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THE ILLOGICAL PARADIGM OF ASSIGNOR ESTOPPEL'S DUAL-TRACK SYSTEM

Rebecca Mi-Young Ho[†]

I. INTRODUCTION

Most people would agree that a person should not be able to say one thing, derive a benefit from that representation, and then later say the representation was untrue or meaningless. Fundamental notions of fairness would seemingly dictate that such conduct should be prohibited or that consequences should be had by the person making the reversal. In patent litigation, the common-law doctrine of assignor estoppel prevents such unfair dealing by precluding the assignor of a patent from benefitting from an assignment and then later disputing the assigned patent's validity in federal district court.¹

In *Minerva Surgical, Inc. v. Hologic, Inc.*, the Supreme Court upheld the basic premise of fairness embodied by the doctrine, continuing “to think the core of assignor estoppel justified on the fairness grounds that courts applying the doctrine have always given.”² However, the impact of the *Minerva* decision is largely constrained in its applicability: *Minerva* only addressed the applicability of the doctrine in *district court proceedings*, leaving untouched the applicability of assignor estoppel in *administrative proceedings*. Accordingly, the Court of Appeals for the Federal Circuit's precedent barring the assertion of assignor estoppel in inter partes review (IPR) remains the controlling authority in administrative proceedings.³ Thus, a dual-track system exists in patent litigation, allowing assignors to circumvent the doctrine of assignor estoppel based solely on the forum in which the case is litigated.

Minerva was a missed opportunity for the Court to eliminate this dual-track system. While *Minerva* presented the Court with the opportunity to review assignor estoppel in the IPR context, the Court declined to do so.⁴ This Note

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1. See *Minerva Surgical, Inc. v. Hologic, Inc.*, 141 S. Ct. 2298, 2304 (2021) (describing the “classic case” of assignor estoppel where an assignor assigns a patent to a company for value, later develops a possibly infringing product, and then asserts that the patent is invalid when the assignee sues the assignor for patent infringement).

2. *Id.* at 2309.

3. *Arista Networks, Inc. v. Cisco Sys., Inc.*, 908 F.3d 792, 804 (Fed. Cir. 2018) (“[A]ssignor estoppel has no place in IPR proceedings.”).

4. See *infra* Part III.

submits that assignor estoppel should equally apply in the IPR context to promote fairness and consistency. Part II of this Note describes the legal background of IPR and the history of assignor estoppel. Part III summarizes the Court's *Minerva* decision. Lastly, Part IV submits that assignor estoppel should apply in the IPR context because the dual-track system is inconsistent with congressional design in creating the IPR proceedings. Part IV further submits that public policy supports applying assignor estoppel in IPR proceedings in that the dual-track system (1) encourages gamesmanship over patent quality, (2) discourages assignees from enforcing their patent rights, and (3) disincentivizes employer-assignees from rewarding innovation.

II. LEGAL BACKGROUND

When the owner of a patent sues an alleged infringer in district court, the defendant may assert as an affirmative defense that the patent is invalid.⁵ In addition, the defendant may petition the Patent Trial and Appeal Board (PTAB or "Board") for an IPR of the patent.⁶ The initiation of litigation in district court does not foreclose Board review. Rather, both proceedings can run in parallel.

A. INTER PARTES REVIEW

IPR is an adjudicative proceeding conducted before a panel of three administrative patent judges at the PTAB.⁷ To initiate the proceeding, "a person who is not the owner of a patent"⁸ files a petition for an IPR with the United States Patent and Trademark Office ("Patent Office") "after the later of either: (1) 9 months after the grant of the patent or issuance of a reissue patent; or (2) if a post-grant review is instituted, the termination of the post grant review."⁹ In the petition, the non-owner of the patent must allege the invalidity of at least one patented claim on "a ground that could be raised under section 102 or 103 and only on the basis of prior art consisting of patents or

5. 35 U.S.C. § 282(b)(2).

6. *Id.* § 311(a).

7. *Id.* § 6(a). IPR is not the only post-grant proceeding conducted before the PTAB. Other post-grant proceedings include post grant review (PGR) and covered business method (CBM). IPR is the most popular post-grant proceeding of the three, with 93% (1,308 out of 1,401) of all petitions filed at the PTAB in Fiscal Year 2021 being for IPR. *PTAB Trial Statistics FY21 End of Year Outcome Roundup IPR, PGR, CBM*, U.S. PAT. & TRADEMARK OFF. 3, https://www.uspto.gov/sites/default/files/documents/ptab_aia_fy2021__roundup.pdf (last visited Nov. 21, 2021).

8. 35 U.S.C. § 311(a).

9. *Id.* § 311(c).

printed publications.”¹⁰ Additionally, the petition must set forth the petitioner’s grounds for standing, the purported prior art, the proffered claim construction, and any relevant evidence.¹¹

Within three months of the filing of the petition, the patent owner may file a preliminary response to the petition, setting forth the reasons why an IPR should not be instituted.¹² The Director of the Patent Office (“Director”) must determine within three months after receiving the preliminary response whether or not to institute an IPR.¹³ The Director may grant an IPR when “there is a reasonable likelihood that the petitioner would prevail with respect to at least [one] of the claims challenged in the petition.”¹⁴ Although 35 U.S.C. § 314 empowers the Director to decline instituting an IPR even when there is a “reasonable likelihood”¹⁵ that a claim would prevail, most petitions are granted.¹⁶ For example, between August 1, 2020 and August 1, 2021, 71% of filed petitions for IPR were instituted by the Patent Office.¹⁷ The determination by the Director is final and nonappealable.¹⁸ Furthermore, if the petition is granted, the Patent Office is required to review the patentability of *all* claims challenged in the IPR petition, even if the petition was granted based on the reasonable likelihood of the petitioner succeeding as to only one claim.¹⁹

10. *Id.* § 311(b). 35 U.S.C. § 102 sets forth the novelty requirement for patentability. Under 35 U.S.C. § 102(a)(1), a person is not entitled to a patent if “the claimed invention was patented, described in a printed publication, or in public use, on sale, or otherwise available to the public before the effective filing date of the claimed invention.” 35 U.S.C. § 103 sets forth the nonobviousness requirement for patentability. Under 35 U.S.C. § 103, an invention is not patentable “if the differences between the claimed invention and the prior art are such that the claimed invention as a whole would have been obvious before the effective filing date of the claimed invention to a person having ordinary skill in the art.”

11. 37 C.F.R. § 42.104 (2021).

12. *Id.* § 42.107.

13. 35 U.S.C. § 314(b).

14. *Id.* § 314(a).

15. *Id.*

16. See Phil Johnson, *A Look Back at the Legislative Origins of IPRs*, IP WATCHDOG (Sept. 20, 2017), <https://www.ipwatchdog.com/2017/09/20/look-back-legislative-origin-iprs/id=88075/> (describing IPRs as having become “proceedings of right”).

17. This data was obtained using Lex Machina by limiting the “Filed On” dates from August 1, 2020 to August 1, 2021 and with the tags “Reached Institution Decision” for “Trial Stages” and “IPR” for “Trial Types.”

18. 35 U.S.C. § 314(d).

19. See *SAS Inst., Inc. v. Iancu*, 138 S. Ct. 1348, 1356 (2018) (“Once that single claim threshold is satisfied, it doesn’t matter whether the petitioner is likely to prevail on any *additional* claims . . . a reasonable prospect of success on a single claim justifies review of all.”).

A district court proceeding is not terminated upon the institution of an IPR proceeding.²⁰ Instead, the IPR and district court proceedings can be litigated in parallel with each other. Indeed, “most patents challenged in the PTAB are also challenged in Article III litigation.”²¹ For example, between September 16, 2011 and June 30, 2015, “a total of 14,218 patents were either challenged in an IPR or [a covered business method] petition, asserted in litigation, or both.”²² Out of the 14,218 challenged patents, “13,557 patents were involved in litigation alone; 298 patents were involved in a [Patent Office] proceeding alone; and 1,968 patents were involved in both.”²³ Thus, approximately “86.8% of . . . [patents being challenged in an IPR or covered business method proceeding were] litigated in the federal courts.”²⁴

An IPR proceeding is analogous to a shortened litigation. The entire IPR proceeding must normally be completed within twelve months from the grant of the petition, although the procedure may be extended for an additional six months for “good cause.”²⁵ The parties to the litigation may engage in limited discovery, file briefs, deliver oral arguments, and settle claims.²⁶ A settlement by the parties does not require the PTAB to terminate the IPR proceeding. When “no petitioner remains in the [IPR], the [Patent] Office may terminate the review or proceed to a final written decision under section 318(a).”²⁷ An adverse decision by the Board may be appealed to the Federal Circuit.²⁸

A final written decision by the PTAB may affect an ongoing, parallel district court proceeding. If the PTAB invalidates a patent prior to the district court reaching a final determination, the patent owner is collaterally estopped from asserting in federal court any grounds that were “raised or reasonably could have [been] raised” before the PTAB.²⁹ The patent owner will also be collaterally estopped in any subsequent Board proceeding.³⁰

20. Saurabh Vishnubhakat, Arti K. Rai & Jay P. Kesani, *Strategic Decision Making in Dual PTAB and District Court Proceedings*, 31 BERKELEY TECH. L.J. 45, 65 (2016).

21. *Id.*

22. *Id.* at 71.

23. *Id.* at 71–72.

24. *Id.* at 72.

25. 37 C.F.R. § 42.100(c) (2021).

26. 35 U.S.C. §§ 316–17.

27. *Id.* § 317(a).

28. *Id.* § 141(a).

29. *Id.* § 315(e)(2). The doctrine of collateral estoppel “prevents subsequent litigation of legal determinations of fact and law that have resulted in valid final judgments.” *Collateral Estoppel*, LEGAL INFO. INST., https://www.law.cornell.edu/wex/collateral_estoppel (last visited Nov. 26, 2021).

30. 35 U.S.C. § 315(e)(1).

B. ASSIGNOR ESTOPPEL

Assignor estoppel is a common-law doctrine.³¹ It “limits an inventor’s ability to assign a patent to another for value and later contend in litigation that the patent is invalid.”³² The application of the doctrine has been justified on several grounds, including: “(1) to prevent unfairness and injustice; (2) to prevent one [from] benefiting from his own wrong; (3) by analogy to estoppel by deed in real estate; and (4) by analogy to a landlord-tenant relationship.”³³ Simply put, the doctrine is grounded in principles of fair dealing.³⁴

Assignor estoppel has been inconsistently applied by the federal courts. The Supreme Court has never addressed assignor estoppel in the IPR context, although the Court has addressed the doctrine in the context of federal court proceedings. Assignor estoppel was first addressed by the Court in *Westinghouse Elec. & Mfg. Co. v. Formica Insulation Co.*,³⁵ where the Court upheld the doctrine in district court proceedings. However, in the later cases of *Scott Paper Co. v. Marcalus Mfg. Co.*³⁶ and *Lear, Inc. v. Adkins*,³⁷ the Court cast doubt on the doctrine’s continued vitality. Some lower courts construed *Scott Paper* and *Lear* as having eviscerated assignor estoppel, while others disagreed and continued to apply the doctrine.³⁸

Following *Lear*, the Federal Circuit addressed assignor estoppel in several contexts. The Federal Circuit was created by the Federal Courts Improvement Act of 1982 (“Improvement Act”).³⁹ The Improvement Act gave exclusive national subject matter jurisdiction over all patent appeals to the Federal Circuit.⁴⁰ As intended by the Improvement Act, the Federal Circuit’s

31. Assignor estoppel was judicially created by the early British courts and adopted by the American judicial system in the 19th century. The first recorded case to apply the doctrine of assignor estoppel was *Oldham v. Langmead*, 2 Wils. 374 (1789), which was decided in England in 1789. An early American case applying the doctrine was *Faulks v. Kamp*, 3 F. 898, 901 (C.C.S.D.N.Y. 1880), where the court held that an assignor of a patent was estopped from challenging the patent’s validity because “[i]t [did] not lie in his mouth to say that the patent [was] not good.”

32. *Minerva Surgical, Inc. v. Hologic, Inc.*, 141 S. Ct. 2298, 2302 (2021).

33. *Diamond Sci. Co. v. Ambico, Inc.*, 848 F.2d 1220, 1224 (Fed. Cir. 1988).

34. See Lara J. Hodgson, *Assignor Estoppel: Fairness at What Price?*, 20 SANTA CLARA HIGH TECH. L.J. 797, 802 (2004) (“Whichever rationale is relied upon, the gist of the argument is the same: an assignor cannot have his cake and eat it too.”).

35. 266 U.S. 342 (1924).

36. 326 U.S. 239 (1945).

37. 395 U.S. 653 (1969).

38. See *infra* notes 90–93 and accompanying text.

39. Federal Courts Improvement Act of 1982, Pub. L. No. 97-164, 96 Stat. 25.

40. 28 U.S.C. § 1295(a)(1). Prior to the creation of the Federal Circuit, regional federal appellate courts, the Court of Customs and Patent Appeals, and the Court of Claims handled all appeals from the PTAB. See George C. Beighley, Jr., *The Court of Appeals for the Federal Circuit:*

subsequent decisions resolved many of the circuit splits in lower court patent cases.⁴¹ However, the Federal Circuit's treatment of the assignor estoppel doctrine is internally inconsistent. While the Federal Circuit has upheld the application of the doctrine in district court proceedings, reasoning that "an assignor should not be permitted to sell something and later assert that what was sold is worthless, all to the detriment of the assignee,"⁴² the court has declined to apply the same rationale in IPR proceedings before the PTAB.

1. *The Supreme Court Cases*

The Supreme Court first addressed assignor estoppel in 1924. In *Westinghouse*, Daniel O'Connor invented a two-step method for manufacturing composite electric insulation materials.⁴³ He assigned the invention to his employer, Westinghouse Electric & Manufacturing Co., in accordance with his employment agreement.⁴⁴ A patent application was filed claiming the invention.⁴⁵ While the application was pending, O'Connor left Westinghouse to found a competing company, Formica Insulation Co.⁴⁶ Formica Insulation began manufacturing electric insulation materials using a single-step method.⁴⁷ Four years after O'Connor's departure, Westinghouse added claims eleven and twelve to its pending application, which claimed a process to manufacture electric insulation materials but did not contain an express provision for the two-step process as an element.⁴⁸ Westinghouse's patent application eventually was approved and issued as U.S. Patent No. 1,284,432 ("the '432 patent").⁴⁹ Westinghouse subsequently sued O'Connor and Formica Insulation

Has it Fulfilled Congressional Expectations?, 21 FORDHAM INTELL. PROP. MEDIA & ENT. L.J. 671, 676 (2011) ("[T]he regional federal appellate courts, the [Court of Customs and Patent Appeals], and the Court of Claims were the predecessor courts to the Federal Circuit.").

41. See Beighley, *supra* note 40, at 673–74 ("The Federal Circuit was created by Congress to address the lack of uniformity and consistency in patent law."). One circuit split that existed prior to the creation of the Federal Circuit concerned the novelty requirement of 35 U.S.C. § 102. In one case, due to an "unusual procedural circumstance," a patent for compacting earth for roads and highways was evaluated by the Fifth, Sixth, and Eighth Circuits. Because the circuits did not apply the same novelty test to patents, the Fifth and Sixth Circuits found the patent to be valid, while the Eighth Circuit invalidated the same patent. *Id.* at 680–82.

42. *Hologic, Inc. v. Minerva Surgical, Inc.*, 957 F.3d 1256, 1265 (Fed. Cir. 2020).

43. *Westinghouse Elec. & Mfg. Co. v. Formica Insulation Co.*, 266 U.S. 342, 343 (1924).

44. *Id.* at 345.

45. *Id.*

46. *Id.* at 345–46.

