contract. You just said this is --10 MR. TRIPP: No, no. 11 JUSTICE KAGAN: -- contract. 12 MR. TRIPP: But -- but the problem is that 13 there's many Federal procurement statutes that apply 14 when the -- when the Federal government, quote, "awards 15 contracts." That's what five prior small business 16 contracting preference statutes say. They apply when 17 there are either awards contracts, award contract opportunities, or reserves contracts. And -- and the 18 two most basic statutes in the area --19 20 JUSTICE KAGAN: But as I understand it, all of those contracts have a "may" in there. 21 22 MR. TRIPP: No. Two of them --23 JUSTICE KAGAN: Or almost all of them do. 24 MR. TRIPP: Well, one of them has always had a "shall." One had "shall for 13 years." But if I 25

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1 could get to another --2 JUSTICE KAGAN: Yeah, but -- but most of 3 them have a "may." But here you have -- and -- and the 4 "shall"s, the one or two that there are, have really 5 never been adjudicated by -- certainly by this Court. 6 MR. TRIPP: Right. 7 JUSTICE KAGAN: So the question is, well, 8 there we are. We are, you know, for the first time 9 deciding what this language means, and this language means that you shall award contracts on the basis of 10 this restricted competition. And you say this is a 11 12 contract, so you know, end of case. 13 MR. TRIPP: Well, so a couple points. 14 The -- the very basic statutes that govern sealed 15 bidding and negotiated bidding, the most heavyweight 16 procedures for awarding a new contract, they both say 17 that the government shall award a contract under those procedures. And if you extend those to the FSS, that 18 would totally break. 19 20 The whole point of entering into these kinds of contracts upfront is that you don't have to do that 21 22 again and again. And when a local VA hospital needs to 23 order like stents or wheelchairs or an ultrasound 24 machine --25 JUSTICE SOTOMAYOR: But I don't understand

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1 your policy argument. Why is it so tough for you to --2 to get those things from an FSS -- from an FSS vendor if 3 it's a veteran? I mean --MR. TRIPP: Well, I mean, we often do. 4 5 We're -- we're currently --6 JUSTICE SOTOMAYOR: This year --7 MR. TRIPP: We're currently exceeding our 8 goals on -- if you look only at our FSS spending at --9 JUSTICE KENNEDY: But the question -- I 10 think the question is, it's -- it's a matter of just --11 MR. TRIPP: Yeah. 12 JUSTICE KENNEDY: -- pushing a second button 13 on the computer. 14 MR. TRIPP: No, it's not. It's --15 JUSTICE KENNEDY: First of all, I want to 16 see what -- what's the FSS -- FSS, and then I want to 17 see if there are any veterans-owned businesses that provide that service or that product on the FSS. push 18 two buttons. That's it. 19 MR. TRIPP: Yeah. I think that -- the 20 practical, sort of, front end of how difficult -- if we 21 22 are -- if we're talking about using the Rule of Two to 23 choose among qualified FSS vendors, how difficult is it 24 to do that, the upfront cost is not that big. The -the bigger concern, practical concern that we would have 25

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1	is the litigation risk that that would expose.
2	Right now, our choice of whether to do a
3	set-aside when choosing among FSS vendors, that is
4	committed to agency discretion by law because when
5	Congress addressed this point head-on in 644(r), it said
6	that agencies may, at their discretion, do this.
7	But if suddenly the Rule of Two applies in
8	every case, then in every case a disappointed bidder can
9	come in and say, oh, no, you've misapplied the Rule of
10	Two. You should have thought that they
11	CHIEF JUSTICE ROBERTS: Well, in every case
12	there has to be we're dealing with small
13	veteran-owned small businesses. The examples you gave,
14	stents, wheelchairs, ultrasound machines, are there many
15	small businesses that provide ultrasound machines?
16	MR. TRIPP: I guess I I don't know about
17	ultrasound machines, but we've bought things like
18	CHIEF JUSTICE ROBERTS: There are expensive,
19	big things that you expect you have to be a big company
20	to provide, like an ultrasound machine, or you mentioned
21	stents.
22	Now maybe if they're commodities, then to
23	provide fair price and best value, it also would help to
24	be a big business as opposed to a small business. Let
25	me I I can't imagine the small business is going

