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19 UNITED STATES DISTRICT COURT
20 FOR THE NORTHERN DISTRICT OF CALIFORNIA
21 San Francisco Division

22 FEDERAL TRADE COMMISSION,

23 Plaintiff,

24 v.

25 AT&T MOBILITY LLC, a limited liability
26 company,

27 Defendant.

Case No. 14-cv-04785-EMC

**PLAINTIFF FTC'S OPPOSITION TO
DEFENDANT AT&T'S MOTION TO
DISMISS**

Hearing Date: Mar. 12, 2015

Time: 9:30 a.m.

Courtroom: 5, 17th Floor

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I. INTRODUCTION

The Federal Trade Commission (“FTC”) alleges in its Complaint (Dkt. #1) that Defendant AT&T Mobility LLC (“AT&T”) has engaged in unfair and deceptive conduct in the marketing of mobile broadband internet access services (“mobile data”). Since late 2011, AT&T has failed to live up to its promise to provide unlimited mobile data to millions of its smartphone customers. Instead—to avoid the cost of actually providing the unlimited data it promises—the company has throttled the data speed of unlimited customers who use more than a few gigabytes of data in a billing cycle.

With its Motion to Dismiss (“Motion”) (Dkt. #29), AT&T now seeks to immunize itself entirely from FTC oversight for its misconduct. AT&T claims that the common carrier

1 Finally, and perhaps most telling, AT&T’s Motion contradicts the company’s own
2 position in filings it has previously made with the Federal Communications Commission
3 (“FCC”). In 2010, AT&T urged the FCC not to classify fixed or mobile broadband internet
4 access services as common carrier services because the effect of such reclassification would be
5 to eliminate the FTC’s authority over those services. This position is directly opposite to the one
6 now advanced by AT&T.

7 For the foregoing reasons, we respectfully request that the Court deny AT&T’s Motion.¹

8 **II. STATEMENT OF ISSUES PURSUANT TO LOCAL RULE 7-4**

9 Whether, under the common carrier exemption to the FTC Act, a company is immune
10 from FTC enforcement when it violates the FTC Act in the sale of its non-common carrier
11 services merely because it also sells common carrier services.

12 **III. FACTUAL BACKGROUND**

13 AT&T is one of the largest providers of mobile voice and data telecommunications in the
14 United States. (*See* Complaint ¶ 9, Exh. A-1) In 2007, when Apple introduced its
15 “Revolutionary” and “Breakthrough” new iPhone (*see id.* at Exh. A-1), AT&T became the
16 exclusive provider of mobile voice and data services for the device. (*See id.* ¶ 10, Exh. A-1)
17 Consumers use mobile data to, among other thin

1 In June 2010, AT&T ceased offering unlimited data plans to new customers, and instead
2 introduced “tiered” data plans, which provide a specified amount of data each month for a certain
3 price (e.g., 3 GB for \$30), plus additional overage charges if a customer exceeds the monthly
4 allowance. (*Id.* ¶ 11) The company had, for some time, been faced with a conundrum:
5 Unlimited data is popular with customers but expensive to provide. While many customers use
6 only a few hundred megabytes in a billing cycle, some use significantly more. AT&T saw what
7 was coming at least as early as 2008 (*see* Motion at 4 (“data consumption . . . exploded”)), but
8 waited until mid-2010 to take any action. (Complaint ¶ 11) Even then, it grandfathered existing
9 unlimited customers into their unlimited data plan, including when they purchased a new
10 smartphone and entered into a new long-term contract. (*Id.* ¶ 12) AT&T feared it would lose to
11 competitors the millions of customers it had acquired as the exclusive telecommunications
12 provider for the iPhone. (*See id.* ¶¶ 10–13)

13 Nevertheless, while AT&T had taken steps to retain unlimited customers, the company
14 still believed that it had made a bad deal with them—or at least with those who used more than a
15 few hundred megabytes each month.² AT&T thus found a way to selectively undo this deal,
16 while minimizing its loss of subscribers. Insts e e provider for t.335hone