47. *Id.* at 355.

48. *Id.* at 344, 354.

49. *Id.* at 345.

(collectively “Formica”) for infringement of claims eleven and twelve of the ’432 patent.⁵⁰ Formica responded by challenging the patent’s validity.⁵¹

The Court, in a unanimous decision, upheld the doctrine of assignor estoppel but refused to apply the doctrine in the case.⁵² Chief Justice Taft, writing for the Court, declined to “disturb a rule well settled by forty-five years of judicial consideration.”⁵³ The Court reasoned that “fair dealing should prevent [an assignor] from derogating from the title he has assigned.”⁵⁴ However, the assignor could use the state of the art to narrow the scope of the claims.⁵⁵ Since claim construction was bound up with validity in 1924,⁵⁶ the practical effect of the Court’s ruling was to allow Formica to challenge the validity of claims that extended beyond what had been assigned to Westinghouse.⁵⁷

Twenty-five years later, in *Scott Paper*, the Supreme Court again considered the doctrine of assignor estoppel.⁵⁸ In *Scott Paper*, Nicholas Marcalus invented a method and machine for mounting a cutting strip of a hard non-metallic substance on the edge of a box blank.⁵⁹ A patent application was filed, and Marcalus assigned his rights in the patent to his employer, Scott Paper.⁶⁰ The patent was not amended during prosecution and issued as U.S. Patent No. 1,843,429 (“the ’429 patent”).⁶¹ After the patent was issued, Marcalus left Scott Paper to found his own company, Marcalus Manufacturing Co.⁶² Marcalus Manufacturing began selling box blanks with a cutting edge.⁶³ Scott Paper subsequently sued Marcalus and Marcalus Manufacturing (collectively “Marcalus”) for infringing the ’429 patent.⁶⁴ Instead of arguing that the ’429 patent was invalid, Marcalus argued that the Court’s holding in *Westinghouse*

50. *Id.* at 346.

51. *Id.* at 344.

52. *Id.* at 349, 355.

53. *Id.* at 349.

54. *Id.* at 350.

55. *Id.* at 351.

56. See Mark A. Lemley, *Rethinking Assignor Estoppel*, 54 HOUS. L. REV. 513, 518 (2016) (“While the Court’s language sounds to modern ears like claim construction, in 1924 claim construction was bound up with validity, because the Court had and applied a doctrine of ‘undue breadth’ to narrow or invalidate overbroad claims.”).

57. *Westinghouse*, 266 U.S. at 355.

58. *Scott Paper Co. v. Marcalus Mfg. Co.*, 326 U.S. 249 (1945).

59. *Id.* at 250.

60. *Id.* at 251.

61. *Id.* at 250–51.

62. *Id.* at 251.

63. *Id.* at 250.

64. *Id.* at 251.

allowed it to use prior art to narrow the scope of the '429 patent.⁶⁵ Marcalus claimed that it could not infringe the '429 patent as the '429 patent was a copy of an expired, prior art patent.⁶⁶

Chief Justice Stone, writing for the Court, expressly declined to determine whether assignor estoppel should be abandoned.⁶⁷ Instead, he reasoned that assignor estoppel did not apply to the case because the '429 patent was indeed a copy of the expired, prior art patent.⁶⁸ Assignor estoppel could not be used to “penalize the [assignor’s] use of the invention of an expired patent”⁶⁹ because, once a patent expires, the public becomes entitled to share in the invention’s “good will.”⁷⁰ Since Marcalus, at the time of assignment, had no right to confer an expired patent to Scott Paper, Chief Justice Stone concluded that Marcalus had a “complete defense” to an action for infringement.⁷¹

Justice Frankfurter dissented in *Scott Paper*. He accused the majority of judicially repudiating the doctrine of assignor estoppel “by circumlocution.”⁷² Justice Frankfurter argued that assignor estoppel applied to the case because it served the important purpose of preventing unfair dealing.⁷³ Moreover, he argued that, even if public policy favored abolishing the doctrine, it was the province of Congress, not the Court, to undo “that which has always been part of the patent law.”⁷⁴ Justice Frankfurter reasoned that assignor estoppel was a part of patent law despite its lack of codification because, “[i]f warrant in the language of Congress had to be found for all adjudications made by this Court in litigation involving patents,” a great number of common-law principles “would never have been made and should be undone.”⁷⁵ Although the Court

65. *Id.* at 252.

66. *Id.* at 251.

67. *Id.* at 254 (“[W]e find it unnecessary to . . . determine whether . . . the doctrine of estoppel by patent assignment . . . should be rejected. To whatever extent that doctrine may be deemed to have survived the *Formica* decision or to be restricted by it, we think that case is not controlling here.”).

68. *Id.*

69. *Id.*

70. *Id.* at 256.

71. *Id.* at 258.

72. *Id.* at 264 (Frankfurter, J., dissenting). To Justice Frankfurter, the majority’s decision amounted to “saying that the assignor in raising invalidity in a suit for infringement is just a part of the general public and can ask the Court to enforce every defense open to the rest of the public.” *Id.* at 261. Justice Frankfurter deemed such a result to be contrary to the doctrine of assignor estoppel in that “[t]he essence of the principle of fair dealing which binds the assignor of a patent in a suit by the assignee . . . is that in this relation the assignor is not part of the general public but is apart from the general public.” *Id.* at 261–62.

73. *Id.* at 259.

74. *Id.* at 261.

75. *Id.* at 260.

in *Scott Paper* expressly declined to evaluate assignor estoppel, Justice Frankfurter's dissent indicated that the doctrine was, for all practical purposes, dead.⁷⁶

The Court only exacerbated confusion in 1969. In *Lear*, John Adkins invented a cost-effective method of constructing an accurate gyroscope.⁷⁷ Adkins licensed his invention to his employer, Lear, Inc.⁷⁸ Under the terms of the licensing agreement, Lear would be able to use the invention so long as it paid royalties to Adkins.⁷⁹ Lear incorporated the invention into its production process.⁸⁰ A patent application was also filed by Adkins claiming the invention.⁸¹ Two years into the prosecution of the patent, Lear became convinced that the application would not issue as a patent in light of being anticipated by prior art.⁸² Lear subsequently refused to pay royalties to Adkins, but continued to use the invention.⁸³ However, the patent was later granted, and Adkins sued Lear for breach of contract.⁸⁴ Adkins claimed that licensee estoppel precluded Lear from raising patent invalidity as a defense.⁸⁵

Justice Harlan, writing for the Court, abolished licensee estoppel.⁸⁶ He reasoned that the public interest in the “use of ideas” outweighed the interest of the licensor, finding that licensees are often best situated to challenge a patent's validity.⁸⁷ Implying that assignor estoppel was also abrogated, Justice

76. See Hal D. Cooper, *Estoppel to Challenge Patent Validity, The Case of Private Good Faith vs. Public Policy*, CASE W. RES. L. REV. 1122, 1127–28 (1967). (“[T]he *Scott* . . . decision[] might be considered to have dealt with [a] special factual situation[] . . . enunciating [an] exception[] to the general rule of estoppel. . . . However, the dissenting opinion[] . . . clearly call[ed] into question the continuing validity of the doctrine.”).

77. *Lear, Inc. v. Adkins*, 395 U.S. 653, 655 (1969).

78. *Id.* at 657.

79. *Id.*

80. *Id.* at 655.

81. *Id.* at 657.

82. *Id.* at 659. “Prior art is any evidence that your invention was already publicly known or available, in whole or in part, before the effective filing date of your patent application.” Michael K. Henry, *What Is Prior Art*, HENRY PAT. LAW FIRM (Sept. 7, 2017), <https://henry.law/blog/what-is-prior-art/>. An invention is anticipated by prior art when “a single prior art reference describes, either expressly or inherently, each and every limitation of a claim.” Fenn Mathew, *Understanding Prior Art and its use in Determining Patentability*, U.S. PAT. & TRADEMARK OFF. 12, <https://www.uspto.gov/sites/default/files/documents/May%20Info%20Chat%20slides%20%28003%29.pdf> (last visited Nov. 22, 2021).

83. *Lear*, 395 U.S. at 659.

84. *Id.* at 660.

85. *Id.* The doctrine of licensee estoppel “prohibited [the licensee of a patent] from challenging the validity of [the licensed patent] if the [license] agreement had not been validly terminated.” *Adkins v. Lear, Inc.*, 67 Cal. 2d 882, 899 (1967).

86. *Lear*, 395 U.S. at 671.

87. *Id.* at 670.

Harlan examined patent estoppel, of which both licensee estoppel and assignor estoppel are a subset, and found that “the estoppel doctrine had been so eroded that it could no longer be considered the ‘general rule,’ but was only to be invoked in an ever-narrowing set of circumstances.”⁸⁸ He characterized *Westinghouse* as an “anomaly” and concluded that the Court’s decision in *Scott Paper* had undermined the very basis of the general rule.⁸⁹

2. *The Federal Circuit Cases*

After *Lear*, lower courts issued conflicting opinions concerning the applicability of assignor estoppel. Some courts interpreted *Lear* as having abolished the doctrine.⁹⁰ For example, in *Coastal Dynamics Corp. v. Symbolic Displays, Inc.*, the Court of Appeals for the Ninth Circuit held that arguing for the application of assignor estoppel was a “point without merit” in light of the dicta in *Lear*.⁹¹ Other courts understood *Lear* as applying only to licensee estoppel.⁹² For example, the District Court for the District of New Jersey in *Coast Metals, Inc. v. Cape* expressly distinguished licensee estoppel from assignor estoppel, holding that *Lear* “differs in significant respects from [the instant case] . . . Coast Metals is not a licensee . . . [r]ather, the assignee is bringing suit to declare its own patent invalid.”⁹³

The creation of the Federal Circuit in 1982 led to new challenges pertaining to the assignor estoppel doctrine. The Federal Circuit first addressed assignor estoppel in the 1988 case of *Diamond Sci. Co. v. Ambico, Inc.*⁹⁴ In *Diamond*, Clarence Welter invented a vaccine against gastroenteritis in swine.⁹⁵ He assigned all of his rights in any patents obtained from the invention to his employer, Diamond Scientific Co.⁹⁶ Welter’s invention resulted in the issuance of three patents.⁹⁷ Welter later left Diamond Scientific to form his own

88. *Id.* at 664.

89. *Id.* at 665–66.

90. *See, e.g.*, *Coastal Dynamics Corp. v. Symbolic Displays, Inc.*, 469 F.2d 79, 79 (9th Cir. 1972) (holding that arguing for the application of assignor estoppel was a “point without merit”); *Interconnect Plan. Corp. v. Feil*, 543 F. Supp. 610, 613 (S.D.N.Y. 1982) (finding that assignor estoppel did not apply to the instant case because the “public ha[d] an interest in the validity of all outstanding patents”).

91. 469 F.2d at 79.

92. *See, e.g.*, *Coast Metals, Inc. v. Cape*, No. 78-276, 1979 U.S. Dist. LEXIS 7798, at *9 (D.N.J. Dec. 24, 1979) (distinguishing licensee estoppel from assignor estoppel); *Roberts v. Sears, Roebuck & Co.*, 573 F.2d 976, 982 (7th Cir. 1978) (holding that the reasoning in *Lear* did not extend to the instant case).

93. 1979 U.S. Dist. LEXIS 7798, at *9.

94. 848 F.2d 1220 (Fed. Cir. 1988).

95. *Id.* at 1222.

96. *Id.*

97. *Id.*

company, Ambico, Inc.⁹⁸ Ambico began selling a gastroenteritis vaccine.⁹⁹ Diamond Scientific subsequently brought a patent infringement suit against Ambico and Welter (collectively “Ambico”) in the District Court for the Southern District of Iowa.¹⁰⁰ Ambico asserted invalidity as a defense.¹⁰¹ The district court ruled in favor of Diamond Scientific, reasoning that Ambico “should be estopped from defending a patent infringement case by proving that what he assigned was worthless.”¹⁰²

On appeal, the Federal Circuit acknowledged that *Lear* “reveal[ed] some uncertainty about the continued vitality of” assignor estoppel.¹⁰³ Nevertheless, the court declined to construe *Lear* as having abolished the doctrine. The court distinguished *Lear* by asserting that, whereas licensee estoppel might force a licensee “to continue to pay for a potentially invalid patent, the assignor who would challenge the patent has already been fully paid for the patent rights.”¹⁰⁴

Having distinguished licensee estoppel from assignor estoppel, the court determined that the case was one “in which public policy call[ed] for the application of assignor estoppel.”¹⁰⁵ The court acknowledged the existence of a general public policy encouraging people to challenge potentially invalid patents.¹⁰⁶ However, the court found that the need to prevent “an injustice against the assignee”¹⁰⁷ warranted “depriv[ing] one party . . . of the right to bring that challenge.”¹⁰⁸

The Federal Circuit applied the assignor estoppel doctrine broadly in *Diamond*, finding that assignor estoppel applied even in situations where the assignee broadened the scope of claims after assignment.¹⁰⁹ The court reasoned that the assignor had assigned away his rights to the invention, not the particular language of the claims describing the invention.¹¹⁰ Thus, the Federal Circuit not only deemed assignor estoppel alive and well, but applied

98. *Id.*

99. *Id.*

100. *Id.*

101. *Id.*

102. *Diamond Sci. Co. v. Ambico, Inc.*, 666 F. Supp. 163, 167 (S.D. Iowa 1987).

103. *Diamond*, 848 F.2d at 1223.

104. *Id.* at 1224.

105. *Id.* at 1224–25.

106. *Id.* at 1225.

107. *Id.* at 1224.

108. *Id.* at 1225.

109. *Id.* at 1226.

110. *Id.*

the doctrine in cases where the patent that was *assigned* differed from the patent that eventually *issued*.¹¹¹

The Federal Circuit later clarified the contours of *Diamond* in *Arista Networks, Inc. v. Cisco Sys., Inc.*¹¹² In *Arista*, David Cheriton invented a method and apparatus for securing a communications device using a logging module.¹¹³ A patent issued claiming the invention, and Cheriton assigned his rights in the patent to his employer, Cisco Systems, Inc.¹¹⁴ Cheriton then left Cisco Systems to found Arista Networks, Inc.¹¹⁵ When Arista Networks began selling a competing product, Cisco Systems brought a patent infringement suit against Arista in the District Court for the Northern District of California.¹¹⁶ Unlike the assignor in *Diamond*, Arista Networks petitioned for IPR, claiming that the patent was invalid.¹¹⁷ The petition was granted.¹¹⁸ In the ensuing IPR proceeding, the Board explained in its final written decision that “Congress has demonstrated that it will provide expressly for the application of equitable defenses when it so desires.”¹¹⁹ Reasoning that Congress had never done so with the assignor estoppel doctrine, the Board declined to apply the doctrine and invalidated several of the patent’s claims.¹²⁰ Cisco Systems appealed the Board’s decision to the Federal Circuit.¹²¹

On review, the Federal Circuit framed the question at issue as being one of congressional intent.¹²² Did Congress intend to abrogate assignor estoppel in the IPR context when it enacted 35 U.S.C. § 311(a), the statute governing IPR proceedings?¹²³ Under § 311(a), “a person who is not the owner of a patent may file with the [Patent Office] a petition to institute an [IPR] of the

111. Legal commentators criticized the Federal Circuit for too broadly applying the doctrine of assignor estoppel. See, e.g., Lemley, *supra* note 56, at 524 (arguing that “[t]he Federal Circuit applie[d] the doctrine liberally and construe[d] exceptions so narrowly that they [were] worthless in practice, even in factual circumstances far removed from the original basis of the doctrine”); Hodgson, *supra* note 34, at 825 (arguing that the Federal Circuit’s expansion of the application of assignor estoppel “hinder[ed] the goals of the patent laws”).