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to make a stent that is going to be at the same price 1 2 and same quality as some --3 MR. TRIPP: No, but we do a lot of --4 CHIEF JUSTICE ROBERTS: -- pharmaceutical 5 company. 6 MR. TRIPP: I mean, 13 percent of our FSS 7 dollars go to small businesses, and a lot of it are for things like professional staffing, right? So we hire 8 9 temporary nurses and psychiatrists, cardiologists, things like that, through --10 11 CHIEF JUSTICE ROBERTS: 13 percent of your 12 acquisitions? 13 MR. TRIPP: Of our FSS -- when we're 14 spending on the FSS, 13 --15 CHIEF JUSTICE ROBERTS: Okay. So I should discount your parade of horribles argument by 87 16 percent. It's really not as horrible as it sounds. 17 18 MR. TRIPP: Our concern isn't placing an 19 order. We're happy -- we're happy. One of our --20 we're -- we're -- like this statute has had enormous effect on our procurement. We're happy to help 21 22 veteran-owned small businesses, but it's only one of our 23 priorities, right? Our number one agency priority is 24 caring for veterans. 25 And so our concern is that if you -- if you

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1 apply this with this wooden mandate across the board in 2 every case, that it would seriously impair our ability 3 to deliver the quality care that we're trying to 4 deliver. 5 JUSTICE BREYER: Is this the case? Do I 6 understand this? Am I -- there are three parts to this. 7 Question one in my mind, is it the case that they lose 8 because the agency does not have to apply veterans only 9 where they way exceeded their goal? 10 The answer to that in the opinion would say, 11 we do not reach that guestion for there are no 12 regulations that suggest that the agency has tried to 13 take that approach. Am I right so far? 14 MR. TRIPP: That has tried to take the 15 approach of saying that we drop it if we're way over --16 JUSTICE KENNEDY: Correct. 17 MR. TRIPP: Yeah, right. Okay. 18 JUSTICE BREYER: All right. Then we reach 19 question two, left one open. 20 Question 2 is do they have to choose the Rule of Two in the FSS? And there are two parts to 21 22 that. The first part is suppose two veterans qualified 23 are already on the FSS list. And there we might say, 24 yes, you do in respect to them. Or we might say, no, you don't. But if we say yes, you do, at least we 25

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1 don't, in your opinion, wreck the system. All right. 2 Then we get to Step 3. There is no veteran on the FSS. Now what do we do? And there your argument 3 4 is that, look, everyone on the FSS is a person who has 5 entered into a contract, which contract says that when 6 called upon for further supply, they will give it. Am I 7 right? 8 MR. TRIPP: Yes. 9 JUSTICE BREYER: So, therefore, it is that 10 contract, not the contract within the contract that 11 they're talking about. And were we to say the contrary, 12 we would have to take an architect who has 40,000 pages 13 of things he's going to do, and we change the sentence 14 on page 389 to read 300 rather than 400, and we say 15 that's a new contract, or something like that. I'm 16 trying to make an argument for you. It's not a contract within a contract, it is contract to which this refer. 17 18 Am I way off base or is that what you're trying to say? 19 MR. TRIPP: I think that's --JUSTICE BREYER: And don't just say it is 20 21 because you think I'd agree with it, please. 22 (Laughter.) MR. TRIPP: I -- I don't think that's 23 24 exactly what we're trying to say. And -- and it's a 25 little hard to know --

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1 JUSTICE BREYER: All right. Well, if it 2 isn't that, look, these people on the FSS list have 3 already entered into a contract, this is just 4 implementing the contract that they've already entered 5 into. If you're not saying that, then how in heaven's 6 name do you get out of his argument? 7 MR. TRIPP: We're saying that when we place 8 an order under a preexisting contract, that that is not 9 awarding a new -- awarding a contract within the meaning 10 of these procurement statutes. 11 There have been -- I -- I really do want to 12 emphasize the historical context that's built up over 13 decades about the understanding of this phrase, 14 "throughout Federal procurement law," right? There's five prior statutes on exactly this same subject, and 15 16 every one of them has been interpreted by the FAR to be 17 categorically inapplicable when placing orders under 18 preexisting contracts. 19 And the -- one of the things that's very 20 troubling about their position is that if you say, well, 21 we want to read a lot into this special provision, 22 8127(d), it was intended to help veterans, but there's 23 nothing special about the language. It's almost 24 identical to the language of the HUBZone preference that 25 was in place from 1997 to 2000 that had -- that had --