1 Even though AT&T had placed a significant limit on throttled customers, the company
2 sought to continue reaping the marketing benefits of the word “unlimited.” Toward this end,
3 AT&T chose not to disclose the throttling limitation at the point of sale when customers renewed
4 their contracts (*id.* ¶ 34), making it unlikely that these customers would learn that the promise of
5 unlimited data was illusory. AT&T actually rejected an alternative throttling program that
6 involved informing all customers at renewal, in part because it did not enable AT&T to “isolat[e]
7 communications to [the] heaviest users.” (*Id.* ¶ 28)

8 Consumers are surprised when they learn that AT&T is limiting their data speed; they
9 believe that “[u]nlimited means without restriction.” (*See id.* ¶ 24) AT&T’s own internal focus
10 group research reached this same conclusion: “[C]onsumers felt ‘unlimited should mean
11 unlimited.’” (*Id.* ¶ 21) Moreover, by late 2011, many unlimited customers had been on the plan
12 for years (*see id.* ¶¶ 10–12) and knew from experience that AT&T’s interpretation of “unlimited
13 data” tracked the plain meaning of the phrase: use as much data as you want without being
14 capped, throttled, or charged additional fees. With its throttling program, however, AT&T
15 changed the meaning of unlimited.

16 AT&T characterizes its throttling program as applying to consumers “whose data
17 consumption placed them in the top 5 percent of data-usage customers in a given month”
18 (Motion at 4), but AT&T does not throttle customers on tiered plans, no matter how much data
19 they use in any given month. (Complaint ¶ 29) Essentially, then, AT&T has taken data from
20 unlimited customers and resold it to tiered customers.

21 AT&T also characterizes the program as “a permissible network management tool”
22 (Motion at 15), but the speed reductions do not depend on actual network congestion at a
23 particular time or at a particular cell tower. Throttled customers are subject to reduced speeds
24 for the duration of their billing cycle, even when AT&T’s network has ample capacity to carry
25 the customers’ data, or if the use occurs in an area where the network is not congested.
26 (Complaint ¶ 26) Further, AT&T has throttled customers on its 4G LTE network since the
27 throttling program was introduced in late 2011 (*see id.* ¶¶ 15–16, 18), even though the
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1 AT&T urges the Court to adopt an expansive “status-based” reading of the common
2 carrier exemption. According to AT&T, a company that provides *any* common carrier service
3 has the “status” of a common carrier and is entirely exempt from FTC authority, even if the
4 particular activity that violates the FTC Act is not a common carrier service. Thus, even though
5 AT&T acknowledges that mobile data is not a common carrier service, it claims it is exempt
6 from the FTC Act because another line of its business (mobile voice) is common carriage.

7 As set forth below, however, the common carrier exemption is a narrower “activity-
8 based” exception, excluding only services that are subject to the Communications Act’s common
9 carrier regulatory provisions. This interpretation is supported by the language of the exemption
10 and its statutory context. Moreover, the legislative history of Section 5 confirms that Congress
11 intended the exemption to be activity based. Indeed, to find otherwise would substantially
12 undermine the overarching purpose of the FTC Act.

13 **1. The relevant rules of statutory construction weigh against AT&T.**

14 AT&T faces a steep hurdle in seeking an expansive reading of the common carrier
15 exemption. As a “general rule of statutory construction,” a party that seeks to qualify for “a
16 special exception to the prohibitions of a statute” must meet “the burden of proving [such an] . . .
17 exemption.” *FTC v. Morton Salt Co.*, 334 U.S. 37, 44–45 (1948); *NLRB v. Ky. River Cmty.*
18 *Care, Inc.*, 532 U.S. 706, 711 (2001). Moreover, remedial statutes—such as the FTC Act—
19 should be read broadly, *see Padilla v. Lever*, 463 F.3d 1046, 1057 (9th Cir. 2006), and
20 exceptions from such a statute should be construed narrowly. *See City of Edmonds v. Wash.*
21 *State Bldg. Code Council*, 18 F.3d 802, 804 (9th Cir. 1994).