112. 908 F.3d 792 (Fed. Cir. 2018).

113. *Id.* at 794.

114. *Id.*

115. *Id.* at 795.

116. *Cisco Sys., Inc. v. Arista Networks, Inc.*, No. 14-cv-05344-BLF, 2015 U.S. Dist. LEXIS 189442, at *3–4 (N.D. Cal. July 9, 2015).

117. *Arista*, 908 F.3d at 795.

118. *Id.*

119. *Arista Networks, Inc. v. Cisco Sys. Inc.*, No. IPR2015-00978 (P.T.A.B. Sept. 28, 2016).

120. *Id.*

121. *Arista*, 908 F.3d at 793.

122. *Id.* at 802.

123. *Id.*

patent.” The court construed the words “a person who is not the owner of a patent” in § 311(a) as including assignors.¹²⁴ The court deemed the “plain language” of § 311(a) to be conclusive in that it “unambiguously [left] no room for assignor estoppel in the IPR context.”¹²⁵ As a result of the *Arista* decision, a dual-track system was formed, where assignor estoppel could be asserted in the district court but not in an IPR proceeding.

III. CASE SUMMARY: MINERVA SURGICAL, INC. V. HOLOGIC, INC.

In *Minerva*, the Supreme Court upheld the doctrine of assignor estoppel but clarified “that it reaches only so far as the equitable principles long understood to lie at its core.”¹²⁶ At issue was the validity of U.S. Patent No. 9,095,348 (“the ’348 patent”), which Hologic claimed Minerva Surgical could not dispute due to assignor estoppel.¹²⁷ However, the original lawsuit involved two patents: the ’348 patent and U.S. Patent No. 6,872,183 (“the ’183 patent”).¹²⁸ Although the district court’s decisions regarding both patents were appealed, the Court granted certiorari only as to the ’348 patent, even though the Federal Circuit was primarily concerned with issues involving the ’183 patent.¹²⁹

At the Federal Circuit, the court questioned a system that allowed Minerva Surgical to circumvent the doctrine of assignor estoppel by challenging the ’183 patent’s validity before the PTAB but not in district court. By only granting certiorari as to the ’348 patent, the Supreme Court’s decision rightly upheld assignor estoppel in district court proceedings but missed an opportunity to reconcile a “seemingly illogical regime.”¹³⁰

A. FACTUAL BACKGROUND

In the late-1990s, Csaba Truckai developed NovaSure, a device that treats abnormal uterine bleeding by detecting perforations in the uterus.¹³¹ Two patent applications claiming the technology were filed with the Patent Office.¹³² While the patents were pending, Truckai assigned his interest in both

124. *Id.* at 803.

125. *Id.*

126. *Minerva Surgical, Inc. v. Hologic, Inc.*, 141 S. Ct. 2298, 2302 (2021).

127. *Id.* at 2303.

128. *Hologic, Inc. v. Minerva Surgical, Inc.*, 325 F. Supp. 3d 507, 513 (D. Del. 2018).

129. *See infra* Section III.B.

130. *Hologic, Inc. v. Minerva Surgical, Inc.*, 957 F.3d 1256, 1275 (Fed. Cir. 2020) (Stoll, J., concurring).

131. *Minerva*, 141 S. Ct. at 2303.

132. *Id.*

applications, as well as in all continuation applications, to his company, NovaCept, Inc.¹³³ NovaCept was acquired by Cytoc Surgical Products, LLC.¹³⁴ Hologic, Inc. later acquired Cytoc Surgical Products.¹³⁵ By the acquisition, Hologic received all of NovaCept's patent rights, including the two pending patent applications.¹³⁶ One of the patent applications issued in 2005 as the '183 patent.¹³⁷

Truckai left NovaCept and founded Minerva Surgical, Inc. in 2008.¹³⁸ There, he developed the Minerva Endometrial Ablation System (EAS), a device that, like NovaSure, treats abnormal uterine bleeding.¹³⁹ While both NovaSure and EAS used applicator heads to remove cells in the uterine lining, EAS, unlike NovaSure, used a moisture impermeable applicator head.¹⁴⁰

In 2013, Hologic, aware of Truckai's activities, filed a continuation application to add claims to its pending NovaSure patent application.¹⁴¹ One of the added claims claimed an "applicator head coupled to the distal portion."¹⁴² Because the new claim claimed an "applicator head" generally, the new claim encompassed both moisture impermeable and moisture permeable

133. *Id.*

134. *Id.*

135. *Id.*

136. *Id.*

137. *Hologic, Inc. v. Minerva Surgical, Inc.*, 957 F.3d 1256, 1262 (Fed. Cir. 2020).

138. *Minerva*, 141 S. Ct. at 2303.

139. *Id.*

140. *Id.*

141. *Id.* A continuation application is "like a new [patent] application, giving the applicant another set of chances to persuade the examiner to allow the claims, to further amend the claims, or even to hope to get a different examiner." Mark A. Lemley & Kimberly A. Moore, *Ending Abuse of Patent Continuations*, 84 B.U. L. REV. 63, 69 (2004). Hologic's use of the continuation application was not unusual. Companies use continuation applications strategically to expand their patent portfolio. *See* Chen Chen, *Using Continuation Applications Strategically*, COOLEYGO, <https://www.cooleygo.com/using-continuation-applications-strategically/> (last visited Nov. 23, 2021) (finding that continuation applications "can be used to expand a patent portfolio relatively quickly and inexpensively"); *Continuation Patent Applications: 10 Reasons You Should Consider Filing*, NUTTER (May 1, 2017), <https://www.nutter.com/ip-law-bulletin/continuation-patent-applications-10-reasons-you-should-file> (urging companies to file continuation applications for "broader" protection); Matthew Yospin, *What Is a Continuation Patent Application?*, YOSPIN L. (Sept. 23, 2019), <https://www.yospinlaw.com/2019/09/23/continuation-patent-application> (describing continuation applications as being used "to cover a competitor's product or service that was described but not claimed in the parent patent application, and [which] came to market after the parent patent application's priority date").

142. U.S. Patent No. 9,095,348.

applicator heads. This patent, with the added claims, issued in 2015 as the '348 patent.¹⁴³

B. PROCEDURAL HISTORY

A few months after the '348 patent issued, Hologic filed a civil action against Minerva Surgical in the District Court for the District of Delaware.¹⁴⁴ Hologic claimed that Minerva Surgical's EAS infringed both the '183 and '348 patents.¹⁴⁵ Minerva Surgical asserted that Hologic's patents were invalid and concurrently filed a petition for IPR.¹⁴⁶ The Board granted Minerva Surgical's petition as to the '183 patent but declined review of the '348 patent.¹⁴⁷

The Board found the '183 patent to be obvious and thus invalid under 35 U.S.C. § 103.¹⁴⁸ Although the Board did not directly address the threshold question of whether assignor estoppel barred Minerva Surgical from challenging the validity of the '183 patent in the first instance, the Board, by ignoring the issue, implicitly determined that assignor estoppel did not apply to the proceeding before it. The Board appeared to summarily conclude that there was no need to address the assignor estoppel doctrine as the Federal Circuit in *Arista* had previously decided that assignor estoppel did not apply to proceedings before the Board.¹⁴⁹ Without the *Arista* precedent, the Board would have been unable to judge the '183 patent on its merits since the applicability of assignor estoppel is a threshold question. Hologic appealed the Board's finding of invalidity to the Federal Circuit.¹⁵⁰ The Federal Circuit affirmed the Board's decision.¹⁵¹

In the parallel litigation, the district court reviewed both the '348 and '183 patents.¹⁵² It found that assignor estoppel barred Minerva Surgical from contesting the validity of the '348 patent, but that any further litigation regarding the '183 patent was moot in light of the Federal Circuit's affirmance of the Board's decision finding the patent invalid.¹⁵³ Both Hologic and Minerva Surgical appealed various aspects of the district court's decision.¹⁵⁴

143. *Minerva*, 141 S. Ct. at 2303.

144. *Hologic, Inc. v. Minerva Surgical, Inc.*, 325 F. Supp. 3d 507, 513 (D. Del. 2018).

145. *Id.*

146. *Hologic, Inc. v. Minerva Surgical, Inc.*, 957 F.3d 1256, 1262 (Fed. Cir. 2020).

147. *Id.*

148. *Minerva Surgical, Inc. v. Hologic, Inc.*, No. IPR2016-00868 (P.T.A.B. Dec. 15, 2017).

149. *Arista Networks, Inc. v. Cisco Sys., Inc.*, 908 F.3d 792, 804 (Fed. Cir. 2018) (“[A]ssignor estoppel has no place in IPR proceedings.”).

150. *Hologic, Inc. v. Minerva Surgical, Inc.*, 764 F. App'x 873, 874 (Fed. Cir. 2019).

151. *Id.* at 875.

152. *Hologic*, 957 F.3d at 1262–63.

153. *Id.*

154. *Id.* at 1264.

On appeal, the Federal Circuit affirmed the district court's findings as to the application of assignor estoppel to the '348 patent.¹⁵⁵ The court rejected Minerva Surgical's invitation to abandon the doctrine of assignor estoppel.¹⁵⁶ Although some courts had questioned the doctrine's vitality in light of the Supreme Court's abrogation of licensee estoppel in *Lear*, the court noted that "nothing in *Lear* eliminated assignor estoppel and that . . . [t]he public policy favoring allowing a licensee to contest the validity of a patent is not present in the assignment situation."¹⁵⁷ Whereas licensee estoppel might force a licensee "to continue to pay for a potentially invalid patent, the assignor who would challenge the patent has already been fully paid for the patent rights."¹⁵⁸ Furthermore, the court noted that assignor estoppel serves the important purpose of preventing unfairness and injustice to the assignee.¹⁵⁹

The court applied assignor estoppel broadly to the '348 patent.¹⁶⁰ Even though Hologic had broadened the '348 patent by adding a claim encompassing applicator heads generally, the court held that assignor estoppel nevertheless barred Minerva Surgical from contesting the '348 patent's validity.¹⁶¹ The court found "it 'irrelevant that, at the time of the assignment,' the inventor's 'patent applications were still pending' and that [the] assignee . . . 'may have later amended the claims in the application process . . . with or without [the inventor's] assistance.'"¹⁶²

As for the '183 patent, the court affirmed the district court's ruling that Hologic could not litigate the patent further due to the Federal Circuit's affirmance of the Board's decision to invalidate it.¹⁶³ The court acknowledged that assignor estoppel would have prevented Minerva Surgical from challenging the validity of the '183 patent in district court.¹⁶⁴ However, Minerva Surgical had the "right to [challenge the '183 patent's validity in an IPR proceeding] under . . . [the Federal Circuit's] precedent."¹⁶⁵ Assignor estoppel did not bar Minerva Surgical from "defend[ing] themselves [by] arguing that the patentee is itself collaterally estopped from asserting a patent found invalid in a prior proceeding."¹⁶⁶ The court found that the Board's final

155. *Id.* at 1267.

156. *Id.*

157. *Id.* at 1265.

158. *Id.*

159. *Id.*

160. *Id.* at 1268.

161. *Id.*

162. *Id.*

163. *Id.* at 1266.

164. *Id.*

165. *Id.*

166. *Id.*

decision in the IPR proceeding precluded Hologic's later assertion of assignor estoppel in the district court proceeding.¹⁶⁷ The court acknowledged the "seeming unfairness to Hologic."¹⁶⁸ While assignor estoppel would have barred Minerva Surgical from contesting the validity of the '183 patent in district court, Minerva Surgical was able to circumvent the doctrine by challenging the patent in an IPR proceeding before the Board.¹⁶⁹

In addition to authoring the majority opinion, Judge Stoll filed a concurrence with additional views.¹⁷⁰ She expressed concern about the "odd situation" that allows assignors to circumvent the doctrine of assignor estoppel by the forum in which they litigate.¹⁷¹ Judge Stoll urged the Federal Circuit to take the case en banc to resolve the "seemingly illogical regime."¹⁷² The Federal Circuit, however, denied the en banc hearing.¹⁷³

C. THE SUPREME COURT'S DECISION

The Supreme Court granted certiorari as to the '348 patent but not as to the '183 patent.¹⁷⁴ In a 5-4 decision authored by Justice Kagan and joined by Chief Justice Roberts and Justices Breyer, Sotomayor, and Kavanaugh, the Court upheld the doctrine of assignor estoppel. The Court, however, deemed the Federal Circuit's construction of the assignor estoppel doctrine as overly broad.¹⁷⁵ According to the Court, assignor estoppel only applies when an

167. *Id.*

168. *Id.*

169. *Id.*

170. *Id.* at 1274 (Stoll, J., concurring). Why might a judge write the majority opinion and then file a concurring opinion? Judge Stoll likely could not get the other judges to sign on to her additional views on assignor estoppel. See Tim Baldwin, *Who Knew You Can Write for the Majority and Concur in the Same Case? Justices Robinson and Flanders (Ret.), That's Who!*, RI COURT BLOG (Feb. 28, 2020), <http://ricourtblog.com/2020/02/28/write-majority-opinion-and-concur-in-same-case/> (referencing Judge Flanders's opinion in *Bailey v. Algonquin Gas Transmission Co.*, 788 A.2d 478 (R.I. 2002), where Judge Flanders wrote both the majority and concurring opinion because he "could not get the other justices to sign on to the additional reasoning that he wanted to include in the majority opinion").

171. *Hologic*, 957 F.3d at 1274 (Stoll, J., concurring).

172. *Id.* at 1275.

173. Order Denying Petitions for Panel Rehearing and Rehearing En Banc, *Hologic, Inc. v. Minerva Surgical, Inc.*, Nos. 2019-2054, 2019-2081 (Fed. Cir. July 22, 2020).

174. The Court denied Hologic's cross-petition for a writ of certiorari, but granted Minerva's petition for a writ of certiorari. In its cross-petition that was denied, Hologic urged the Supreme Court "to straighten out the Federal Circuit's divergent precedents on the doctrine of assignor estoppel in different forums." Cross-Petition for a Writ of Certiorari at 3, *Minerva Surgical, Inc. v. Hologic, Inc.*, 141 S. Ct. 2298 (2021) (No. 20-440). Because the Court denied Hologic's cross-petition without comment, one can only conjecture as to the reason the Court denied certiorari as to the '183 patent, but not as to the '348 patent.

175. *Minerva Surgical, Inc. v. Hologic, Inc.*, 141 S. Ct. 2298, 2310 (2021).

assignor explicitly or implicitly contradicts an earlier representation.¹⁷⁶ By failing to assess whether Hologic had materially broadened the patent claims in its continuation application outside the scope of representations made by Truckai in the initial assignment, the Federal Circuit failed to recognize the doctrine's proper limits.¹⁷⁷

Despite the lack of clarity and unanswered assumptions in the Court's prior decisions involving assignor estoppel, the Court saw "value in the doctrine," declining to disturb a century of jurisprudence on the subject.¹⁷⁸ According to the Court, by the time *Westinghouse* was decided in 1924, the doctrine was deemed to be "well-settled."¹⁷⁹ The post-*Westinghouse* cases of *Scott Paper* and *Lear* "never questioned that view."¹⁸⁰ Instead, the two cases merely "police[d] the doctrine's boundaries."¹⁸¹

In addition, the Court rejected Minerva Surgical's argument that assignor estoppel "offer[ed] no patent policy benefits."¹⁸² The Court recognized that assignor estoppel furthered patent policy by promoting fair dealing and giving assignees confidence that what they have bought has value.¹⁸³ This in turn "raises the price of patent assignments, and . . . may encourage invention," in furtherance of public policy.¹⁸⁴

While reaffirming the value of assignor estoppel and its potential benefits, the Court nevertheless constrained the doctrine's boundaries. Assignor estoppel applies only when its underlying principle of fair dealing is implicated.¹⁸⁵ There is no justification for applying assignor estoppel when an assignor has not made an inconsistent representation concerning a patent's validity.¹⁸⁶ An inventor-assignor does not make inconsistent representations when (1) the inventor assigns the patent before making a warranty as to its validity, (2) a later legal development renders a patent invalid, or (3) there is a post-assignment change in the patent claims.¹⁸⁷ Since the Federal Circuit failed to recognize the assignor estoppel doctrine's proper boundaries, the Court

176. *Id.* at 2302.