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1 sorry, 1997 to 2010 that had exactly the same shall 2 award a contract opportunity. I mean, it was very 3 powerful. And that the whole -- the whole time since 4 1978, Congress has had a provision in place saying that 5 each contract in a small dollar range shall be reserved 6 exclusively for -- for small businesses. 7 And if you --8 JUSTICE GINSBURG: Mr. Tripp, this is an --9 an overarching problem. The -- the argument which you 10 state very well is very complex. The Federal circuit had a really simple take on it, and all of these 11 12 regulations and provisions that you are mentioning 13 didn't figure at all in -- in the Federal circuit's 14 opinion. So you're putting us in the position of being a court of first view in a rather dense area. This --15 16 this Court usually doesn't do that. It likes to know what --17 MR. TRIPP: Right. 18 19 JUSTICE GINSBURG: -- other judges have 20 thought about it. 21 MR. TRIPP: Yes, I -- and I -- I totally 22 understand that concern. And, you know, obviously, our 23 first-line position is that we're right for the reasons 24 that we say in our brief. This traces through all of the Federal procurement statutes. It wouldn't upset 25

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1 the -- the way things work in this area of the law, and 2 we think we're also entitled to Chevron deference. And 3 for that reason, we think you could affirm. 4 But we also said in your mootness briefing 5 that we think it would be fair to send this back to the 6 lower courts to consider these arguments in the first 7 instance --8 CHIEF JUSTICE ROBERTS: Consider --9 MR. TRIPP: -- we -- we recognize that. 10 CHIEF JUSTICE ROBERTS: Consider the 11 argument, or consider mootness? 12 MR. TRIPP: Consider both. But --13 JUSTICE KENNEDY: What -- what factors does 14 the secretary look to when the secretary sets goals? 15 Because I'm going back to the argument about for 16 purposes of meeting the goals. 17 MR. TRIPP: I mean, the --18 JUSTICE KENNEDY: What -- what -- what 19 standards does the Congress impose on the secretary when 20 the secretary sets the goals? 21 MR. TRIPP: It -- it -- the goals are 22 committed to his discretion, except for that the goal --23 the minimum goal needs to be at least 3 percent. The 24 goals since the statute has gone into effect have been in the range of 10 percent and 12 percent. And I want 25

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1 to emphasize the --2 JUSTICE KENNEDY: What does he --3 MR. TRIPP: -- the night-and-day impact. 4 JUSTICE KENNEDY: What does he consider in 5 deciding whether to go 5, 10, 15? The risk of 6 litigation? The higher the goal is? Or --7 MR. TRIPP: No, I -- no, I think -- I guess, 8 I -- I would -- I would have to -- to speculate on that, 9 but I think it's more the sort of practical reality of 10 what seems like a -- a goal, something that we could push forward that's attainable, but -- but not 11 12 unrealistic. And -- and I --13 JUSTICE KENNEDY: Well, if the discretion is 14 that broad, then it seems to me that maybe the Federal 15 circuit was wrong, that these goals are simply 16 aspirational. But that doesn't have any real effect on 17 the operation of the statute. MR. TRIPP: Well, they have a huge impact on 18 19 the way that we actually procure, right? 20 This has had -- I mean, the statute --21 before the statute was enacted, we were falling short of 22 even the 3 percent goal. Now the goals are in the range 23 of 10 to 12 -- 10 to 12 percent, and in most years we're 24 crushing these goals, right? We're beating them, even on the FSS, where we're -- we're not applying the Rule 25

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1 of Two.

2	But we're doing two other very important
3	things for veterans. We put a thumb on the scale when
4	we're considering offers that were submitted within the
5	FSS by veterans. And we also do set-asides under
6	644(r), the statute where Congress spoke very directly
7	to this and said that we may, at our discretion, set
8	aside orders placed against multiple-award schedule
9	contracts. We do those set-asides, and the and the
10	results have been very dramatic.
11	CHIEF JUSTICE ROBERTS: When I'm sorry.
12	When you say you're crushing the goals, that means
13	you're meeting them?
14	(Laughter.)
15	MR. TRIPP: We're sorry. Sorry.
16	We're we're far exceeding them. In in
17	many years we're we're nearly doubling them. And I
18	think this is something that we we have this has
19	had a huge impact on on our operations. I think we
20	think it's had a big impact on the veterans' community.
21	But the the our concern is that if you
22	take this sort of mechanical Rule of Two and apply it,
23	especially in the sort of the blocking interpretation
24	that Petitioner has been been pressing, that we would
25	not be able to place an order at all.