22 **2. The language and structure of Section 5 strongly support an activity-
23 based reading of the common carrier exemption.**

24 The common carrier exemption applies, in the communications context, only to common
25 carriers that are “subject to” the Communications Act. 15 U.S.C. §§ 44, 45(a)(2). The
26 Communications Act specifies that a provider of private mobile service (such as mobile data)
27 “shall not, insofar as such person is so engaged, be treated as a common carrier for any purpose
28 under this Act.” 47 U.S.C. § 332(c)(2). So, under the Communications Act, when AT&T

1 provides mobile data, it may not be deemed a common carrier subject to the Act. Another
2 provision similarly establishes that a “telecommunications carrier shall be treated as a common
3 carrier under this Act only to the extent that it is engaged in providing telecommunications
4 services.”⁵ 47 U.S.C. § 153(51). Thus, the Communications Act makes unambiguously clear
5 that a company is not a “common carrier subject to” the Act when it provides mobile data
6 service; to be a “common carrier subject to” the Act means to be subject to the common carriage
7 provisions of the Act. Because the FTC Act incorporates the Communications Act by reference,
8 it is equally clear that the common carrier exemption applies only to the extent that AT&T
9 engages in common carrier services. The plain language of the relevant statutes is, accordingly,
10 sufficient basis in and of itself to deny AT&T’s Motion.

11 Indeed, courts determined long ago that an entity is a common carrier subject to the
12 Communications Act only to the degree it is engaged in common carrier activities and not
13 because of its general “status” as a common carrier. As the D.C. Circuit put it, “[W]hether an
14 entity in a given case is to be considered a common carrier or a private carrier turns on the
15 particular practice under surveillance.” *Sw. Bell Tel. Co. v. FCC*, 19 F.3d 1475, 1481 (D.C. Cir.
16 1994). “Since it is clearly possible for a given entity to carry on many types of activities,” it is
17 “logical to conclude that one can be a common carrier with regard to some activities but not
18 others.” *Nat’l Ass’n of Regulatory Util. Comm’rs v. FCC*, 533 F.2d 601, 608 (D.C. Cir. 1976)
19 (“*NARUC II*”). And to “reach [a] conclusion” as to whether “a common carrier activity is
20 involved” in any particular instance, a court must “examin[e] the nature of the . . . activity and
21 the regulatory framework in which it is expected to operate.” *Id.* at 609; *see also FCC v.*
22 *Midwest Video Corp.*, 440 U.S. 689, 701 n.9 (1979) (“A cable system may operate as a common
23 carrier with respect to a portion of its service only.”).

24 This activity-based approach is bolstered by the term “common carrier” itself. The FTC
25 Act does not explicitly define “common carrier,” but the words of a statute should be interpreted
26 using their “ordinary, contemporary, common” meaning at the time the statute was enacted. *See*

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28 ⁵ “Telecommunications services” is synonymous with “common carrier” services. *See Nat’l Cable & Telecomms. Ass’n v. Brand X Internet Servs.*, 545 U.S. 967, 992 (2005).

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1 *Phx. Ry. v. Grant Bros. Construction Co.*, 228 U.S. 177, 185–88 (1913); *accord Chi.*,
2 *Milwaukee, & St. Paul Ry. v. Wallace*, 66 F. 506, 510 (7th Cir. 1895) (transportation of circus
3 animals was a private carriage service and therefore not subject to common carrier duties of
4 care).

5 Moreover, after Congress enacted the Interstate Commerce Act in 1887, but before it
6 enacted the FTC Act in 1914, contemporaneous judicial decisions had established that common
7 carriers were “subject to” the Interstate Commerce Act only when providing interstate common
8 carrier services, and not otherwise. For example, in *ICC v. Goodrich Transit Co.*, 224 U.S. 194
9 (1912), a common-carrier railroad also owned amusement parks, bowling alleys, and other non-
10 carriage business. *Id.* at 205. The Court recognized that, although the ICC could impose
11 accounting rules applicable to the entire company, it could not “regulate the affairs of the
12 corporations not within its jurisdiction,” such as the entertainment facilities. *Id.* at 211.