177. *Id.* at 2310.

178. *Id.* at 2302.

179. *Id.* at 2305.

180. *Id.* at 2308.

181. *Id.*

182. *Id.* at 2309.

183. *Id.* at 2309 n.4.

184. *Id.*

185. *Id.* at 2309–10.

186. *Id.* at 2310.

187. *Id.*

remanded the case for a determination as to whether Hologic had materially broadened the claims after assignment in its continuation application.¹⁸⁸

The principal dissent, authored by Justice Barrett and joined by Justices Thomas and Gorsuch, argued that Congress had repudiated assignor estoppel in the Patent Act of 1952 (“1952 Act”).¹⁸⁹ The relevant provision of the 1952 Act states that invalidity “shall be [a] defense[] in *any* action involving the validity or infringement of a patent.”¹⁹⁰ Justice Barrett noted that the 1952 Act “nowhere mentions the equitable doctrine of assignor estoppel” and was, therefore, repudiated by the 1952 Act.¹⁹¹ The principal dissent maintained that the doctrine could only have been incorporated into the 1952 Act if (1) Congress ratified *Westinghouse* in the 1952 Act or (2) assignor estoppel was a well-settled common-law doctrine by 1952.¹⁹² Justice Barrett concluded that neither prong was met, and, therefore, Congress had abrogated assignor estoppel in the 1952 Act.¹⁹³

The majority, however, countered that *Westinghouse* was decided in 1924 and upheld assignor estoppel even though the Patent Act of 1897 (“1897 Act”) contained similar language: “in *any* action for infringement the defendant may plead” invalidity.¹⁹⁴ Furthermore, interpreting the 1952 Act as a repudiation of assignor estoppel merely because the statute does not explicitly reference assignor estoppel would “foreclose applying in patent cases a whole host of common-law preclusion doctrines . . . [including] equitable estoppel, collateral estoppel, res judicata, and law of the case.”¹⁹⁵ Such an outcome would conflict with the Court’s precedents.¹⁹⁶ It would also undermine congressional design, for Congress “legislates against a backdrop of common-law adjudicatory principles” and expects those principles to apply absent “a statutory purpose to the contrary.”¹⁹⁷

The principal dissent took an entirely opposite view. Justice Barrett referenced the Patent Act of 1870 (“1870 Act”).¹⁹⁸ She argued that Congress

188. *Id.* at 2311.

189. *Id.* at 2314 (Barrett, J., dissenting).

190. 35 U.S.C. § 282(b).

191. *Minerva*, 141 S. Ct. at 2314 (Barrett, J., dissenting).

192. *Id.*

193. *Id.*

194. *Id.* at 2307 (majority opinion).

195. *Id.*

196. *Id.*

197. *Id.*

198. *Id.* at 2315 (Barrett, J., dissenting). The 1870 Act’s primary purpose was to consolidate and clarify the existing statutory patent law at the time. The 1897 Act amended the 1870 Act. The 1897 Act did not amend any of the language at issue in *Minerva*. For purposes of the assignor estoppel analysis, the Acts can be treated as the same. *See* Lawrence

could not have ratified *Westinghouse* in the 1952 Act because *Westinghouse's* construction of the 1870 Act was not “well-settled,” and the assignment provisions of the 1952 and 1870 Acts were not “materially identical.”¹⁹⁹ *Westinghouse's* construction of the 1870 Act was not well-settled because *Westinghouse* was little more than a “mild endorsement” of the doctrine, since the Court did not actually apply assignor estoppel to the case before it.²⁰⁰ Furthermore, Justice Barrett pointed to the later cases of *Scott Paper* and *Lear* as having repudiated the doctrine.²⁰¹ These three cases together led to such confusion in the lower courts and legal community that *Westinghouse's* construction of the 1870 Act could not possibly have been well-settled by 1952.²⁰² As to whether the provisions of the 1952 and 1870 Acts were “materially identical,” Justice Barrett referenced an additional clause in the 1952 Act denoting that “patents shall have the attributes of *personal* property.”²⁰³ Because *Westinghouse* analogized patents to *real* property, the principal dissent concluded that the provisions of the 1952 and 1870 Acts were not materially identical.²⁰⁴ Congress, therefore, could not have ratified *Westinghouse* in the 1952 Act.²⁰⁵

Justice Barrett also took issue with the majority's view that assignor estoppel was a “well-settled” common-law doctrine by 1952.²⁰⁶ The principal dissent argued that “well-settled” required the doctrine to be of an “impeccable historic pedigree.”²⁰⁷ Doctrines like *res judicata* and collateral estoppel are nearly a thousand years old, in contrast to assignor estoppel, which was only introduced into patent law in the late 19th century.²⁰⁸ Since assignor estoppel lacked the “pedigree” of more historic doctrines,²⁰⁹ the principal dissent disagreed with the majority's argument that abrogating assignor estoppel

Kingsland, *The United States Patent Office*, 13 L. & CONTEMP. PROBS. 354, 362–63 (1948) (tracing the history of the Patent Act from 1870 to 1930).

199. *Minerva*, 141 S. Ct. at 2315 (Barrett, J., dissenting).

200. *Id.*

201. *Id.* at 2316. Justice Barrett pointed out that the Court in *Scott Paper* had deemed the analysis in *Westinghouse* to be a “logical embarrassment.” In addition, Justice Barrett pointed out that the Court in *Lear* claimed that the *Scott Paper* decision had “undermined the very basis of the ‘general estoppel’ rule.” *Id.*

202. *Id.*

203. *Id.* at 2317.

204. *Id.* at 2318.

205. *Id.* at 2319.

206. *Id.*

207. *Id.*

208. *Id.* at 2319–20.

209. *Id.* at 2319.

would “foreclose applying in patent cases a whole host of common-law preclusion doctrines.”²¹⁰

Justice Alito, in a separate dissent, criticized what he saw as both the majority and the principal dissent’s evasion of stare decisis.²¹¹ Justice Alito disagreed with the Court’s reasoning because “not one word in the patent statutes supports assignor estoppel.”²¹² He argued that the Court needed to rely on precedent to support its decision.²¹³ Thus, Justice Alito felt that the Court in its analysis placed the cart before the horse; he would have first analyzed whether *Westinghouse* should be overruled or further confirmed.²¹⁴

In addition, Justice Alito criticized the principal dissent, arguing that (1) *Westinghouse* was not based on an interpretation of the 1870 Act because the Court in *Westinghouse* explicitly analogized to estoppel by deed rather than relying on the 1870 Act, (2) to suggest that a Court decision ceases to be precedent if it is not well-settled is “strange,” and (3) the standard of “materially identical” that the principal dissent uses to compare the 1952 and 1870 Acts is inconsistent with precedent.²¹⁵

IV. ANALYSIS

The *Minerva* Court missed an opportunity to resolve the “seemingly illogical regime” that allows assignors to circumvent the doctrine of assignor estoppel by choosing the forum in which they litigate.²¹⁶ Since the Court addressed only the ’348 patent, which was not the subject of an IPR proceeding, the Court left untouched the Federal Circuit’s precedent that assignor estoppel could not be asserted in IPR proceedings. In declining review of the ’183 patent, the Court rejected an opportunity to review the soundness of *Arista* and, consequently, put an end to the illogic of a dual-track system. Neither congressional design nor public policy considerations support the existence of the dual-track system created by *Arista*. The applicability of the assignor estoppel doctrine in IPR proceedings is deserving of Supreme Court review because the dual-track system works to the detriment of the public by (1) prioritizing gamesmanship over patent quality, (2) discouraging assignees

210. *Id.* at 2307 (majority opinion).

211. *Id.* at 2311 (Alito, J., dissenting).

212. *Id.*

213. *Id.*

214. *Id.*

215. *Id.* at 2312–13.

216. *Hologic, Inc. v. Minerva Surgical, Inc.*, 957 F.3d 1256, 1275 (Fed. Cir. 2020) (Stoll, J., concurring).

from enforcing their patent rights, and (3) disincentivizing employer-assignees from rewarding innovation.

A. CONGRESSIONAL DESIGN

1. *The Plain Language of § 311(a)*

In *Arista*, the Federal Circuit held that § 311(a), “by allowing ‘a person who is not the owner of a patent’ to file an IPR, unambiguously dictates that assignor estoppel has no place in IPR proceedings.”²¹⁷ The Federal Circuit’s interpretation of the “plain language”²¹⁸ of § 311(a) is, at best, a conclusory reading of the statute. In enacting statutes, Congress “does not write upon a clean state.”²¹⁹ The Court has held that “[i]n order to abrogate a common-law principle, the statute must ‘speak directly’ to the question addressed by the common law.”²²⁰ Assignor estoppel is such a common-law principle.²²¹ Just as the principal dissent in *Minerva* ignored the “history of U.S. patent law” by insisting that the “only answers to be legitimately sought are ones of textual meaning,”²²² the *Arista* court ignored congressional design in its interpretation of § 311(a). The actual language of the 1952 Act and § 311(a) are important, but statutes are not to be read in a vacuum, irrespective of history.

2. *The History of § 311(a)*

An examination of the historical origins of IPR confirms that Congress intended for IPR to be an efficient substitute for district court litigation that would apply the same legal standards and not be subject to abuse. As Judge Newman recognized in her dissenting opinion in *In re Cuozzo Speed Techs, LLC*, “the legislative record does not show a congressional intent that issued patents should be more readily invalidated in these [Patent Office] proceedings than in the courts.”²²³

IPR originates from the administrative ex parte reexamination process.²²⁴ Ex parte reexamination is a non-adversarial proceeding in which the Patent Office reviews the patentability of an issued patent in light of prior art that was

217. *Arista Networks, Inc. v. Cisco Sys., Inc.*, 908 F.3d 792, 804 (Fed. Cir. 2018).

218. *Id.* at 803.

219. *United States v. Texas*, 507 U.S. 529, 534 (1993).

220. *Id.*

221. *See supra* note 31.

222. Robert Merges, *Who Gives a Hoot About Minerva? The Patent Act and the Common Law of Patents*, WRITTEN DESCRIPTION (July 1, 2021), <https://writtendescription.blogspot.com/2021/07/rob-merges-guest-post-who-gives-hoot.html>.

223. 793 F.3d 1268, 1286 (Fed. Cir. 2015) (Newman, J., dissenting).

224. *See* H.R. REP. NO. 112-98 at 45 (2011) (tracing the legislative origins of IPR).

not addressed during the original examination of the patent.²²⁵ Congress created ex parte reexamination in 1980 for economic reasons.²²⁶ Congress believed that an administrative proceeding allowing parties to quickly and cost-efficiently challenge doubtful patents would “strengthen investor confidence in the certainty of patents rights” and spur innovation.²²⁷

Although Congress desired to make ex parte reexamination efficient, Congress was concerned that the proceeding could be abused.²²⁸ To prevent abuse, Congress structured ex parte reexamination in a manner that would provide safeguards for patentees.²²⁹ For example, initiating ex parte reexamination requires an interested party to submit prior art in the form of patents or printed publications.²³⁰ Congress intentionally restricted prior art to the form of patents or printed publications to prevent ex parte reexamination from being used as a “harassment tool against patentees.”²³¹ Congress hoped that ex parte reexamination would “greatly reduce, if not end, the threat of legal costs being used to ‘blackmail’ such [patent] holders into allowing patent infringements or being forced to license their patents for nominal fees.”²³²

Unfortunately, ex parte reexamination failed to meet Congress’s expectations. Several features of the process were highly undesirable.²³³ First,

225. 35 U.S.C. § 303(a).

226. See H.R. REP. NO. 96-1307(I) at 1 (1980) (“[T]he roots of the current recession lie in a longer term economic malaise which arises out of a failure of American industry to keep pace with the increased productivity of foreign competitors.”).

227. *Id.* at 2.

228. See *id.* at 3 (Congress hoped that ex parte reexamination would be conducted “with a fraction of the time and cost of formal legal proceedings and would help restore confidence in the effectiveness of . . . the patent system.”); see also H.R. REP. NO. 107-120 at 2 (2001) (“As part of the original 1980 reexamination statute, Congress struck a balance between curing allegedly defective patents and preventing the harassment of patentees.”).

229. One way in which Congress attempted to prevent abuse of ex parte reexamination was by authorizing the Director “to reject any request for ex parte reexamination . . . on the basis that the same or substantially the same prior art or arguments previously” had been presented to the Patent Office. This authorization complemented other “protections against abuse of ex parte reexamination.” PATRICK A. DOODY, *COMPREHENSIVE LEGISLATIVE HISTORY OF THE LEAHY-SMITH AMERICA INVENTS ACT 469* (2012).

230. 35 U.S.C. § 303(a).

231. Mark D. Janis, *Inter Partes Patent Reexamination*, 10 *FORDHAM INTELL. PROP. MEDIA & ENT. L.J.*, 481, 486 (2011).

232. H.R. REP. NO. 96-1307(I) at 2 (1980).

233. Due to the undesirable features of ex parte reexamination, the process was not frequently used. Between 1981 and 1984, less than 200 filings were annually made for ex parte reexamination. *Ex Parte Reexamination Filing Data*, U.S. PAT. & TRADEMARK OFF. 1, https://www.uspto.gov/sites/default/files/documents/ex_parte_historical_stats_roll_up_21Q1.pdf (last visited Nov. 24, 2021). In contrast, 1,197 filings were made for IPR in Fiscal Year 2021. *PTAB Trial Statistics August 2021 IPR, PGR, CBM*, U.S. PAT. & TRADEMARK OFF. 3, <https://>

the proceeding was subject to abuse.²³⁴ Ex parte reexamination “was often employed multiple times against the same patent, leaving the patentees (and the public) perpetually uncertain of the scope and even the very existence of the patent rights.”²³⁵ Second, despite ex parte reexamination being subject to such abuse, the majority of patents challenged in ex parte reexamination “emerged from the process with their claims either fully confirmed or just moderately amended.”²³⁶ Third, the process was costly and inefficient.²³⁷ Ex parte reexamination proceedings took “several years to complete, [being] first conducted by examiners and, if the patent [was] rejected, then by [PTAB] judges. Thus, many patents [would] go through two rounds of administrative review . . . adding to the length of the proceeding.”²³⁸

In 1990, the U.S. Secretary of Commerce, Robert Mosbacher, created an Advisory Commission on Patent Law Reform, which recommended to Congress that it expand third-party participation in the reexamination of a patent to “build confidence in the reexamination process so that third parties [would] be inclined to raise patent challenges in [reexamination] rather than through litigation.”²³⁹ This would promote uniformity with district court proceedings, which already permitted third-party participation. The Commission recommended that “increased third party participation [should] be implemented through a balanced approach to ensure that the reexamination process fulfills its intended role.”²⁴⁰

In 1999, heeding the Commission’s advice, Congress created the inter partes reexamination proceeding, which gave “third-party challengers greater

www.uspto.gov/sites/default/files/documents/ptab_aia_20210831_.pdf (last visited Nov. 24, 2021).

234. See generally Raymond A. Mercado, *The Use and Abuse of Patent Reexamination: Sham Petitioning Before the USPTO*, 12 COLUM. SCI. & TECH. L. REV. 93 (2011) (describing ways in which the reexamination process was subject to abuse).