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1	JUSTICE SOTOMAYOR: Could you please
2	JUSTICE ALITO: Could you explain
3	JUSTICE SOTOMAYOR: explain to me
4	JUSTICE ALITO: Could you could you
5	explain why the FS use of the FSS was important with
6	respect to this particular contract? You provide
7	examples of the VA's ordering standard commodities like
8	a stent, or pencils, or something like that. But this
9	was my understanding maybe this is not right
10	this was a custom service that you were seeking, and
11	MR. TRIPP: Yes.
12	JUSTICE ALITO: what you did was to
13	solicit a quote from a single contractor.
14	So how does that fit in with the arguments
15	you're making about the need to use the FSS?
16	MR. TRIPP: It it sort of two things
17	about this. The the this is a somewhat unusual
18	bid because there there is not explanation in the
19	record because because this case was just litigated
20	on the agreed facts about the procedure.
21	The much more common the the VA orders
22	a lot of services on the FSS. It's like one of the
23	major ways that people that agencies purchase
24	services. And the the standard way of doing it,
25	it's it's you know, it's not like Amazon.com, but

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you can go on to a website, drill down, see all the vendors who -- who are already prequalified to provide that kind of service. And the standard way that you would do this is that you would request -- request quotes from at least three of them, and then consider them when they come in.

And when you request -- request the quote from them, even if you request it from three or four of them, every vendor on the schedule who is preapproved will -- will see that it's open and can submit an offer, and then -- and then the -- the agency would consider all the offers that were given to it, and it picks the one that offers the best value.

14 So that's how it would work if we were doing 15 something like hiring a temporary psychiatrist at a --16 at a new -- at a new -- expanding a medical center in 17 Des Moines or something.

JUSTICE KAGAN: One of the amicus briefs suggests that the VA is now doing increasingly complex procurements by way of the FSS. That we have it in our heads that this is all about, you know, staples and paperclips, but that, in fact, the FSS is being used to do things that would previously have been done on the open market.

25

MR. TRIPP: I -- I -- I -- well, first, I

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1 want to emphasize that the VA's primary use of this, 2 again -- this is not -- I'm not talking about staples 3 and paperclips. We're talking about, you know, the --4 the medical-related stuff, the, you know, wheelchairs, 5 stents, all that -- temporary staffing services. 6 But yes, a lot of the FSS -- even for more 7 complex procurement, the FSS is still substantially easier. And the FSS, you tend to already be sort of 8 9 aggregating the government's buying power. And so the pricing is -- the idea of the -- of the FSS is that it's 10 11 both easier to do and that the price will ordinarily be 12 lower. 13 And so -- I mean, the -- the agency wouldn't 14 be going into the FSS if the agency didn't think that 15 that was the -- the best approach. And in fact, whenever the procurement is over half a million dollars, 16 17 I believe, the FAR requires the contracting officer to 18 make an affirmative, express determination on exactly 19 that point: That -- that going through the FSS is going 20 to provide the best value for us overall. 21 And I -- and just to respond to Petitioner's 22 effort to put a lot of weight onto the best-value 23 language in the -- in the Rule of Two, I'm a little 24 confused by that because -- exactly because when -whenever the agency is placing an order under the FSS, 25

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1 under the FAR, that -- that the -- the contracting 2 officer is making a determination that that order is the 3 best value. So I -- I guess I just -- I -- I feel like 4 that -- that may just collapse on its own weight. I 5 don't -- I don't quite understand where that argument 6 goes. 7 JUSTICE KAGAN: Mr. Tripp, can -- can I ask, what effect would this statute really have on your view? 8 As I understand it, the government does have to use the 9 10 Rule of Two on all open-market purchases; is that right? 11 MR. TRIPP: Under the statute, our regulations implemented it, yes. 12 13 JUSTICE KAGAN: Above, like, a very low 14 threshold? Is it 3,500, something like that? 15 MR. TRIPP: Yes. Right, right. 16 JUSTICE KAGAN: So -- so if you're right, 17 what did this statute actually accomplish? In other words, you already have to use the Rule of Two for 18 open-market purchases, or almost all of them. 19 20 MR. TRIPP: Oh, right. 21 JUSTICE KAGAN: What does the statute do? 22 MR. TRIPP: Yes. It -- so 8127(d) has a --23 has a huge effect, because under the -- just the -- sort 24 of the regular FAR, you just have to do a set-aside for small businesses, right? That's -- that's sort of norm 25