13 Similarly, where a railroad owned coal mines, its non-common carrier activity of transporting its
14 own coal to market for sale was not subject to common carrier regulation by the ICC. *N.Y., New*
15 *Haven & Hartford R.R. v. ICC*, 200 U.S. 361, 401 (1906);

1 subject to the provisions of the Act.” *Kan. City S. Ry. v. United States*, 282 U.S. 760, 764
2 (1931). With respect to communications carriers, the D.C. Circuit later established that where a
3 single firm engages in multiple lines of business, “[i]t is clear that an entity can be a common
4 carrier with respect to only some of its activities” and not others, and thus the term “common
5 carrier” is best used to “indicate not an entity but rather an activity as to which an entity is a
6 common carrier.” *Computer & Commc’ns Indus. Ass’n v. FCC*, 693 F.2d 198, 209 & n.59 (D.C.
7 Cir. 1982).

8 **3. The legislative history of the FTC Act confirms that Congress**
9 **intended the common carrier exemption to be activity based.**

10 Looking beyond the language and structure of the FTC Act, the legislative history of the
11 common carrier exemption confirms that Congress intended to exempt only common carrier
12 activities from Section 5. Representative Frederick Stevens of Minnesota, a manager of the
13 House bill that ultimately was enacted as the FTC Act (H.R. 15667), explained the exemption for
14 common carriers subject to the Interstate Commerce Act as follows during debate on the House
15 floor: “[W]here a railroad company engages in work outside that of a public carrier,” it “ought
16 to be under the jurisdiction of this commission in order to protect the public, in order that all of
17 [its] public operations should be supervised.” 51 Cong. Rec. 8996 (May 21, 1914).
18 Rep. Stevens emphasized his view that the legislation authorized the FTC to exercise jurisdiction
19 over common carriers’ “operations outside of public carriage regulated by the interstate
20 commerce acts.” *Id.*

21 The legislative history of the 1938 Wheeler-Lea Act, which, as noted above, amended the
22 FTC Act to add the Communications Act to the definition of “Acts to regulate commerce,”
23 similarly confirms the activity-based scope of the common carrier exemption. AT&T claims that
24 “Congress contemplated—but did not adopt—statutory language providing that common carriers
25 . . . are excepted . . . under [the FTC] [A]ct *only in respect of their common-carrier operations.*”
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1 AT&T) testified that the proffered language would clarify—but not change—the meaning of the
2 existing common carrier exemption in the FTC Act, which, he stated, already did not apply to
3 non-common carrier activities.⁶

4 Specifically, in response to a question from Representative William Cole of Maryland
5 about whether the suggested language would affect the existing scope of the common carrier
6 exemption, the witness replied that it would not:

7 All this does is to make it clear that . . . the exception which has always been in
8 the act shall be preserved, and . . . will make clear . . . that where common carriers
9 engage in activities that are not in the common carrier field, beyond the field that
10 the [FCC] is regulating, then and in that case, they are subject to the jurisdiction
11 of the [FTC]”

12 Hearing Tr. at 26. In response to a similar question from Representative Edward Eicher of Iowa,
13 the witness stated that his company’s existing “activities outside of the field of communications”
14 were already “subject to the [FTC] Act. If there is any question about it, this amendment will
15 make it clear.” *Id.* at 27. Ultimately, Congress did not adopt the company’s suggested language.
16 The Conference Committee report makes clear, however, that Congress’s addition of the
17 Communications Act as one of the “Acts to regulate commerce” was not intended to change the
18 substantive meaning of the statute. H.R. Rep. 75-1774, at 9 (1938).

19 That the final legislation did not include language offered by a witness at a hearing—who
20 also testified that the language did not change existing law—does not, and cannot, demonstrate
21 congressional intent to adopt a status-based exception.⁷ On the contrary, the legislative history
22 supports an activity-based reading of the common carrier exemption.