235. Gregory Dolin, *Dubious Patent Reform*, B.C. L. REV., 881, 884 (2015).

236. *Id.*

237. David Simon, then-Associate General Counsel of Intel Corporation, testified before Congress in 2011. He described the reexamination process as being “expensive” and stated that companies frequently found themselves “being told . . . to settle because the cost of the settlement [was] going to be much less than the cost of the litigation.” Former Chief Judge of the Federal Circuit, Judge Paul Michel, also testified at the time that “the principal problem in the American patent system . . . [was] excessive delay.” *Crossing the Finish Line on Patent Reform: What Can and Should Be Done: Hearing on H.R. 1249 Before the H. Comm. on the Judiciary*, 112th Cong. 8–9 (2011).

238. H.R. REP. NO. 112-98 at 45 (2011).

239. THE ADVISORY COMM. ON PAT. L. REFORM, A REPORT TO THE SECRETARY OF COMMERCE 14 (1992) [<https://perma.cc/S29S-9BBS>].

240. *Id.*

input throughout the proceeding by permitting them to respond to every pleading submitted by the patent holder.”²⁴¹ Inter partes reexamination was intended to address the “defect as to third-party requester participation and was introduced to provide an inexpensive way, as compared with litigation, for a third party who discover[ed] new prior art to challenge the patent in the [Patent Office].”²⁴² However, inter partes reexamination also proved to be a disappointment. Only five inter partes reexamination requests were filed in the two years following its enactment, even though “the [Patent Office] had projected to receive approximately 400 inter partes reexamination requests in the first year it was effective, with an increase of ten percent per annum.”²⁴³

Congress believed litigants found inter partes reexamination to be undesirable because it did not closely resemble district court proceedings to the degree litigants thought necessary to protect their interests.²⁴⁴ Following the enactment of inter partes reexamination, Congress directed the Patent Office to submit a report evaluating the proceeding.²⁴⁵ The report identified several weaknesses with inter partes reexamination. One particularly poignant finding was that inter partes reexamination did not “provide for a third-party requester to appeal to the Court of Appeals for the Federal Circuit, nor did it permit participation in patent owner appeals,” which led to lower petitions for inter partes reexamination being filed.²⁴⁶ Congress responded by amending inter partes reexamination to “provide the third-party requester with an express right to appeal to the [Federal Circuit] and to participate in patent appeals.”²⁴⁷ In so doing, Congress amended inter partes reexamination to more closely resemble invalidity proceedings in district court. The report also encouraged Congress to institute a post-grant system that was “efficient and fair to all parties” and which would “importantly [not be] subject to abuses.”²⁴⁸

In 2011, Congress enacted the Leahy-Smith America Invents Act (AIA), which replaced inter partes reexamination with IPR.²⁴⁹ By enacting the AIA,

241. H.R. REP. NO. 112-98 at 46 (2011).

242. U.S. PAT. & TRADEMARK OFF., REPORT TO CONGRESS ON INTER PARTES REEXAMINATION 4 (2004), https://www.immagic.com/eLibrary/ARCHIVES/GENERAL/US_PTO/P041217R.pdf [hereinafter REPORT ON INTER PARTES REEXAMINATION].

243. *Id.*

244. *See* H.R. REP. NO. 112-98 at 45 (2011) (describing differences between reexamination and district court litigation and how these differences contributed to reexamination being “a less viable alternative to litigation”).

245. *Id.* at 46.

246. REPORT ON INTER PARTES REEXAMINATION, *supra* note 242, at 4.

247. *Id.*

248. *Id.*

249. H.R. REP. NO. 112-98 at 46–47 (2011). The AIA was Congress’s first attempt in almost sixty years at comprehensive patent reform. *Id.* at 38.

Congress sought to build upon the developments with reexamination to further confidence in the Patent Office.²⁵⁰ In doing so, Congress squarely aligned the purpose of IPR proceedings with that of the district court proceedings. Accordingly, applying assignor estoppel in one forum, but not the other, creates an inconsistency that is contrary to congressional design.

Additionally, similar to how ex parte reexamination led to unintended abuses, Congress recognized that IPR could also be subject to abuse. Congress warned that IPR was “not to be used as [a] tool for harassment. . . . Doing so would frustrate [its] purpose.”²⁵¹ However, contrary to Congress’s warning, the dual-track system left in place by *Minerva* does exactly that. A system that allows assignors to circumvent the doctrine of assignor estoppel based on the forum in which they litigate is not only subject to abuse but encourages it, because assignors can use the threat of infringement litigation to harass patentees.

Patent litigation is costly. In 2020, the estimated median cost for an IPR of a life science patent through a PTAB hearing was \$500,000.²⁵² Because the cost of litigation is so high, litigation can “ultimately decline a company’s value, drive down sales, or even cause a business to fold,” irrespective of a company’s size.²⁵³ Certainly the cost of litigation can hurt both assignors and assignees in patent infringement lawsuits. However, assignors possess a distinct advantage over assignees. If an assignor successfully petitions the PTAB for an IPR proceeding and then settles with the assignee, the assignor is removed from the IPR proceeding and no longer incurs additional legal fees associated with it. The same cannot be said for the assignee. Even if the parties settle, the

250. *See id.* (defining the object of the AIA as being to “correct flaws in the system that [had] become unbearable”); *see also* *Ethicon Endo-Surgery, Inc. v. Covidien LP*, 826 F.3d 1366, 1366 (Fed. Cir. 2016) (Newman, J., dissenting) (“By modifying heavily criticized patent procedures, Congress hoped to increase confidence in the [Patent Office] and spur the nation’s innovation and investment in new technologies.”).

251. H.R. REP. NO. 112-98 at 48 (2011).

252. AM. INTELL. PROP. L. ASS’N, REPORT OF THE ECONOMIC SURVEY 71 (2021). In 2020, the estimated median cost for an IPR of an electrical or computer patent through a PTAB hearing was \$310,000. *Id.* In 2020, the estimated median cost for an IPR of a mechanical patent through a PTAB hearing was \$350,000. *Id.* at 72.

253. Dilip N, *Impact of Lawsuits and Litigation on Brand Image*, SUPPLY WISDOM, <https://www.supplywisdom.com/resources/impact-of-lawsuits-and-litigation-on-brand-image/> (last visited Nov. 24, 2021); *see* Dolin, *supra*, note 235, at 923 (finding that litigation “can be used to destroy not just the value of a patent, but the value of a patentee’s entire enterprise. And that multi-million dollar damage can be accomplished at the relatively low cost of an IPR filing”); *see also* Lyle Moran, *ROSS Intelligence will shut down amid lawsuit from Thomson Reuters*, ABA (Dec. 11, 2020, 11:50 AM CST), <https://www.abajournal.com/news/article/ross-intelligence-to-shut-down-amid-thomson-reuters-lawsuit> [<https://perma.cc/8XUQ-3XF3>] (“Litigation is expensive—no matter how speculative the claims against you nor how worthy your position.” (quoting ROSS Intelligence)).

PTAB is not required to terminate an IPR proceeding. Under 35 U.S.C. § 317(a), if “no petitioner remains in the inter partes review, the [PTAB] may terminate the review or proceed to a final written decision.” Thus, an assignee may be forced to continue participating in an IPR proceeding without the assignor and risk the patent being invalidated, while incurring additional costs. If the patent is invalidated in the IPR proceeding, the assignor can freely use the invention without fear of being sued for patent infringement.

For example, in *Rubicon Comm’ns, LP, v. Lego A/S*, the parties jointly moved to terminate an IPR proceeding one day after they reached a settlement agreement and less than one week prior to the one-year deadline to enter a final written decision.²⁵⁴ The Board denied the motion because, “although the panel ha[d] not yet issued a final written decision, the panel deliberated and decided the merits of the proceeding before the parties filed their Motion.”²⁵⁵ Following the denial of the motion, the Board issued a final written decision and invalidated four of the eight claims of the patent at issue.²⁵⁶

The decision to deny the motion to terminate the IPR proceeding in *Rubicon* may be unsurprising. After all, at the time the parties filed the motion “[a]ll briefing had been completed, and an oral hearing” had been held.²⁵⁷ IPR proceedings, by design, move quickly and the entire procedure must normally be completed within twelve months of the institution of an IPR.²⁵⁸ Nevertheless, when exactly the Board decides “the merits of the proceeding” within that time frame is not so clear. Will the Board decide the merits of the proceeding shortly after an oral hearing or much later? Will the Board decide the merits early in the proceedings or at the last hour before the statutory deadline? Given this uncertainty, an assignee cannot be certain that settling a claim with the assignor will terminate the IPR proceeding.²⁵⁹

254. No. IPR2016-01187 (P.T.A.B. Dec. 14, 2017) (Paper 100 at 2).

255. *Id.* at 3.

256. *Rubicon Comm’ns, LP, v. Lego A/S*, No. IPR2016-01187 (P.T.A.B. Dec. 14, 2017) (Paper 101 at 34).

257. *Rubicon Comm’ns, LP, v. Lego A/S*, No. IPR2016-01187 (P.T.A.B. Dec. 14, 2017) (Paper 100 at 2).

258. 37 C.F.R. § 42.100(c) (2021).

259. Law firms are aware of the uncertainty inherent in settling at the PTAB, and, as a result, urge patent owners to settle as quickly as possible. *See, e.g.*, Meaghan H. Kent, *Hurry Up and Settle! Settling Early to Avoid PTAB Refusal to Terminate IPR*, VENABLE (Apr. 23, 2014), <https://www.venable.com/insights/publications/2014/04/hurry-up-and-settle-settling-early-to-avoid-ptab> (“[P]atent owners considering settlement should move quickly to initiate settlement negotiations with petitioners, before the issues have been fully briefed.”); Vikas Bhargava & Kerry S. Taylor, *Settlement 5 Days Before Final Written Decision Deadline Results in Termination of IPR*, KNOBBE MARTENS (July 10, 2017), <https://www.knobb.com/news/2017/07/settlement-5-days-final-written-decision-deadline-results-termination-ipr> (urging

Assignors are, therefore, in an advantageous position over assignees. Assignors can use the threat of litigation in IPR proceedings to intimidate assignees into never bringing patent infringement lawsuits in the first place. They may also harass assignees into licensing their patents or into licensing their patents at reduced value.²⁶⁰ For example, in *Phigenix, Inc. v. Genetech, Inc.*, Genetech, Inc. received a license from ImmunoGen, Inc. to use U.S. Patent No. 8,337,856 (“the ’856 patent”).²⁶¹ The ’856 patent claimed a method for treating cancer using anti-erbb antibody-maytansinoid conjugates.²⁶² Genetech used the patent to produce the drug Kadcyla.²⁶³ Phigenix, Inc., which holds a patent for treating breast cancer, offered to license its patent, U.S. Patent No. 8,080,534 (“the ’534 patent”), to Genetech.²⁶⁴ When Genetech refused the offer, Phigenix sued Genetech in district court for patent infringement, claiming that the ’856 patent infringed the ’534 patent.²⁶⁵ Concurrently with the district court litigation, Phigenix also filed for an IPR of the ’856 patent with the PTAB.²⁶⁶ Phigenix was willing to incur the costs of bringing an IPR proceeding to invalidate ImmunoGen’s patent even though there was no seeming benefit to be derived from the invalidation of the ’856 patent.²⁶⁷ ImmunoGen had never asserted the ’856 patent against Phigenix.²⁶⁸ Because the invalidation of ImmunoGen’s patent “in and of itself would bring Phigenix no tangible benefit,” the only reason for Phigenix to file for an IPR appeared to be to obtain “more favorable licensing terms in an unrelated negotiation

parties to “carefully evaluate the timing of settlement because reaching a settlement and filing a joint motion to terminate relatively late in the proceeding does not guarantee that the PTAB will terminate the proceeding without issuing a final written decision”); John Marlott, *Be Advised: Settlement Does Not Necessarily End An IPR Or PGR*, JONES DAY (Feb. 21, 2018), <https://www.ptablitigationblog.com/be-advised-settlement-does-not-necessarily-end-an-ipr-or-pgr/> (“Generally, the earlier in time a termination request is submitted, the greater the chance the PTAB will agree to end a post-grant challenge.”).

260. See Dolin, *supra* note 235, at 946 (finding that IPR can be used as a “tool to increase leverage for negotiation”); see also Gene Quinn & Steve Brachmann, *Patent Killing Fields of the PTAB: Erasing Federal District Court Verdicts on Patent Validity*, IP WATCHDOG (Jan. 14, 2018), <https://www.ipwatchdog.com/2018/01/14/patent-killing-fields-ptab-erasing-federal-district-court-verdicts-patent-validity/id=92375/> (stating that settlements “universally result[] in a free license to the challenger”).

261. 845 F.3d 1168, 1170 (Fed. Cir. 2017).

262. U.S. Patent No. 8,337,856.

263. *Phigenix*, 845 F.3d. at 1170.

264. *Id.*

265. *Id.*

266. *Id.*

267. See Dolin, *supra* note 235, at 946 (“Phigenix was willing to spend thousands of dollars fighting irrelevant (from its perspective) patents.”).

268. See *id.* (“ImmunoGen does not appear to have ever asserted its patents against Phigenix (in part because Phigenix does not manufacture any pharmaceutical products).”).

with the patentee's partner [Genetech], by threatening the valuable assets of the patentee [ImmunoGen]."²⁶⁹ Although *Phigenix* is not directly on point, the case illustrates how a party can abuse an IPR proceeding to potentially obtain more favorable licensing terms.

In providing for IPR, Congress sought to promote confidence in the Patent Office. Eviscerating assignor estoppel in the IPR context invites abuse of the dual-track system and "frustrate[s] [IPR's] purpose."²⁷⁰ The Patent Office was not to be used as a means for harassment. However, the dual-track system permitted by *Arista* has enabled abuse of IPR in clear contravention of congressional design.

B. PUBLIC POLICY

Public policy also supports applying assignor estoppel in the IPR context. The purpose of patent law is "[t]o promote the progress of science and useful arts, by securing for limited times to authors and inventors the exclusive right to their respective writings and discoveries."²⁷¹ A patent is a bargain between the public and an inventor, where "[t]he basic quid pro quo contemplated by the Constitution and the Congress for granting of a patent monopoly is the benefit derived by the public from an invention."²⁷²

The Constitution, therefore, balances the equities. The benefits the public may derive from an invention are weighed against the grant of a monopoly to the inventor.²⁷³ However, the Federal Circuit in *Arista* considered only the public interest favoring the dual-track system and failed to consider the interest weighing against it when the court preserved the dual-track system. A proper balancing of the equities requires consideration of both interests.

In *Arista*, the Federal Circuit cited *Cuozzo Speed Techs., LLC v. Lee* in finding that "a discrepancy between forums . . . helps protect the public's 'paramount

269. *Id.*

270. H.R. REP. NO. 112-98 at 48 (2011).

271. U.S. CONST. art I, § 8, cl. 8.

272. *Brenner v. Manson*, 383 U.S. 519, 534 (1966) (emphasis omitted).

