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 ora	ίl
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	1
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
8	ON BEHALF OF THE PETITIONER
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

- 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
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- 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 is: What good would such a declaratory judgment do?
- 8 MR. SAUNDERS: Well, once -- once the legal
- 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?
- MR. SAUNDERS: The --
- 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
- 25 preparation costs.

- 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 --
- 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.
- JUSTICE SOTOMAYOR: The government takes the

- 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?
- 4 MR. SAUNDERS: No. Absolutely not. The FSS
- 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
- 8 8127(e) that it only applies to the businesses that are
- 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
- 18 procurements for which the VA will simply consult its
- 19 own database and see that there is no veteran-owned
- 20 business that's eligible to do this.
- JUSTICE SOTOMAYOR: Can it tell from that
- 22 database whether or not a particular vendor is a veteran
- 23 or a disabled veteran?
- MR. SAUNDERS: Oh, absolutely. The -- the
- 25 database -- and this is one -- this is very clear -- the

- 1 VA has its own VA-specific database mandated by law that
- 2 is limited to veteran-owned and service-disabled,
- 3 veteran-owned small businesses. And the only people who
- 4 are eligible under 8127(e) for this preference are
- 5 people who are contained in that database.
- JUSTICE SOTOMAYOR: Well, there's two
- 7 databases. There is the general database and there is
- 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
- are wanting to do away with the FSS?
- 18 MR. SAUNDERS: No, not at all. Because --
- JUSTICE SOTOMAYOR: So they go through the
- 20 FSS and find the veteran-owned businesses?
- MR. SAUNDERS: Not -- not under this
- 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
- 25 don't go through those same --

- 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
- 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.
- 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
- 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.

- 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?
- 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,

- 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.
- 5 It's a single sheet of paper. And that's the purchase
- 6 order that they place. And quite frankly, the form
- 7 looks almost identical to FSS Form 347 for how you place
- 8 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
- 16 listed on there for the GSA as someone who can provide
- information technology, customized computer programming.
- 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

- 1 suppliers.
- 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
- 7 it --
- 8 JUSTICE KENNEDY: And I suppose there is
- 9 some system for the government to check to see whether
- 10 or not this person really has been offering this good,
- 11 has -- has a track record, because that goes with the
- 12 fair and reasonable price?
- 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.
- 17 The other thing I will say is that there is
- 18 a broad grant of discretion to the VA in terms of what
- 19 it requires in the database. So if it finds that it
- 20 needs more information to make this law work up front
- 21 from the vendors, then it can require that. It can take
- the effort that it spent resisting the mandate and put
- 23 it into making the mandate work within its existing --
- JUSTICE BREYER: Is this the case --
- 25 JUSTICE GINSBURG: You mentioned the best

- 1 value to the United States is one of the qualifications.
- 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
- thing that there will be an awful lot of litigation
- 13 about, don't you think?
- 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
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- 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.
- JUSTICE KENNEDY: How do -- how do we know
- 10 how to evaluate your answer or the government's position
- 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?
- 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

- 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?
- 5 So we don't have any -- any logic. We don't have any
- 6 experience at all.
- 7 MR. SAUNDERS: We -- we don't have direct
- 8 experience with the mandatory provision like this
- 9 because it's been resisted for a decade and hasn't
- 10 gone --
- 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
- 16 could do set-asides within the FSS. We also have been
- 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
- 21 disabled that have always taken precedence over the FSS.
- 22 And it's not proved to be unworkable to give those
- 23 mandates mandatory effect without going to the FSS.
- And you know, we've also cited -- you see in
- 25 our reply briefs -- sources saying -- and we have a

- 1 treatise that we've cited -- that's discussed the fact
- 2 that the simplified acquisition procedures for these low
- 3 value contracts are just as simple, if not in many ways,
- 4 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
- 12 ones, the FSS itself is already complicated. It's
- 13 already ramping up in complexity as the contracts get
- 14 bigger.
- And quite frankly, when we get to those
- 16 bigger dollar figures, the idea that if -- if a small
- 17 business is going to qualify for a contract that's above
- 18 \$150,000, that we can't go through the procedures that
- 19 Congress mandated here, the VA can't even consult its
- 20 own database and see whether there's an eligible
- 21 supplier before going straight to the FSS I don't think
- 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
- 25 of Congress saying shall award contracts, contracts