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1 **4. Courts have adopted the activity-based approach.**

2 Only one court has directly addressed the question presented in this case, and that court
3 held that the common carrier exemption is activity based. In *FTC v. Verity International, Ltd.*,
4 194 F. Supp. 2d 270 (S.D.N.Y. 2002), *aff'd*, 443 F.3d 48 (2d Cir. 2006), the district court
5 rejected as “fundamentally erroneous” the claim that “once the FCC licenses an entity as a
6 common carrier, it is a common carrier for all purposes and thus entirely beyond the reach of the
7 FTC.” *Id.* at 274. Instead, consistent with the history of common carriage described above, the
8 court held that “an entity that is a common carrier may engage in a broad range of activities,
9 some integral to its functions as a common carrier and some entirely extraneous to them.” *Id.*
10 Thus, “it would make little sense to exempt a carrier’s extraneous activities from laws of general
11 application affecting the broad sweep of American business.” *Id.* “[W]hether an entity is a
12 common carrier for regulatory purposes depends on the particular activity at issue.” *Id.* at 275.
13 The appellate court affirmed the district court’s decision. Although it ruled on different grounds,
14 the Second Circuit expressed an unqualified endorsement of the district court’s rationale. 443
15 F.3d at 56–58. Indeed, it observed that the very “notion of some indelible common carrier
16 ‘status’ . . . is highly questionable.” *Id.* at 59 n.4.

17 The Fourth Circuit addressed a closely analogous exemption in Section 5 and found that
18 it too applied based on an entity’s activities, not its status. In *Crosse & Blackwell Co. v. FTC*,
19 262 F.2d 600 (4th Cir. 1959), the Fourth Circuit addressed Section 5’s exemption for entities
20 subject to the Packers & Stockyards Act, which, during the relevant time period, contained
21 language identical to that in the common carrier exemption, excepting “persons, partnerships or
22 corporations subject to the Packers and Stockyards Act, 1921.” *Id.* at 602 & n.2, 605. The court
23 rejected the claim that, just because a company had some lines of business that were subject to
24 the Packers & Stockyards Act (and had been registered as a meat processor by the Department of
25 Agriculture), it could not be charged with violations of the FTC Act for the company’s other
26 lines of business. The court explained that “there seems no doubt that

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1 that status. 549 F.2d at 456–57. That is what the court meant when it stated that the common
2 carrier exemption “is in terms of status as a common carrier subject to the Interstate Commerce
3 Act, not activities subject to regulation under that Act.” *Id.* at 455.

4 The court expressly did not reach the question presented here: whether a company’s non-
5 common carrier activities are exempt from FTC enforcement merely because the company also
6 provides common carrier service. To the contrary, the court stated that it “need not decide
7 whether the FTC is correct in its statement that the non-carrier activities of a common carrier do
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1 the exemption.⁹ For example, in *Official Airline Guides v. FTC*, 630 F.2d 920 (2d Cir. 1980), the
2 defendant did not qualify for the air carrier exemption not simply because it did not have carrier
3 “status,” but more fundamentally because it did not actually transport people through the air. *See*
4 *id.* at 923. That logic is consistent with the FTC’s position in the instant matter: The common
5 carrier exemption is triggered when a company is *both* a common carrier in some aspect of its
6 business *and* the activity at issue is subject to the Communications Act’s common carriage
7 obligations. AT&T does provide a common carrier service (mobile voice), but the activity at
8 issue here (mobile data) is not a common carrier service.

9 **5. A status-based interpretation of the common carrier exemption would**
10 **undermine the purpose of the FTC Act and lead to illogical results.**

1 consumer privacy and data security.¹⁰ It does not make sense that these activities, which fall
2 squarely within the FTC’s experience and expertise,¹¹ should be cut off from FTC action.¹² *See*
3 *Verity*, 194 F. Supp. 2d at 274 (“[I]t would make little sense to exempt a carrier’s extraneous
4 activities from laws of general application affecting the broad sweep of American business.”).