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under the -- under the Rule of Two. 1 2 But under 8127(d), this required to -- to 3 restrict competition only to veteran-owned small 4 businesses who are in our database. So this is a far 5 more --6 JUSTICE KENNEDY: Who --7 MR. TRIPP: Only in our -- who are verified as veteran-owned in our database. 8 9 So this is a far more powerful preference 10 than the -- than -- than the ordinary preference in --11 in the FAR, or even when you take that and you couple it 12 with section 8128, which they mention in the brief, 13 which gets at, again, just sort of putting a -- a bit of 14 a thumb on the scale. Restricting competition is a very 15 powerful thing, and it has a huge effect. 16 So again, I think, I just want to emphasize 17 at -- at closing that our -- our major concern is with Petitioner's sort of blocking interpretation that would 18 prevent us from -- from placing orders at all, even when 19 20 we have them in place, and even when we could place orders with another veteran-owned small business. 21 22 JUSTICE SOTOMAYOR: And you still haven't 23 answered my question fully. 24 If we limit that to preexisting orders where there is two or more veterans --25

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1 MR. TRIPP: Yes. And I -- and -- and --2 JUSTICE SOTOMAYOR: -- on the same practical 3 consequences. 4 MR. TRIPP: The -- the practical 5 consequences are much narrower. I have -- but I have a 6 lot of trouble seeing how you limit that to this statute 7 when the language of this statute is materially 8 identical to --9 JUSTICE SOTOMAYOR: Like we limit everything 10 else. Once we say what we think, Congress then decides 11 what it's going to do in the future. 12 MR. TRIPP: Are -- are they --13 JUSTICE SOTOMAYOR: Right now, there are no 14 statutes like that. 15 MR. TRIPP: No, no, no. There is -- there 16 is five others on -- on the exact subject of 17 small-business contracting preferences, and especially 644(j), which applies across the government and says 18 that each contract --19 20 JUSTICE SOTOMAYOR: The Small Business Administration has read it the way Kingdomware --21 22 MR. TRIPP: No, that -- but that was 23 decisively rejected by the FAR counsel, the 24 government-wide body that considered this. They said it was unworkable, and it was unclear that it was going to 25

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1 have a significant upside. Congress responded to the 2 FAR council by enacting 644(r) and establishing a 3 procedure to do that, but making it discretionary in all 4 cases. 5 And if you extend the Rule of Two mandate 6 there, first of all, it would expose us to lots of 7 litigation. But I -- I -- again, I don't see how you restrict that to this statute and not all the other 8 9 ones. JUSTICE KENNEDY: Do -- do you know what 10 11 proportion of the VA's annual purchases are under the 12 FSS? 13 MR. TRIPP: By dollar? 14 JUSTICE KENNEDY: Yes. Is it 5 percent, 15 or --MR. TRIPP: I think it's about 20 percent. 16 17 JUSTICE KENNEDY: 20? 18 MR. TRIPP: About 20 percent, yes. 19 JUSTICE GINSBURG: What was the 60 percent? 20 There was a 60 percent figure. 21 MR. TRIPP: The -- the 60 percent is by 22 transaction volume. You know, a lot of the FSS orders 23 tend to be relatively small dollar order. So there's a 24 lot more of them, but they don't add up to as many 25 dollars.

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1	JUSTICE KENNEDY: I see.
2	JUSTICE KAGAN: What are the kinds of things
3	that aren't done under the FSS? Like, what's the
4	remaining 80?
5	MR. TRIPP: Well, you know, a big part of
6	that are orders that we do under other contracts. So
7	so, right, we spend \$4 billion a year ordering
8	pharmaceuticals under a preexisting contract. And I
9	mean, if we couldn't do that, that would be really,
10	really devastating to our just basic operations.
11	CHIEF JUSTICE ROBERTS: Well, how do you
12	know how many veteran-owned businesses would be able to
13	offer the best value on pharmaceuticals to the VA?
14	MR. TRIPP: No. What I'm what I'm
15	if I think actually if the question is just, you
16	know, to if if a small business needed to deliver
17	some penicillin to a a local hospital for an
18	individual order by a local hospital, I don't know,
19	maybe a veteran-owned small business could do that.
20	What we've done is to is as
21	actually, as Congress directed us in Section 8125, they
22	required us to buy these things on national contracts or
23	on the FSS, and so that's what we've done. And so we
24	strategically source all of our pharmaceutical
25	purchases, or almost all of them, through this one