- 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.
- 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.
- 16 There are probably hundreds of thousands or millions of
- 17 veterans' businesses. So wouldn't everything be awarded
- 18 to veterans? What wouldn't be?
- MR. SAUNDERS: No, not -- not at all.
- 20 JUSTICE BREYER: What wouldn't? That's what
- 21 I want you to address.
- MR. SAUNDERS: The vast -- for the -- given
- 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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1 MR. SAUNDERS: When -- when Congress was
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- 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 guess 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
- 11 you read this, a contract supplies to everything. I
- 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.
- Now you explain to me -- I must be missing
- 18 something -- and -- and you explain to me what I'm
- 19 missing.
- 20 MR. SAUNDERS: First, the -- the fair and
- 21 reasonable price and best value requirement --
- 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

- 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
- 8 business that can perform the requirement --
- 9 JUSTICE BREYER: I'm not saying they can't
- 10 perform.
- 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
- 15 10 percent. Is that what you're saying? Or what --
- 16 what are you saying?
- 17 Explain what it is. I read it. I thought
- 18 it's everything. Now you explain why it isn't
- 19 everything or nearly everything. I mean, if you're not
- 20 a veteran, Congress wouldn't normally say you don't get
- 21 a leg up, but to shut you out entirely? I mean,
- 22 that's -- that's just my problem that I want you to
- 23 explain.
- MR. SAUNDERS: It's -- it is everything, all
- 25 the contracts for which there is a veteran-owned small

- 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
- 5 everything, it's not 90 -- it's not a hundred percent,
- 6 probably not 99 percent, but it might be 80 percent. I
- 7 mean, I'm guessing. You tell me. You're the expert.
- 8 What percent is it when you win?
- 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 --
- JUSTICE KENNEDY: I thought your answer
- 14 would be a hundred percent.
- MR. SAUNDERS: I'm just saying as a
- 16 practical matter. In terms of what Congress --
- JUSTICE SOTOMAYOR: What's the --
- 18 JUSTICE KENNEDY: What is your answer to
- 19 Justice Breyer? A hundred percent provided the
- 20 statutory requirements are satisfied?
- MR. SAUNDERS: Yes; that is correct. When
- 22 there is a business --
- JUSTICE KENNEDY: And we know how many
- 24 businesses there are because they registered under a
- 25 special procedure.

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1 MR. SAUNDERS: Right. And so when there is
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- 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
- 7 statute is worded because it says, "For purposes of
- 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
- 11 persons of meeting a 3-percent goal, you should do the
- 12 following, which will lead to 90 percent.
- 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.
- 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 --
- 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
- 25 goals since 1999, discretionary authority since 2003.

- 1 And as of 2005, the government's progress towards its
- 2 3-percent goal was .6, six-tenths of 1 percent.
- 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.
- But the goals are still, you know, pretty
- 9 far down compared to what Justice Breyer was indicating
- 10 is the natural tendency of this system that you're
- 11 describing to produce -- you know, almost everything is
- 12 given to a veteran.
- 13 MR. SAUNDERS: Well, where there is a
- 14 veteran that's eligible. But even at the time that this
- 15 was done, the goals had always been a 3 percent
- 16 government-wide goal. Individual agencies were required
- 17 to set their goals based on the maximum practical
- 18 opportunity, and so even at the time going into this,
- 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

- 1 businesses rather than setting up --
- 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
- 5 business that's eligible as -- as -- but don't you think
- 6 there will be a lot more veteran-owned businesses if you
- 7 prevail? In other words, if everything is open to the
- 8 preference, as long as there is, you know, two that get
- 9 the preference, don't you think a lot more veterans --
- 10 won't it make a lot more sense for them to go into
- 11 business rather than some other line of work?
- 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
- 21 among veterans. And so if this is encouraging formation
- of more veteran-owned small businesses --
- JUSTICE BREYER: I see many good things.
- 24 People would enlist in the Armed Forces. They would
- 25 have careers assured after. It just still surprises me,

- 1 but my question is not really aimed at you. It's aimed
- 2 at the other side, and you would have a chance to answer
- 3 this question.
- I can understand. I accept your argument,
- 5 pretty much. I don't know why there would be any
- 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
- 10 the statute it says, "For purposes of meeting the
- 11 goals," under Section A. That, I understand.
- 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.
- 17 So -- so I don't know what to do. I mean,
- 18 I'm going to ask them for help --
- MR. SAUNDERS: But --
- JUSTICE BREYER: -- and then -- the same --
- MR. SAUNDERS: The government has given that
- 22 up because the stated purpose of setting those goals was
- 23 to increase contracting opportunities. And the House
- 24 report here was referring to tools to meet, if not
- 25 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
- 18 3 percent goal, that was both on the open market and on
- 19 the FSS. Congress was worried about that failure across
- 20 the board and enacted a mandatory provision.
- 21 CHIEF JUSTICE ROBERTS: Thank you, counsel.
- Mr. Tripp.
- 23 ORAL ARGUMENT OF ZACHARY D. TRIPP
- ON BEHALF OF THE RESPONDENT
- 25 MR. TRIPP: Mr. Chief Justice, and may it