273. See PAUL R. MICHEL, ADAM MOSSOFF, KRISTEN OSENGA, BRIAN O'SHAUGHNESSY & RANDALL RADER, PUTTING THE PUBLIC BACK IN "PUBLIC INTEREST" IN PATENT LAW 14 (2020) ("[T]he entire patent system is grounded in furthering the public interest. . . . It is not an accident that the Constitution authorizes the government to protect the 'exclusive right' of an inventor."); U.S. PAT. & TRADEMARK OFF., MANUAL OF PATENT EXAMINING PROCEDURE § 2162 ("Upon the grant of a patent in the U.S., information contained in the patent becomes a part of the information available to the public for further research and development, subject only to the patentee's right to exclude others during the life of the patent."); see also Thomas F. Maffei, *The Patent Misuse Doctrine: A Balance of Patent Rights and the Public Interest*, 11 B.C. L. REV. 46, 46 (1969) ("To promote technology, the Constitution embodies a theory rewarding inventive genius.").

interest in seeing that patent monopolies . . . are kept within their legitimate scope.’”²⁷⁴ The issue addressed by the Court in *Cuozzzo* was the legal standard by which a patent was to be reviewed in an IPR proceeding.²⁷⁵ That a discrepancy between forums may further patent policy objectives by applying a consistent legal standard of review was an explicit objective of the AIA.²⁷⁶ However, allowing for a discrepancy between forums in the review of patent claims speaks nothing of the parties that may bring the claims. In fact, the Court in *Cuozzzo* did not address *who* could bring an IPR challenge. Moreover, the Court in *Minerva* held that the public policy favoring assignor estoppel outweighed the public interest against it. The Court rejected *Minerva* Surgical’s claim “that contemporary patent policy—specifically, the need to weed out bad patents—support[ed] overthrowing assignor estoppel.”²⁷⁷ The Court deemed the need to prevent “unfair dealing” as outweighing “any loss to the public from leaving an invalidity defense to someone other than the assignor.”²⁷⁸

Thus, when the public interest in invalidating bad patents is weighed against any loss the public may suffer by prohibiting one party from bringing the challenge, the balancing of the equities weighs in favor of permitting assignor estoppel in the IPR context. This view is further supported by the Federal Circuit’s failure in *Arista* to address other negative ramifications of the dual-track system, including that the dual-track system (1) promotes gamesmanship, (2) discourages assignees from enforcing their patent rights, and (3) disincentivizes employer-assignees from rewarding innovation.

1. *The Dual-Track System Promotes Gamesmanship*

The dual-track system allows the outcome of a patent infringement lawsuit to turn on gamesmanship rather than on the merits of the patent. Once an assignor is sued in district court, the assignor has an interest in expeditiously filing an IPR petition.²⁷⁹ If the petition is granted, the assignor and the assignee

274. *Arista Networks, Inc. v. Cisco Sys., Inc.*, 908 F.3d 792, 804 (Fed. Cir. 2018) (citing *Cuozzzo Speed Techs., LLC v. Lee*, 136 S. Ct. 2131, 2144 (2016)).

275. *See Cuozzzo*, 136 S. Ct. at 2142 (holding that a patent claim shall be given “its broadest reasonable construction in light of the specification of the patent in which it appears”).

276. *See supra* Section IV.A.2 (discussing how an examination of the historical origins of IPR confirms that Congress’s intention in enacting IPR in the AIA was to create an efficient substitute for district court litigation that would apply the same legal standards and not be subject to abuse).

277. *Minerva Surgical, Inc. v. Hologic, Inc.*, 141 S. Ct. 2298, 2309 (2021).

278. *Id.*

279. Law firms have encouraged assignors to file for an IPR as soon as possible. *See* Jeremiah B. Frueauf & Sana F. Hussain, *IPR: A Key to District Court’s Assignor Estoppel Lock*, LAW 360 (May 1, 2015), <https://www.sterneckessler.com/sites/default/files/2017-11/>

litigate the patent in parallel proceedings before the PTAB and district court. If the PTAB invalidates the patent prior to the district court reaching a determination that assignor estoppel bars the assignor from challenging the patent's validity, the assignor can use the Board's final written decision to collaterally estop the assignee from asserting assignor estoppel in the district court proceeding.²⁸⁰ Consequently, the dual-track system sets "off a race between assignees in district courts and assignors in the Patent Office to see who can outdraw the other by getting a final decision first."²⁸¹ The life or death of a patent turns on "factors wholly unrelated to the merits, such as which forum moves more quickly."²⁸²

Assignors can increase their chances of winning the race by filing a motion in district court to stay the patent litigation. If the district court grants the stay, "no further action in the case occurs until there is a final determination from the PTAB, and often, until any appeals of that final PTAB determination are resolved."²⁸³ In deciding whether or not to grant a stay, a district court balances the following factors: "(1) the stage of the case; (2) whether a stay will simplify the court proceedings; and (3) whether a stay would unduly prejudice or present a clear tactical disadvantage to the non-moving party."²⁸⁴ Although the third factor appears to weigh heavily in favor of declining a stay since assignor estoppel cannot be asserted in an IPR proceeding to the disadvantage of the assignee, in *Roche Molecular Sys., Inc. v. Cepheid*, the District Court for the Northern District of California held otherwise.²⁸⁵ In *Roche*, the court held that the assignee "cannot reasonably claim to be 'tactically disadvantaged' in *this* litigation by a statutory framework which limits the issues authorized by Congress to be raised in IPR proceedings or the discovery allowed to be taken in such proceedings."²⁸⁶ The resulting effect encourages assignors to file for

IPR_A_Key_To_District_Courts_Assignor_Estoppel_Lock.pdf (encouraging assignors to file for IPRs before service of a complaint for infringement); Dan Smith & Rick Bisenius, *When Should I File an IPR During Litigation*, FISH & RICHARDSON (Apr. 30, 2020), <https://www.fr.com/when-should-i-file-an-ipr-during-litigation/> ("Filing your IPR early and promptly and then seeking a stay is generally the best course of action.")

280. 35 U.S.C. § 315(e)(2).

281. Cross-Petition for a Writ of Certiorari at 20, *Minerva Surgical, Inc. v. Hologic, Inc.*, 141 S. Ct. 2298 (2021) (No. 20-440).

282. Petition for a Writ of Certiorari at 28, *Minerva*, 141 S. Ct. 2298 (2021) (No. 20-440).

283. Miranda Y. Jones, *To Stay or Not to Stay: The Impact of IPRs on Patent Litigation*, PORTER HEDGES (May 5, 2021), <https://www.porterhedges.com/patent-litigation-law-blog/to-stay-or-not-to-stay-the>.

284. *Netfuel, Inc. v. Cisco Sys., Inc.*, No. 5:18-cv-02352-EJD, 2020 U.S. Dist. LEXIS 29160, at *2 (N.D. Cal. Feb. 20, 2020).

285. No. C-14-3228-EDL, 2015 U.S. Dist. LEXIS 2109, at *22 (N.D. Cal. Jan. 7, 2015).

286. *Id.*

an IPR as early as possible and to move for a stay as quickly as possible after the petition for an IPR has been filed. Doing so “minimize[s] the possibility that the district court action results in an enforceable final judgment before the IPR process is complete.”²⁸⁷

As for assignees, they can increase their chances of winning the race by seeking out judges who are less likely to grant stays. For example, motions to stay patent litigation are usually denied in the Southern District of Texas.²⁸⁸ The decision whether or not to grant a stay is discretionary by nature, so the given likelihood of any court granting a stay depends on the preferences or views of the particular judge in question.

A dual-track system in which gamesmanship can determine the outcome of a patent infringement lawsuit fails to properly balance the equities of the parties. The assignee is disadvantaged in IPR proceedings, and this imbalance encourages the parties to engage in procedural maneuverings. Ultimately, the constitutional intent of encouraging inventions may suffer as a result of the dual-track system to the detriment of the public, who may be denied the benefits of new innovative inventions.

2. *The Dual-Track System Discourages Assignees from Enforcing Their Patent Rights*

The Constitution expresses the public policy of encouraging inventions by providing a limited monopoly to “authors and inventors.”²⁸⁹ The Constitution, therefore, has intrinsically balanced the equities and recognizes that the public benefits by providing inventors a limited monopoly in that the limited monopoly is the impetus for innovation.²⁹⁰ However, the dual-track system can discourage assignees from defending their patent rights leading to the

287. Eliot D. Williams & Brian Jacobsmeyer, *Federal Circuit Reaffirms Vitality of the Assignor Estoppel Doctrine—Further Emphasizing the Importance of the PTAB*, BAKER BOTTS (July 2020), <https://www.lexology.com/library/detail.aspx?g=77835bef-f441-4f4c-82c3-b15cdd34f13b>.

288. Jones, *supra* note 283 (“In the Southern District of Texas, as in many other Districts, motions to stay patent litigation based on the filing of an IPR petition alone are usually denied.”). In contrast, motions to stay patent litigation are usually granted in the district courts of Delaware, the Eastern District of Texas, and the Northern District of California. *See Success of Motions to Stay Rising, But Why?*, STERNE KESSLER (Feb. 2020), <https://www.sterneessler.com/news-insights/publications/success-motions-stay-rising-why> (finding that the stay rates for the district courts of Delaware, the Eastern District of Texas, and the Northern District of California in 2019 were 70%, 73%, and 89% respectively).

289. U.S. CONST. art I, § 8, cl. 8; *see* 35 U.S.C. § 271(a) (granting inventors a monopoly over the use, sale, and creation of their patented inventions).

290. *See* Neel U. Sukhatme, *Regulatory Monopoly and Differential Pricing in the Market for Patents*, 71 WASH. & LEE L. REV. 1855, 1857 (2014) (“[P]atents are legal monopolies awarded to inventors to incentivize innovation.”).

limited monopoly being worthless.²⁹¹ Thus, the incentive to spur new inventions is reduced because the assignee is placed in a disadvantageous position in an IPR proceeding. The costs borne by the assignee by proceeding in a dual-track system only exacerbates the pain.²⁹²

Assignors can use the threat of litigation to intimidate assignees into never bringing patent infringement lawsuits in the first instance. They may also harass assignees into licensing their patents or into licensing their patents at reduced value.²⁹³ These outcomes are possible because, under § 317(a), the PTAB is not required to terminate an IPR proceeding even after a settlement agreement is reached.²⁹⁴ Assignors can withdraw from IPR proceedings and forgo further litigation expenses, whereas assignees may be forced to continue defending their patents in the PTAB. This places assignors in an advantageous position over assignees, which is contrary to the congressional design of patent legislation. For example, in enacting *ex parte* reexamination, Congress had hoped that it would “greatly reduce, if not end, the threat of legal costs being used to ‘blackmail’ ” patent holders.²⁹⁵

Allowing assignors to use the threat of litigation to intimidate assignees into never bringing patent infringement lawsuits or licensing their patents at reduced value is contrary to public policy because it discourages assignees from enforcing their patent rights. This threat of litigation by the assignor undermines the “basic quid pro quo contemplated by the Constitution . . . for the granting of a patent monopoly.”²⁹⁶ Although assignors may be best positioned to challenge the patent due to their intimate knowledge of the patent in question, the Court in *Minerva* determined that excluding the assignor from challenging their own patents outweighed the public policy of weeding out bad patents.²⁹⁷ As noted by the Court, good patent policy warrants that an assignee have “confidence in the value of what they have purchased.”²⁹⁸ Litigation in a dual-track system diminishes the value of a patent due to the additional costs incurred by litigating in two forums, resulting in assignees being less likely to enforce their patent rights.

291. See *supra* Section IV.A.2.

292. See AM. INTELL. PROP. L. ASS'N, *supra* note 252 and accompanying text.

293. See *supra* note 260 and accompanying text.

294. 35 U.S.C. § 317(a).

295. H.R. REP. NO. 96-1307(I) at 2 (1980).

296. *Brenner v. Manson*, 383 U.S. 519, 534 (1966) (emphasis omitted).

297. *Minerva Surgical, Inc. v. Hologic, Inc.*, 141 S. Ct. 2298, 2309 (2021).

298. *Id.* at 2309 n.4.

3. *The Dual-Track System Disincentivizes Employer-Assignees from Rewarding Innovation*

Employers nearly universally require employees involved in research and development to sign pre-invention assignment agreements prior to employment.²⁹⁹ A pre-invention assignment agreement requires that an employee “assign any intellectual property rights arising” from the employee’s period of employment to the employer.³⁰⁰ Employers rely on the enforceability of these employment contracts.³⁰¹ However, due to assignor estoppel’s inapplicability in IPR proceedings, employers’ reliance on the enforceability of the contracts is dubious and is done at their own peril. If assignors can avoid the application of assignor estoppel depending on the forum in which they litigate, employer-assignees must try to protect their interests *ex ante*.

Employers routinely pay employees bonuses when an employee invents something that the employer can patent.³⁰² However, one way in which employer-assignees may try to protect their interests is by declining to pay bonuses or otherwise reward employee-assignors upon the assignment of patent rights. Employers are not required to pay employees anything for their inventions.³⁰³ This means that, under modern pre-invention assignment

299. See ORIN E. LANEY, *INTELLECTUAL PROPERTY AND THE EMPLOYEE ENGINEER* 6 (Georgia C. Stelluto, 2017) (“Accepting [a pre-invention assignment agreement] is a nearly universal requirement of employment for creative individuals, particularly for engineers, research scientists, and others hired primarily to design, create, invent, or discover.”).

300. *Inventions Assignment Agreement*, COOLEYGO, <https://www.cooleygo.com/glossary/inventions-assignment-agreement/> (last visited Nov. 26, 2021). Pre-invention assignment agreements have been criticized for disadvantaging employee-inventors in relation to employers. See, e.g., Ann Bartow, *Inventors of the World, Unite! A Call for Collective Action by Employee-Inventors*, 37 SANTA CLARA L. REV. 673, 675 (1997) (describing pre-invention assignment agreements as being “unfair to innovators”). For a defense of pre-invention assignment agreements, see generally Robert P. Merges, *The Law and Economics of Employee Inventions*, 13 HARV. J.L. & TECH 1 (1999).

301. See Parker A. Howell, *Whose Invention Is It Anyway? Employee Invention-Assignment Agreements and Their Limits*, 8 WASH. J.L. TECH & ARTS 79, 87 (2012) (finding that pre-invention assignment agreements “serve three important functions: specifying the parties’ rights, providing notice of those rights to the employee, and executing the transfer of rights”).

302. See Merges, *supra* note 300, at 3 (One way in which “[e]mployers compensate employee-inventors . . . is the widespread, and apparently growing, movement by firms to establish internal reward systems for their inventive employees.”); see also Betty Sosnin, *A Patent on the Back*, SHRM (Mar. 1, 2000), <https://www.shrm.org/hr-today/news/hr-magazine/pages/0300sosnin.aspx> (describing Motorola’s practice of giving “a cash bonus to inventors when the application for a patent is filed and another bonus when a patent is issued”).

303. See, e.g., *Employees and Patents*, INNOVENT L. (Nov. 15, 2019), <https://kgulick.com/employees-and-patents/> (“At my previous employer, inventors would get a \$1 nominal fee but employers are under no obligation to do so.”)

agreements, the dual-track system incentivizes employers to not pay employees for their inventions for fear that potential lawsuits will denigrate the amount of future profits. Such a result is contrary to basic notions of fairness in that it deprives the inventor from participating in the bounty of the limited monopoly. In addition, the result discourages innovation, because ordinary people are “stimulated by higher perceived returns or demand-side incentives to make long-term commitments to inventive activity.”³⁰⁴

Some individuals have suggested that the addition of forum selection clauses or no-challenge clauses to assignment agreements could be used to prevent the institution of IPR proceedings.³⁰⁵ A forum selection clause could mandate federal district court proceedings in any dispute between the assignor and the assignee. A no-challenge clause could preclude the assignor from challenging the assignment’s validity. However, cases in which these clauses have been introduced to prevent IPR have proved that their enforceability is specious. In the context of no-challenge clauses, the Board held in *Dot Hill Sys. Corp. v. Crossroads Sys., Inc.*, that no-challenge clauses cannot prevent institution of an IPR.³⁰⁶ Due to this unpredictability, employers are further disincentivized from rewarding employees for their inventions.