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1 contract where we can get them in a matter of minutes. 2 We can place the order and we can get it delivered the 3 next day. 4 If there's no further questions. 5 CHIEF JUSTICE ROBERTS: Thank you, counsel. 6 Mr. Saunders, four minutes. 7 MR. SAUNDERS: Thank you. REBUTTAL ARGUMENT OF THOMAS G. SAUNDERS 8 9 ON BEHALF OF THE PETITIONER 10 MR. SAUNDERS: Thank you. 11 This case should begin and end for this 12 Court with the concession that in the ordinary sense of 13 the term, an order under the FSS is a contract. 14 Congress chose sweeping language here in acting its 15 mandate, and that language encompasses FSS orders. And 16 to the extent there are, you know, changes that would 17 need to be made or other policy considerations, those 18 can be made by Congress in the future. But the policy 19 consideration it made is -- is embodied in the statutory 20 language it chose. 21 Now, the idea that we're going to come back 22 and limit this based on a specialized meaning of the 23 word "contract," we should remember that that argument 24 is not one that appeared in this case until the 25 government's merits brief in this Court.

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1	If it's a settled background interpretation
2	that that Congress was incorporating that limitation
3	into the Act, you think it would have occurred to them
4	in the last decade, the carve-outs for the Small
5	Business Act exceptions were never justified based on
6	providing a narrower meaning of the word "contract," and
7	on their face were expressly limited to the Small
8	Business Act, the provision that applied to part 19 of
9	the FAR implementing the Small Business Act.
10	Well, to the extent there's an exception for
11	the Small Business Act, well, Congress came in here is
12	it rejected the Small Business Act approach. Rather
13	than continuing to tinker within the framework of the
14	Small Business Act where this exception applied, it said
15	we're taking this mandate out of the Small Business Act,
16	we're going to narrow it, it's not going to be a
17	government-wide mandate, but we're going to apply it
18	specifically to the VA in light of its unique
19	obligations and set the VA up as the driver of
20	procurement in this area; have it set the example for
21	the rest of the government.
22	Congress was making balancing these
23	policy considerations. It wasn't going to be blundering
24	into something that was administratively unworkable.
25	And if you the dire consequences that we're hearing

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today really stood any chance of coming to pass, I don't think that you would have the American Legion, the Iraq and Afghanistan veterans, 41 members of Congress, who care deeply about veterans issues, supporting Kingdomware's position in this case.

6 The reality is if the government's only 7 doing 20 percent of its procurements from FSS, you're 8 already talking about a broad mandate. And then with 9 respect to those existing ones, you have to have a 10 business that is eligible, it has to appear in the 11 database, and it has to be able to offer a fair and 12 reasonable price and best value.

13 And as the -- the Chief Justice discussed 14 for some of these big order commodity contracts, that 15 it's going to be a difficult fight for the -- for the drugs that are being offered here, there's a statutory 16 17 provision that says that the government acquires its 18 drugs at 76 percent of the average price that wholesalers pay to the manufacturers. So take the 19 20 average price that anyone else in the world can get from the manufacturer and do a big discount on top of that. 21 22 Those are tough terms to beat.

And so I think that there's going to be -you know, the reality here is not the dire consequences that you're seeing, and the policy judgment is for

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Congress. And believe me, if anything in this mandate
 enforced as written is going to hurt veterans in any
 way, then you can expect Congress will act swiftly to
 correct that problem.

5 But none of this supports the sweeping 6 carve-out that the government is saying that it doesn't 7 even have to look at its own database. It doesn't have 8 to consider a single veteran-owned small business, no 9 matter how competitive it would be, because it can go 10 straight to the Federal suppliers.

JUSTICE KENNEDY: What response do you have to judge -- Justice Ginsburg's question that really you're making us a court of first impression here? Shouldn't we send this back?

15 MR. SAUNDERS: I don't think we should 16 because the meaning of "contract," this is a straight-up 17 question of law. And the reality is that the veterans who are waiting for this law to be enforced as written 18 have already waited a decade. And for -- to send it 19 20 back and have additional delay on a pure question of law based on a new argument that the government's making for 21 22 the first time here sets a very bad precedent.

CHIEF JUSTICE ROBERTS: Thank you, counsel.
The case is submitted.

25 (Whereupon, at 11:04 a.m., the case in the

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1	above-entitled	matter	was	submitted.)	
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