5 More broadly, AT&T’s reading of the common carrier exemption would open a giant
6 loophole that would threaten to swallow the FTC Act. Companies engaging in *de minimus*
7 common carrier activity could immunize all of their operations from FTC scrutiny. For example,
8 internet giants that introduce a small measure of common carrier business would be shielded
9 from the FTC’s active privacy and data security enforcement because of their “status” as a
10 common carrier. Indeed, such a move into common carrier activities is not merely hypothetical;
11 Google recently announced its intention to become a virtual wireless carrier.¹³

12 It is also conceivable that a large corporation with diverse business activities would use
13 this new loophole to escape FTC oversight of its marketing and privacy practices. Minor
14 changes in corporate structure could lead to major changes in FTC jurisdiction. Companies that
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16 ¹⁰ Links to product descriptions available in TOA. AT&T claims that the Fitbit Flex
17 Wristband “tracks . . . calories burned,” and that the Netatmo Urban Weather Station and Air
18 Quality Sensor helps you “prevent unhealthy, stagnant indoor air by ventilating your home at the
19 right moment.” A reporter attending the recent Consumer Electronics Show concluded that
20 “[w]ith the home, connected car and other items such as connected pill bottles or dog collars,
AT&T sees an opportunity to provide a cellular radio to anything.” Roger Cheng, *AT&T’s CES*
splash: It’s not about smartphones anymore, CNET NEWS, Jan. 5, 2015 (link in TOA).

21 ¹¹ *See, e.g., In re Jenny Craig, Inc.*, 125 F.T.C. 333 (1998) (consent order) (weight loss);
In re Alpine Indus., Inc., 120 F.T.C. 649 (1995) (consent order) (air quality device); *FTC Staff*
Report on Internet of Things, Jan. 2015 (privacy and data security issues related to connected
22 devices) (link in TOA).

23 ¹² In addition, the FTC has, for more than fifteen years, challenged unfair and deceptive
24 conduct in the provision of internet service. *See, e.g., FTC v. Cyberspace.com, LLC*, 453 F.3d
25 1196 (9th Cir. 2006); *In re America Online, Inc. & Compuserve Interactive Servs., Inc.*, 137
26 F.T.C. 117 (2004) (consent order); *In re Juno Online Servs., Inc.*, 131 F.T.C. 1249 (2001)
27 (consent order); *In re WebTV Networks, Inc.*, 2000 FTC LEXIS 171 (Dec. 8, 2000) (consent
order); *In re AOL, Inc.*, 125 F.T.C. 403 (1998) (consent order); *In re CompuServe, Inc.*, 125
F.T.C. 451 (1998) (consent order); *In re Prodigy, Inc.*, 125 F.T.C. 430 (1998) (consent order).

28 ¹³ Brian Fung, *Google could become a wireless carrier*, WASH. POST, Jan. 22, 2015 (link
in TOA).

1 routinely engage in fraud could inoculate themselves from FTC scrutiny through the same
2 mechanism: for example, a financial scammer who became a reseller of wireless telephone
3 service would be immune from enforcement. It is nonsensical to conclude that Congress
4 intended a broad, public interest statute such as the FTC Act to be eviscerated by a narrow
5 jurisdictional exemption.

6 **B. AT&T itself has previously recognized that its provision of mobile data is**

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1 In response, AT&T filed comments arguing strongly that the FCC should not reclassify
2 any portion of broadband internet access as a common carrier service, and that doing so would
3 disserve the FCC’s goals and the public interest. *See* AT&T Comments, *In the Matter of*
4 *Framework for Broadband Internet Service*, GN Docket No. 10-127 (filed July 15, 2010)
5 (“AT&T Comments”) (link in TOA); AT&T Reply Comments GN Docket No. 10-127 (filed
6 Aug. 12, 2010) (link in TOA). In particular, AT&T argued that “the FTC has considerable
7 authority to eliminate ‘unfair business practices’ under section 5 of the FTC Act,” and that “the
8 proposed reclassification could divest the FTC of any jurisdiction over broadband Internet access
9 providers by presumably placing them squarely within the ‘common carrier’ exception to the
10 FTC’s section 5 jurisdiction.” AT&T Comments at 13.