304. Marshall Phelps, *Do Patents Really Promote Innovation? A Response to the Economist*, FORBES (Sept. 16, 2015), <https://www.forbes.com/sites/marshallphelps/2015/09/16/do-patents-really-promote-innovation-a-response-to-the-economist> (quoting ZORINA KHAN, THE DEMOCRATIZATION OF INVENTION: PATENTS AND COPYRIGHTS IN AMERICAN ECONOMIC DEVELOPMENT (2005)).

305. See, e.g., Hao Jimmy Wu & David Ben-Meir, *Good Practices post-Minerva Surgical, Inc. v. Hologic, Inc.*, NORTON ROSE FULBRIGHT (Oct. 2021), <https://www.nortonrosefulbright.com/en/knowledge/publications/1778b4ce/good-practices-post-minerva-surgical-inc-v-hologic-inc> (recommending that “[e]mployers consider adding express waivers against challenging the validity of present and future patent assignments to employee agreements”); Lauren Baker, *Practical Considerations for Patent Assignments After the Supreme Court’s Decision in Minerva Surgical v. Hologic*, IP WATCHDOG (Aug. 17, 2021), <https://www.ipwatchdog.com/2021/08/17/practical-considerations-patent-assignments-supreme-courts-decision-minerva-surgical-v-hologic/id=136810/> (“Companies seeking to avoid assignor estoppel may wish to include express provision in employment agreements preventing an inventor from later challenging the validity of the assigned patent or patent application.”).

306. IPR2015-00822 (P.T.A.B. Sept. 17, 2015) (Paper 18); cf. *Transocean Offshore Deepwater Drilling, Inc. v. Noble Corp.*, 451 F. Supp. 3d 690 (S.D. Tex. 2020). *Transocean* involved a no-challenge clause in the context of a settlement licensing agreement. The District Court for the Southern District of Texas enforced the no-challenge clause. Nevertheless, a licensing agreement is not equivalent to an assignment agreement, and the Federal Circuit has yet to address the enforceability of no-challenge clauses in the context of assignor estoppel. This case, when contrasted with *Dot Hill*, further illustrates that there is much uncertainty regarding the enforceability of no-challenge clauses in the assignor estoppel context. See Courtenay C. Brinckerhoff, *Supreme Court Limits Patent Assignor Estoppel*, FOLEY (Aug. 2, 2021),

As for forum selection clauses, the Federal Circuit has never ruled whether clauses mandating district court proceedings per se prevents PTAB proceedings. On the one hand, the Federal Circuit has suggested that a forum selection clause in a non-disclosure agreement might not preclude IPR proceedings. For example, in *Kannuu PTY Ltd. v. Samsung Elecs. Co., Ltd.*, Samsung Electronics Co., Ltd. and Kannuu PTY Ltd. entered into a non-disclosure agreement to protect confidential information regarding “remote control-and-search navigation technology.”³⁰⁷ The non-disclosure agreement stated in relevant part that “[a]ny legal action, suit, or proceeding arising out of or relating to this Agreement . . . must be instituted exclusively in a court of competent jurisdiction, federal or state, located within the Borough of Manhattan, City of New York, State of New York and in no other jurisdiction.”³⁰⁸ Six years after discussions had ceased between Kannuu and Samsung, Kannuu filed suit against Samsung in the Southern District of New York alleging patent infringement of five patents and breach of the non-disclosure agreement.³⁰⁹ In response, Samsung filed petitions for IPR, alleging that Kannuu’s patents were invalid.³¹⁰ Although Kannuu argued to the Board that the forum selection clause precluded Samsung from filing for an IPR, the Board instituted review of two of the patents.³¹¹ Kannuu then filed for a preliminary injunction in district court to compel Samsung to dismiss the IPR proceedings.³¹² The district court denied the motion and Kannuu appealed to the Federal Circuit.³¹³ On appeal, the Federal Circuit held that the “plain meaning of the forum selection clause in the [non-disclosure agreement] did not encompass the inter partes review proceedings.”³¹⁴ The court reasoned that the forum selection clause pertained only to the non-disclosure agreement and not to the enforcement of patent rights.³¹⁵

On the other hand, placing a forum selection clause into a standalone assignment agreement ex ante may prevent the institution of an IPR proceeding. This would allow the assignee to move for a preliminary injunction in the district court proceeding if the assignor filed an IPR petition. The

<https://www.foley.com/en/insights/publications/2021/08/supreme-court-limits-patent-assignor-estoppel> (“[I]t may be risky to rely on a [no-challenge clause] in an employment agreement.”).

307. 15 F.4th 1101, 1104 (Fed. Cir. 2021).

308. *Id.* at 1105.

309. *Id.*

310. *Id.*

311. *Id.*

312. *Id.*

313. *Id.*

314. *Id.* at 1106 (emphasis omitted).

315. *Id.* at 1107.

preliminary injunction would seek to compel the assignor into dismissing the IPR proceeding due to the forum selection clause.

In *Dodocase VR, Inc. v. MerchSource, LLC*, the Federal Circuit addressed forum selection clauses in the context of a licensing agreement.³¹⁶ In *Dodocase*, MerchSource, LLC and Dodocase, Inc. entered into a licensing agreement for patents related to virtual reality.³¹⁷ The licensing agreement contained a forum selection clause, which provided for disputes to be litigated in San Francisco County or Orange County, California.³¹⁸ When MerchSource informed Dodocase that it would no longer pay licensing royalties pursuant to the licensing agreement because it believed the patents to be invalid, Dodocase sued MerchSource in the Northern District of California.³¹⁹ MerchSource asserted that the patents were invalid and filed IPR petitions requesting invalidation of the patents.³²⁰ In response, Dodocase asserted that MerchSource had breached the licensing agreement's forum selection clause by filing the IPR petitions and filed a motion for a preliminary injunction compelling MerchSource to withdraw the IPR petitions.³²¹ The district court found that Dodocase "was likely to succeed on the merits of its claim that MerchSource breached the forum selection clause" and enforced the preliminary injunction.³²² The Federal Circuit affirmed the district court's enforcement of the preliminary injunction, finding that the "PTAB petitions constitute[d] a 'dispute' that 'aris[es] out of or under'" the licensing agreement.³²³

The net effect of these decisions suggests that standard employment agreements with pre-invention assignment clauses do not per se prevent challenges in IPR proceedings by the assignor, but that specific, narrowly tailored assignment agreements executed ex ante with a forum selection clause may prevent an assignor's challenge from being brought in an IPR. However, since the Federal Circuit has never addressed these issues in the context of assignor estoppel, the viability of contract provisions in patent litigation is uncertain. Moreover, even if an assignment agreement is presented ex ante by employers, what is the incentive for inventors to sign it? If inventors can be lured away by competitors by a higher reward or by starting their own startup, what incentive do they have in executing an assignment agreement?

316. 767 Fed. Appx. 930 (Fed. Cir. 2019).

317. *Id.* at 932.

318. *Id.*

319. *Id.*

320. *Id.*

321. *Id.*

322. *Id.* at 932–33.

323. *Id.* at 935.

V. CONCLUSION

Congress established a patent system that would grant patentees certain exclusive rights in an invention, but only for a limited time and subject to certain statutory requirements. The doctrine of assignor estoppel is part and parcel of the patent system. The doctrine has deep historical roots and serves the important purpose of preventing “unfairness and injustice.”³²⁴

Although the *Minerva* Court rightly upheld the doctrine by underscoring the value of assignor estoppel within its broader historical context and balancing the policy interests at stake, the Court’s holding is constrained. Assignors can circumvent the doctrine of assignor estoppel by the forum in which they litigate. This dual-track system allows assignors to subvert congressional design with no concomitant net benefit to the public. The assignor estoppel doctrine should apply equally in the IPR context as it does in district court proceedings. Accordingly, the Court should revisit the Federal Circuit’s interpretation of § 311(a) and overrule *Arista*.

324. *Diamond Sci. Co. v. Ambico, Inc.*, 848 F.2d 1220, 1224 (Fed. Cir. 1988).

GATES OF COMPUTER TRESPASS

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ABSTRACT

While legal scholarship on the Computer Fraud and Abuse Act (CFAA) has scrutinized the meaning of its “authorized access” and “exceeds authorized access” provisions, none have weighed the impact of *Van Buren v. US*’s explicit acceptance of the “narrow view”—a “gates-up-or-down” inquiry—and rejection of the “broad view” interpretation on computer trespass cases. This Note argues that the gates-up-or-down inquiry is inapt because the Court fails to define what are the gates. It proposes that the inquiry must include both code-based and user-authenticated based gates. This “double-door” approach resolves uncertainties in applying the test and curtails the overexpansion of prosecutorial power through the unauthorized access provisions over the past several decades. A legislative amendment to the CFAA must codify the double-door approach to prevent inconsistent interpretations of the narrow view among the lower courts.

I. INTRODUCTION

Known as an “infamously problematic” piece of legislature, the Computer Fraud and Abuse Act (CFAA) has been the subject of controversial caselaw, legal scholarship, and legislative reform since its inception in 1984.¹ While the CFAA was initially a federal statute meant to deter cybercrime and punish the archetypal computer hacker, it came to prosecute low-level violations and threatened the legality of everyday computer usage.

The Supreme Court case and the focus of this note, *Van Buren v. United States*, was an attempt to clarify and potentially narrow the meaning of a specific provision of the CFAA that criminalizes a computer user who “exceeds authorized access” to a computer. The holding states that a violation of the “exceeds authorized access” provision hinges upon whether one can or cannot access a computer or area within it. One must ask: are the gates up for the user so they can access a computer or area within it, or are they down so

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1. *Computer Fraud and Abuse Act Reform*, ELEC. FRONTIER FOUND. (last visited Dec. 8, 2021), <https://www.eff.org/issues/cfaa> [<https://perma.cc/WJN6-3ZJV>].

as to deny computer entry? The Court called this the “gates-up-or-down” inquiry.²

This Note is the first to raise concerns with *Van Buren*’s “gates-up-or-down” inquiry and proposes a normative solution that clarifies the test. The inquiry rightly establishes the CFAA as a trespass statute, but leaves two crucial questions unresolved: what exactly is the “gate” and what constitutes an attempt to bypass it, so as to trigger liability? While legal scholars have constructed numerous interpretive paradigms of the “exceeds authorized access” provision that can help define what the “gates” are, this note explores their impotence after *Van Buren*.

Part II of this Note describes the CFAA and its legislative background. Part III looks at *Van Buren* and the problems the Court created in its attempt to clarify the “exceeds authorized access” provision. Part IV then advocates a normative argument that *Van Buren*’s “gates-up-or-down” inquiry should have two gates instead of one to trigger a CFAA violation. Only the proposed “double-door” test is rigorous enough to apply the “gates-up-or-down” inquiry to past and future cybercrime cases. In doing so, the “double-door” test also reigns in the problematic overexpansion of the CFAA’s prosecutorial domain since its inception almost 40 years ago.

II. BACKGROUND

A. HISTORY OF THE CFAA AND ITS OVEREXPANSION

The CFAA was enacted in 1984 and was once called “the most important piece of U.S. legislation used to combat computer crime.”³ The CFAA prohibits computer conduct by an individual acting “without authorization” or who “exceeds authorized access.”⁴ According to political lore, the statute originates from the release of the blockbuster movie *WarGames* in 1983. The movie tells the story of a high school student who mistakenly accesses the computer system containing the US nuclear arsenal, thinking it was a video game.⁵ *WarGames* instilled fear into the minds of national policymakers about

2. *Van Buren v. United States*, 141 S. Ct. 1648, 1658 (2021).

3. PETER G BERRIS, CYBERCRIME AND THE LAW: COMPUTER FRAUD AND ABUSE ACT (CFAA) AND THE 116TH CONGRESS 34 (2020). (citing Daniel Etcovich & Thyla Van Der Merwe, *Coming In From The Cold: A Safe Harbor From the CFAA and the DMCA § 1201 for Security Researchers*, BERKMAN KLEIN CTR. RSCH. PUBL’N NO. 2018-4 7 (2018).

4. *Id.* at 4.

5. Jay P. Kesan & Carol M. Hayes, *Mitigative Counterstriking: Self-Defense and Deterrence in Cyberspace*, 25 HARV. J.L. & TECH. 429, 492 (2012) (“There is some evidence that when the CFAA was originally enacted in 1984, it was partially in response to the situations depicted in the action film *WarGames*.”).

the potential dangers of computer usage. According to one report, President Ronald Reagan watched it at Camp David and asked advisors if the movie could happen in real life.⁶ Congress passed the CFAA soon after.⁷

As the main federal computer fraud statute, the CFAA imposes both civil and criminal liability on anyone who accesses a computer without authorization.⁸ Originally, it was intended to criminalize computer hackers; the precursor bill that addressed “computer crime” suggests that the term was understood as “hacking” or “trespassing” into computers and data.⁹ The CFAA was also meant to safeguard information only in financial institution and government computers. In 1994, Congress expanded the law to include a private civil cause of action, but the CFAA’s scope remained narrow because the internet was not yet in commercial use.¹⁰ But from then on, Congress’s intent to expand the CFAA was clear: two years later it amended the language to replace financial institution and government computers with any “protected computer,” significantly broadening the scope to virtually all computers connected to the internet.¹¹ Courts have reinforced the expansiveness of this amendment by defining “computer” to include smart appliances, fitness trackers, and other sensor-embedded devices that are connected to the internet—known as the “internet of things”—as well as web servers that manage website data.¹²

Gradually, federal prosecutors took advantage of the loosening scope of the CFAA. They diverged from prosecuting the archetypal cyber hacker who engaged in sophisticated digital trespass, and sought out less serious conduct such as password theft and mobile phone unlocking.¹³ In a survey of every

6. Jay P. Kesan & Carol M. Hayes, *Mitigative Counterstriking: Self-Defense and Deterrence in Cyberspace*, 25 HARV. J.L. & TECH 429, 492 (2012). (“There is some evidence that when the CFAA was originally enacted in 1984, it was partially in response to the situations depicted in the action film *WarGames*.”); see also Kevin Bankston, *How Sci-Fi Like ‘WarGames’ Led to Real Policy During the Reagan Administration*, NEW AMERICA (Oct. 11, 2018) <https://www.newamerica.org/weekly/how-sci-fi-wargames-led-real-policy-during-reagan-administration/> [https://perma.cc/8343-JSQB].

7. BERRIS, *supra* note 3 at 2.

8. *Id.*

9. Brief for Electronic Frontier Foundation, Center for Democracy & Technology & New America’s Open Technology Institute as Amici Curiae Supporting Petitioner at 4, *Van Buren v. United States*, 141 S. Ct. 1648, 1658 (2021) (No. 19-783).

10. See Edward R. McNicholas, Frances Faircloth & Shong Yin Yin, *(Un)Authorized Access to Computers in the Wake of Van Buren v. United States*, PLI CHRON.: INSIGHTS AND PERSPS. FOR THE LEGAL CMTY. 4, (2021); Berris, *supra* note 3, at 1.

11. Patricia L. Bellia, *A Code-Based Approach to Unauthorized Access Under the Computer Fraud Abuse Act*, 84 GEO. WASH. L. REV. 1442, 1463 (2016).

12. Berris, *supra* note 3, at 5.

13. Jonathan Mayer, *Cybercrime Litigation*, 164 U. PA. L. REV. 1452, 1482–84 (2016).

CFAA case litigated, 29% of CFAA criminal cases were government computer system related, and over half of the defendants in those cases were government employees who had valid credentials but abused the system.¹⁴ These cases frequently involved law enforcement personnel like officer Van Buren.¹⁵ As these cases and the statistic shows, the focus shifted from prosecuting outside hackers to insiders who were not trespassing, but rather abusing their privileges.

The civil side has not fared better. The majority of civil cases involve routine commercial disputes between and within companies, and such litigation has turned civil cybercrime into a “quasi-intellectual property regime” more concerned about information than computer system integrity.¹⁶ Congress, the courts, and criminal and civil litigants have all contributed to the overexpansion of the CFAA beyond its original aims.