- 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.
- 5 JUSTICE GINSBURG: Mr. Tripp, would you
- 6 preliminarily explain why the government walked away
- 7 from what was a winning position in the Federal circuit?
- 8 I mean, it's really odd. I read the Federal circuit
- 9 decision, and I expected to open the government brief
- 10 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
- 18 is wrong, which is that if -- if this mandate applies in
- 19 100 percent of procurements, then the secretary's
- 20 discretion to set goals is pretty much wiped out, and
- 21 it's hard to even talk about them as goals at all. But
- 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 --

- 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.
- 10 JUSTICE ALITO: Your answer to Justice
- 11 Ginsburg is that the Federal circuit was actually right
- 12 even though you disagree with its reasoning. And isn't
- 13 the real answer to -- is the real answer to this
- 14 question that the -- the VA regulations don't say
- 15 anything about goals?
- MR. TRIPP: But it's not only that the VA
- 17 regulations don't say anything about goals. It's that
- 18 the VA's regulations map up perfectly with the argument
- 19 that we're -- we're -- we're pressing here, which is
- 20 that this is a mandate that we apply in 100 percent of
- 21 procurements when we are awarding a wholly new contract.
- 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

- 1 like a 5,000-page document, right?
- 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.
- JUSTICE SOTOMAYOR: I don't guite --
- 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
- 11 been on the ground since 2009.
- 12 JUSTICE SOTOMAYOR: So why is it that you
- 13 call these order -- order contracts? I look at --
- 14 MR. TRIPP: Pardon?
- JUSTICE SOTOMAYOR: I look at your history,
- 16 and you, yourself, the government itself, calls these
- 17 orders order contracts.
- 18 MR. TRIPP: An order is a kind of contract,
- 19 you know, under the --
- JUSTICE SOTOMAYOR: It's not a kind. It is
- 21 a contract.
- MR. TRIPP: Yeah. Yeah, it's a contract
- 23 under the --
- JUSTICE SOTOMAYOR: So tell me what kind of
- 25 contract do you have, absent the order with the FSS

- 1 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.
- 8 JUSTICE SOTOMAYOR: How difficult is it for
- 9 you to take the database that you have with respect to
- 10 what are veteran-owned businesses. Take that database,
- 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,
- and then check that against the FSS?
- 14 MR. TRIPP: It -- it --
- JUSTICE SOTOMAYOR: If there's no veteran
- 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.
- The thing that we're most troubled by is
- 21 that Petitioner's position would block us from being
- 22 able to place orders under preexisting contracts. The
- 23 whole point of the contract --
- JUSTICE SOTOMAYOR: No. You didn't listen
- 25 to me.

- 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 --
- 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 --
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- 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
- 13 entire procurement policy of a broad, pan-executive
- 14 branch procurement agency, rejected it. So it said that
- 15 it was going to be unworkable, and that it was unclear
- 16 whether it would offer us a --
- 17 JUSTICE KAGAN: Mr. Tripp, I guess I'm not
- 18 sure I understand. I mean, I understand your policy
- 19 concerns and -- and the way you think this will damage
- 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
- 25 contracts on the basis of competition restricted to

- 1 veterans' small businesses." So that seems to kind of
- 2 answer the case, whatever the policy identifications
- 3 are.
- 4 MR. TRIPP: Well, I -- I think the basic
- 5 problem with that is if you take that sort of -- just
- 6 like sort of 1L understanding of contract and -- and
- 7 blow it through --
- JUSTICE KAGAN: Well, it's your own
- 9 understanding of contract. You just said this is --
- MR. TRIPP: No, no.
- 11 JUSTICE KAGAN: -- contract.
- 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
- 18 opportunities, or reserves contracts. And -- and the
- 19 two most basic statutes in the area --
- JUSTICE KAGAN: But as I understand it, all
- 21 of those contracts have a "may" in there.
- MR. TRIPP: No. Two of them --
- 23 JUSTICE KAGAN: Or almost all of them do.
- MR. TRIPP: Well, one of them has always had
- 25 a "shall." One had "shall for 13 years." But if I

- 1 could get to another --
- 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
- 10 means that you shall award contracts on the basis of
- 11 this restricted competition. And you say this is a
- 12 contract, so you know, end of case.
- 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
- 18 procedures. And if you extend those to the FSS, that
- 19 would totally break.
- The whole point of entering into these kinds
- 21 of contracts upfront is that you don't have to do that
- 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