11 AT&T now contends that the present enforcement action is beyond the authority of the
12 FTC, in part due to the purported overlap with the FCC’s transparency and public disclosure
13 rules. (Motion at 2, 15) Yet in its comments to the FCC, AT&T argued that FCC regulation of
14 internet access as a common carrier service was unwarranted due to the FTC’s existing
15 “oversight over transparency in the Internet ecosystem,” and the fact that “[t]he FTC has and
16 regularly exercises its enforcement authority with respect to transparency and consumer
17 disclosures relating to Internet services.” AT&T Comments at 29. In support of this contention,
18 AT&T cited a past FTC investigation concerning mobile data,
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1 *divest* the FTC of any authority in this area by holding that broadband Internet access service is
2 subject to ‘common carrier’ regulation after all—and thus may fall squarely within the section 5
3 common-carrier exemption.” *Id.* AT&T greatly compounds that “irony” by making the opposite
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1 the common carrier issue, given the current posture of the instant matter, merely looks
2 prescient.¹⁹

3 **C. FCC jurisdiction over mobile data does not preclude FTC jurisdiction.**

4 AT&T contends that its throttling program should be exempt from FTC scrutiny because
5 those practices are also subject to regulation by the FCC. Of course, overlapping jurisdiction is a
6 common feature of federal law enforcement, and the existence of one ag

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1 The FTC has entered a formal memorandum of understanding (“MOU”) with many
2 agencies, including the FCC, the DOJ, the FDA, and the CFPB.²⁰ The whole point of an MOU is
3 the recognition of overlapping jurisdiction, and the need for orde
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1 **3. There is no conflict between the FCC’s rules and this FTC**
2 **enforcement action.**

3 AT&T fails to identify any actual conflict between the FCC’s rules and the FTC’s
4 Complaint. The Transparency Rule, which the FCC adopted in the *Open Internet Order*²⁴ and
5 the D.C. Circuit affirmed, requires a broadband service provider to “disclose accurate
6 information regarding the network management practices, performance, and commercial terms of
7 its broadband Internet access services sufficient for consumers to make informed choices
8 regarding use of such services” 47 C.F.R. § 8.3; *see Verizon*, 740 F.3d at 659. The FTC
9 Act does not impose mandatory disclosures, but it does require that companies adequately
10 disclose information necessary to keep their advertising claims from being deceptive; for
11 example, when advertising “unlimited data,” adequately disclosing that the data plan includes a
12 data speed restriction. It also prohibits companies from unilaterally altering the terms of their
13 agreement with customers. It is difficult to envision any scenario in which the company would
14 be unable to comply with both of these legal requirements simultaneously. AT&T does not, for
15 example, suggest that the Transparency Rule requires the company to disseminate a claim that
16 would be deceptive under the FTC Act.

17 Since AT&T cannot establish that it would be whipsawed by these two enforcement
18 regimes, AT&T cannot plausibly assert that compliance with one leaves it free to violate the
19 other. Indeed, the FCC explicitly acknowledged, in the context of the *Open Internet Order*, that
20 its rules were “not intended to expand or contract broadband providers’ rights or obligations with
21 respect to other laws,” and “open Internet protections can and must coexist with . . . other legal
22 frameworks.” 25 FCC Rcd at 17962–63 (¶ 107).

23 AT&T not only relies on the *Open Internet Order*’s Transparency Rule, but also contends
24 that its throttling practices should be exempt from FTC scrutiny because they are “consistent
25 with the FCC Open Internet principles and rules” regarding “reasonable network management.”²⁵

26 ²⁴ *Preserving the Open Internet*, Report and Order, 25 FCC Rcd 17905 (2010), *rev’d in*
27 *part and aff’d in part sub nom. Verizon v. FCC*, 740 F.3d 623 (D.C. Cir. 2014).

28 ²⁵ The rules adopted in the *Open Internet Order* provided that a “network management
practice is reasonable if it is appropriate and tailored to achieving a legitimate network

1 (Motion at 2, 15) AT&T's discussion of reasonable network management is a red herring.

2 Reasonable network management is irrelevant to

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1 of radio or TV broadcasting, as well as other services that use dedicated radio frequencies subject
2 to licenses under Title III of the Communications Act.

3 In any event, this argument proves too much. As mentioned, the FTC has exercised its
4 Section 5 authority over internet

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