- 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 --
- 4 MR. TRIPP: Well, I mean, we often do.
- 5 We're -- we're currently --
- 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 --
- MR. TRIPP: Yeah.
- 12 JUSTICE KENNEDY: -- pushing a second button
- 13 on the computer.
- 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
- 18 provide that service or that product on the FSS. push
- 19 two buttons. That's it.
- MR. TRIPP: Yeah. I think that -- the
- 21 practical, sort of, front end of how difficult -- if we
- 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 --
- 25 the bigger concern, practical concern that we would have

- 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.
- 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

- 1 to make a stent that is going to be at the same price
- 2 and same quality as some --
- 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
- 8 things like professional staffing, right? So we hire
- 9 temporary nurses and psychiatrists, cardiologists,
- 10 things like that, through --
- 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
- 16 discount your parade of horribles argument by 87
- 17 percent. It's really not as horrible as it sounds.
- 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
- 21 effect on our procurement. We're happy to help
- 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

- 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?
- The answer to that in the opinion would say,
- 11 we do not reach that question 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 --
- JUSTICE KENNEDY: Correct.
- 17 MR. TRIPP: Yeah, right. Okay.
- JUSTICE BREYER: All right. Then we reach
- 19 question two, left one open.
- Question 2 is do they have to choose the
- 21 Rule of Two in the FSS? And there are two parts to
- 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,
- 25 you don't. But if we say yes, you do, at least we

- 1 don't, in your opinion, wreck the system. All right.
- 2 Then we get to Step 3. There is no veteran
- 3 on the FSS. Now what do we do? And there your argument
- 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
- of things he's going to do, and we change the sentence
- 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
- 17 within a contract, it is contract to which this refer.
- 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
- 21 because you think I'd agree with it, please.
- 22 (Laughter.)
- 23 MR. TRIPP: I -- I don't think that's
- 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
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- 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
- decades about the understanding of this phrase,
- 14 "throughout Federal procurement law," right? There's
- 15 five prior statutes on exactly this same subject, and
- 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 --

- 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 --
- 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
- 11 had a really simple take on it, and all of these
- 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
- 15 a court of first view in a rather dense area. This --
- 16 this Court usually doesn't do that. It likes to know
- 17 what --
- 18 MR. TRIPP: Right.
- 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
- 25 the Federal procurement statutes. It wouldn't upset

- 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.
- 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?
- 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.
- 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
- 25 in the range of 10 percent and 12 percent. And I want

- 1 to emphasize the --
- 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
- 11 could push forward that's attainable, but -- but not
- 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.
- 18 MR. TRIPP: Well, they have a huge impact on
- 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
- 25 on the FSS, where we're -- we're not applying the Rule

- 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.)
- MR. TRIPP: We're -- sorry. Sorry.
- 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 --
                 JUSTICE ALITO: Could you -- could you
 4
 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
     you're making about the need to use the FSS?
15
16
                 MR. TRIPP: It -- it sort of -- two things
     about this. The -- the -- this is a somewhat unusual
17
    bid because -- there -- there is not explanation in the
18
    record because -- because this case was just litigated
19
    on the agreed facts about the procedure.
20
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
     services. And the -- the standard way of doing it,
24
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it's -- it's -- you know, it's not like Amazon.com, but

- 1 you can go on to a website, drill down, see all the
- 2 vendors who -- who are already prequalified to provide
- 3 that kind of service. And the standard way that you
- 4 would do this is that you would request -- request
- 5 quotes from at least three of them, and then consider
- 6 them when they come in.
- 7 And when you request -- request the quote
- 8 from them, even if you request it from three or four of
- 9 them, every vendor on the schedule who is preapproved
- 10 will -- will see that it's open and can submit an offer,
- 11 and then -- and then the -- the agency would consider
- 12 all the offers that were given to it, and it picks the
- 13 one that offers the best value.
- 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.
- 18 JUSTICE KAGAN: One of the amicus briefs
- 19 suggests that the VA is now doing increasingly complex
- 20 procurements by way of the FSS. That we have it in our
- 21 heads that this is all about, you know, staples and
- 22 paperclips, but that, in fact, the FSS is being used to
- 23 do things that would previously have been done on the
- 24 open market.
- 25 MR. TRIPP: I -- I -- well, first, I

- 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.
- But yes, a lot of the FSS -- even for more
- 7 complex procurement, the FSS is still substantially
- 8 easier. And the FSS, you tend to already be sort of
- 9 aggregating the government's buying power. And so the
- 10 pricing is -- the idea of the -- of the FSS is that it's
- 11 both easier to do and that the price will ordinarily be
- 12 lower.
- 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,
- 16 whenever the procurement is over half a million dollars,
- 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 --
- 25 whenever the agency is placing an order under the FSS,

- 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.
- JUSTICE KAGAN: Mr. Tripp, can -- can I ask,
- 8 what effect would this statute really have on your view?
- 9 As I understand it, the government does have to use the
- 10 Rule of Two on all open-market purchases; is that right?
- MR. TRIPP: Under the statute, our
- 12 regulations implemented it, yes.
- 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
- 18 words, you already have to use the Rule of Two for
- 19 open-market purchases, or almost all of them.
- MR. TRIPP: Oh, right.
- 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
- of the regular FAR, you just have to do a set-aside for
- 25 small businesses, right? That's -- that's sort of norm

- 1 under the -- under the Rule of Two.
- 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 --
- JUSTICE KENNEDY: Who --
- 7 MR. TRIPP: Only in our -- who are verified
- 8 as veteran-owned in our database.
- 9 So this is a far more powerful preference
- 10 than the -- than -- than the ordinary preference in --
- 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
- 18 Petitioner's sort of blocking interpretation that would
- 19 prevent us from -- from placing orders at all, even when
- 20 we have them in place, and even when we could place
- 21 orders with another veteran-owned small business.
- 22 JUSTICE SOTOMAYOR: And you still haven't
- 23 answered my question fully.
- If we limit that to preexisting orders where
- 25 there is two or more veterans --

- 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.
- MR. TRIPP: Are -- are they --
- 13 JUSTICE SOTOMAYOR: Right now, there are no
- 14 statutes like that.
- 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
- 18 644(j), which applies across the government and says
- 19 that each contract --
- 20 JUSTICE SOTOMAYOR: The Small Business
- 21 Administration has read it the way Kingdomware --
- 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
- 25 was unworkable, and it was unclear that it was going to

- 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
- 8 restrict that to this statute and not all the other
- 9 ones.
- 10 JUSTICE KENNEDY: Do -- do you know what
- 11 proportion of the VA's annual purchases are under the
- 12 FSS?
- MR. TRIPP: By dollar?
- JUSTICE KENNEDY: Yes. Is it 5 percent,
- 15 or --
- MR. TRIPP: I think it's about 20 percent.
- 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
- lot more of them, but they don't add up to as many
- 25 dollars.

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1 JUSTICE KENNEDY: I see.
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- 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
- 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

- 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.
- If there's no further questions.
- 5 CHIEF JUSTICE ROBERTS: Thank you, counsel.
- 6 Mr. Saunders, four minutes.
- 7 MR. SAUNDERS: Thank you.
- 8 REBUTTAL ARGUMENT OF THOMAS G. SAUNDERS
- 9 ON BEHALF OF THE PETITIONER
- 10 MR. SAUNDERS: Thank you.
- 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.
- 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.

- 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

- 1 today really stood any chance of coming to pass, I don't
- 2 think that you would have the American Legion, the Iraq
- 3 and Afghanistan veterans, 41 members of Congress, who
- 4 care deeply about veterans issues, supporting
- 5 Kingdomware's position in this case.
- 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
- 16 drugs that are being offered here, there's a statutory
- 17 provision that says that the government acquires its
- 18 drugs at 76 percent of the average price that
- 19 wholesalers pay to the manufacturers. So take the
- 20 average price that anyone else in the world can get from
- 21 the manufacturer and do a big discount on top of that.
- 22 Those are tough terms to beat.
- 23 And so I think that there's going to be --
- 24 you know, the reality here is not the dire consequences
- 25 that you're seeing, and the policy judgment is for

- 1 Congress. And believe me, if anything in this mandate
- 2 enforced as written is going to hurt veterans in any
- 3 way, then you can expect Congress will act swiftly to
- 4 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
- 12 to judge -- Justice Ginsburg's question that really
- 13 you're making us a court of first impression here?
- 14 Shouldn't we send this back?
- 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
- 18 who are waiting for this law to be enforced as written
- 19 have already waited a decade. And for -- to send it
- 20 back and have additional delay on a pure question of law
- 21 based on a new argument that the government's making for
- the first time here sets a very bad precedent.
- 23 CHIEF JUSTICE ROBERTS: Thank you, counsel.
- The case is submitted.
- 25 (Whereupon, at 11:04 a.m., the case in the

1	above-entitled	l matter	was	submitted.)	
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