B. 18 U.S.C. § 1030(A)(2): THE “EXCEEDS AUTHORIZED ACCESS” PROVISION

While the CFAA prohibits seven categories of computer conduct such as cyber espionage and password trafficking, the specific part at issue in *Van Buren* is the provision that covers 18 U.S.C. § 1030(a)(2).¹⁷ This section imposes criminal and civil liability for anyone who “intentionally accesses a computer without authorization or exceeds authorized access, and thereby obtains . . . information from any protected computer.”¹⁸ The statute defines the term “exceeds authorized access” to mean “to access a computer *with authorization* and to use such access to obtain or alter information in the computer that the accessor is not entitled so to obtain or alter.”¹⁹

However, the statute fails to define “without authorization.” In the context of computer access, “without authorization” can have numerous meanings. It could refer to forging one’s authentication token, like stealing a password. Alternatively, it could refer to using a computer for improper means, like accessing a company database for personal use. The statute neither specifies

14. *Id.* at 1485.

15. *Id.* (stating that “remarkably” law enforcement was the most common class of defendant in cases where a government employee repurposed their access to a workplace computer system).

16. *Id.* at 1482.

17. The CFAA prohibits seven categories of conduct: Cyber Espionage 18 U.S.C. § 1030(a)(1), Obtaining Information by Unauthorized Computer Access § 1030(a)(2), Government Computer Trespassing § 1030(a)(3), Computer Fraud § 1030(a)(4), Damaging a Computer § 1030(a)(5), Password Trafficking § 1030(a)(6), and Threats and Extortion § 1030(a)(7).

18. 18 U.S.C. § 1030(a)(2).

19. *Id.* (emphasis added).

who determines authorization nor how authorization is determined, and thus leaves the “exceeds authorized access” provision undefined. Senate Reports filed with the amendment in 1986 suggest Congress intended that “without authorization” applied to outside hackers, while “exceeds authorized access” applied to insiders, like employees who are authorized to use a computer but who are prohibited from accessing specific areas and files within it.²⁰ Yet, courts have not accepted this evidence suggesting legislative intent, and have struggled to interpret the meaning of both “without authorization” and “exceeds authorized access.”

C. CIRCUIT SPLIT IN § 1030(A)(2) INTERPRETATION

The courts have muddled the meaning of § 1030(a)(2) by adopting two competing paradigms of the “exceeds authorized access” provision, which ultimately overexpanded its scope. The difference between “without authorization” and “exceeds authorized access” has become “paper thin” and “elusive” in the courts.²¹ This section summarizes the two competing paradigms, the narrow view and the broad view.

1. *The Narrow View*

The Second, Fourth, and Ninth Circuits have held that to exceed authorized access, a user must first enter a computer or program they have authorized access to and then cross a “technical barrier,” such as a password prompt, to access a protected area within the computer.²² This interpretation is known as the narrow view paradigm.²³

For example, in *WEC Carolina Energy Solutions LLC v. Miller*, Miller, a former employee of WEC Carolina Energy Solutions (WEC), downloaded proprietary information from a company computer before resigning from his position.²⁴ Miller went on to work for a competitor and used the proprietary

20. Berris, *supra* note 3, at 7.

21. *Int'l Airport Ctrs., LLC v. Citrin*, 440 F.3d 418, 420 (7th Cir. 2006).

22. Aravind Swaminathan et al., *Prison Time for Personal Use of Company Computers? Supreme Court Grants Cert to Decide Whether Noncompliance With a Company's Terms of Use Constitutes a Violation of the Computer Fraud and Abuse Act*, ORRICK (May 5, 2020), <https://www.orrick.com/en/Insights/2020/05/Prison-Time-for-Personal-Use-of-Company-Computers-Supreme-Court-Grants-Cert-to-Decide-Whether-Nonco> [https://perma.cc/VR26-PB6H]; *see also* *United States v. Valle*, 807 F.3d 508, 511–513 (2d Cir. 2015); *United States v. Nosal*, 676 F.3d 854, 856–857, 863–864 (9th Cir. 2012) (en banc); *WEC Carolina Energy Solutions LLC v. Miller*, 687 F.3d 199, 206 (4th Cir. 2012).

23. Avi Weitzman, *Supreme Court to Resolve Longstanding Circuit Split Over Scope of Federal Anti-Hacking Statute*, GIBSON DUNN (Apr. 22, 2020), <https://www.gibsondunn.com/supreme-court-to-resolve-longstanding-circuit-split-over-scope-of-federal-anti-hacking-statute/> [https://perma.cc/7VKU-F3S5].

24. *WEC Carolina Energy Sols. LLC v. Miller*, 687 F.3d 199, 201 (4th Cir. 2012).

information in a presentation to a competitor's customer.²⁵ Despite WEC's policies that limited unauthorized use of and personal downloading of proprietary information, the Fourth Circuit held that a user "exceeds authorized access" only when he has "approved access" to a computer, but uses his access to obtain information outside the bounds of his approved access.²⁶ Miller therefore did not violate the CFAA because he downloaded information he had employee access to, and had not circumvented any technical barrier.²⁷

2. *The Broad View*

In contrast, the First, Fifth, Seventh, and Eleventh Circuits have adopted a more expansive understanding of the provision. In addition to prohibiting the circumvention of technical barriers, they have also defined "exceeds authorized access" as including violations of contract-based and purpose-based limitations on authorized access to computer information.²⁸ For example, "click-wrap" agreements, in which a website user assents to a website's terms and conditions by clicking a button that says "I agree," often set restrictions on the use of a website and its features.²⁹ Under the broad view, violating such use restrictions would "exceed authorized access" and therefore violate the CFAA. As another example, if an employee signs an agreement to only access work related websites and email on their work computer, but then proceeds to login to social media or browse Netflix, they would exceed their authorized access. This interpretation is known as the broad view paradigm.³⁰

Contract-based limitations control what a user can and cannot access on a computer through the terms of a contract. For example, in *United States v. Rodriguez*, a Social Security Administration employee's job contract restricted him from using the agency's database for personal reasons.³¹ Rodriguez looked up a person's home address and birthday for personal reasons, and was convicted of violating the CFAA by going against his employee contract.³²

Purpose-based limitations control a user's access depending on the user's purpose for accessing the computer or information on the computer. An

25. *Id.*

26. *Id.* at 204.

27. *Id.*

28. Swaminathan, *supra* note 22.

29. Bellia, *supra* note 11, at 1455–56.

30. Report of the Brief for the Reporters Committee for Freedom of the Press et al. as Amici Curiae Supporting Petitioner at 11, *Van Buren v. United States*, 141 S. Ct. 1648, 1658 (2021) (July 8, 2020) (No. 19-783).

31. *United States v. Rodriguez*, 628 F.3d 1258, 1260 (2010).

32. *Id.*

example is *US v. Morris*, where Morris, a graduate student in computer science at Cornell University, created a “worm” in computer programs to exploit security vulnerabilities that allowed users to send and receive information across the internet.³³ While Morris argued that he had authorized access to the affected programs his “worm” exploited, the court held that Morris gained access without authorization because he did not use the programs “in any way related to their intended function.”³⁴ Purpose-based restrictions can be contingent upon norms of use, like in *Morris*, or they can come from the computer owner’s policies.

The broad view’s capacious definition of “exceeds authorized access” became highly controversial. Critics of the broad view cite dissatisfactory outcomes when applied to cases. In *US v. Drew*, a woman named Lori Drew was charged with violating the CFAA after making a fake MySpace account to spy on her daughter’s friends, violating MySpace’s terms of service that required users to input accurate personal information.³⁵ Although the court correctly reasoned that the CFAA would become void for vagueness if it was read to cover MySpace’s terms of service, *Drew* became a cautionary tale of the CFAA’s overexpansive scope.³⁶ *Drew* incites a legitimate fear of government prosecutorial power under the CFAA: if the government can prosecute people who violate a website’s terms and conditions, then the CFAA gives prosecutors a tool to criminalize nearly anyone they want.³⁷

One of the most infamous computer crime cases, *U.S. v. Swartz*, spurred scathing critiques of the broad view among legal scholars and internet experts. Internet activist Aaron Swartz was indicted under the wire fraud statute and the CFAA after downloading millions of academic articles from JSTOR.³⁸ Under the broad view of the “exceeds authorized access” provision, Swartz did not have authorized access due to JSTOR’s policy that limited the number of articles a user could download at any given time.³⁹ Swartz was a research fellow at Harvard who wanted to make the articles publicly available.⁴⁰ He

33. *United States v. Morris*, 928 F.2d 504, 504 (2d Cir. 1991).

34. *Id.* at 510.

35. *United States v. Drew*, 259 F.R.D. 449, 452 (C.D. Cal 2009).

36. *Id.*

37. Brief of Professor Orin S. Kerr as Amicus Curiae in Support of Petitioner at 35, *Van Buren v. United States* 141 S. Ct. 1648 (No. 19-783) (stating that “The power to prosecute people for violating express restrictions on computers is a power to prosecute anyone the government thinks needs prosecuting”).

38. Indictment, *United States v. Swartz*, 2012 WL 4341933 at ¶ 0.

39. *Id.* at ¶¶ 4, 15, 37.

40. John Schwartz, *Internet Activist, a Creator of RSS, Is Dead at 26, Apparently a Suicide*, N.Y. TIMES (Jan. 12, 2013), <https://www.nytimes.com/2013/01/13/technology/aaron-swartz-internet-activist-dies-at-26.html> [<https://perma.cc/3AE2-PARE>].

travelled to MIT, accessed a school closet, and hardwired his laptop directly to the network to download articles; he continued to do so even after MIT blocked his IP and MAC addresses.⁴¹ The FBI and the US Attorney's Office argued that Swartz "exceed[ed] authorized access" by acting with an unlawful purpose, even though he had legitimate access to JSTOR due to his position at Harvard.⁴² Facing up to thirty-five years in prison and \$1 million in fines, he committed suicide before his trial, galvanizing a demand for legislative reform to the CFAA.⁴³

In 2013, a bill named "Aaron's Law" was introduced in Congress to codify the narrow view paradigm to prevent a repeat of the tragedy surrounding Swartz's death.⁴⁴ It sought to replace "exceeds authorized access" with "access without authorization," which was defined as obtaining information by "knowingly circumventing one or more technological or physical measures that are designed to exclude or prevent unauthorized individuals from obtaining that information."⁴⁵ Under the narrow view, Swartz would not have violated the CFAA since his research fellowship gave him the technological key to JSTOR's website. However, Aaron's Law failed to pass.⁴⁶ Courts therefore continued to reinforce the existing patchwork of interpretations, making the confusion around the statute's "exceeds authorized access" provision seem unresolvable.

An enduring criticism of the broad view is that intellectual property laws, as well as state laws and civil contract law, already set restrictions on computer usage, and can thus already deter bad actors.⁴⁷ For example, a website's terms and conditions page is a civil contract, and so contract law remedies are available when users violate its restrictions on website use.⁴⁸ In another example, 18 U.S.C. § 1832 (2012) is a criminal law that prohibits trade secret theft, including computer crime cases involving "insider" theft of confidential information. These laws are better equipped to handle computer users who violate purpose-based or contract-based restrictions than the CFAA, which was meant to deter sophisticated technical cyber hacking. Existing state and

41. *Id.* at ¶ 17.

42. *See id.* at ¶ 38–39 (charging that Swartz unlawfully obtained information from a protected computer in violation of the CFAA).

43. Kaveh Waddell, "Aaron's Law" Reintroduced as Lawmakers Wrestle Over Hacking Penalties, ATLANTIC, (Apr. 21, 2015), <https://perma.cc/274S-8Q82>.

44. AARON'S LAW ACT OF 2013, H.R. 2454, 113th Cong. (2013).

45. *Id.*

46. *Id.*

47. *See* Annie Lee, *Algorithmic Auditing and Competition Under the CFAA: The Revocation Paradigm of Interpreting Access and Authorization*, 33 BERKELEY TECH L.J. 1307, 1340 (2018).

48. Orin S Kerr, *Norms of Computer Trespass*, 116 COLUM. L. REV. 1143, 1170 (2016).

civil law deterrence mechanisms should play a larger role in shaping and ultimately limiting the scope of the CFAA.

3. *Cases Where Neither Paradigm Fits*

In some CFAA cases, courts failed to apply either the broad or narrow view paradigm when interpreting the “exceeds authorized access” provision, which made its meaning even more unclear. One such case, *U.S. v. Auernheimer*, involved a data breach that resulted in exposing 114,000 AT&T customer emails.⁴⁹ Andrew “Weev” Auernheimer wrote a script called the “iPad 3G Account Slurper” that enabled him to harvest email addresses of AT&T account holders who logged into AT&T’s website with an iPad.⁵⁰ Each iPad had a unique SIM ID number that was automatically added to the end of the website URL, allowing a user’s email to populate automatically on the login page. Auernheimer discovered that by using a script that automatically generated SIM ID numbers and then adding them to the end of the AT&T website URL, he could identify thousands of account holders’ email addresses.⁵¹ As a result of reporting the data breach and AT&T’s website security vulnerabilities to the media, he was convicted of violating the CFAA and sentenced to forty-one months in prison.⁵²

While the parties in *Auernheimer* argued different interpretations of the “exceeds authorized access” provision, the grand jury ultimately found Auernheimer guilty of violating the CFAA.⁵³ The government argued that Auernheimer violated the provision because he trespassed through the AT&T login portal; the portal acted like a front door to a house, even if it was unlocked and anyone could push it open by typing in URL strings.⁵⁴ Auernheimer unsuccessfully argued that the information was publicly available online, and was not a trespass.⁵⁵ Here, Auernheimer’s unlawful trespass does not fit neatly into either the narrow or broad view paradigm of the CFAA. Auernheimer did not violate the narrow view paradigm, because typing a URL string does not break through a code-based barrier. Yet, neither did he violate the broad view paradigm, because a URL is not a contract or purpose-based

49. *United States v. Auernheimer*, 748 F.3d 525, 531 (3d Cir. 2014).

50. *Id.* at 530–31.

51. *Id.* at 530.

52. *Id.* at 532.

53. *Id.*

54. Brief for Appellee at 34, *Auernheimer*, 748 F.3d 525 (No. 13-1816), 2013 WL 5427839.

55. *See U.S. v. Auernheimer*, 2012 WL 5389142 at *6 (D.N.J., 2012) (denying defendant’s argument that he had a First Amendment right to transmit publicly available information and serve the public by exposing AT&T’s nonexistent security system).

limitation of a website's use. *Auernheimer* exemplifies a growing pool of circumstances where the digital boundaries of authorized computer access are unclear, to the point that neither the narrow nor broad view of "authorized access" applies.

The need to demarcate the boundaries of "exceeding authorized access" became more dire as more opinions vacillated between the broad and narrow view. Criminal and civil litigants exploited this uncertainty for decades, ultimately expanding the CFAA's scope to criminalize people who were far removed and less culpable than the archetypal cyber hacker.⁵⁶ Due to the broad view paradigm in particular, the courts had created a "legal minefield" for many types of computer users such as ethical hackers, researchers, and journalists, as well as the average employee who browsed YouTube from a corporate computer.⁵⁷

D. PREVIOUS SCHOLARSHIP ON PARADIGMS OF CFAA INTERPRETATION

Due to the dangers of the broad view, legal scholars have advocated for narrowing the meaning of the "exceeds authorized access" provision, with many advocating for their own, even more granular meanings of the narrow view paradigm. For example, Professor Patricia Bellia at the University of Notre Dame Law School has argued that the courts have exercised a more nuanced set of five interpretive paradigms rather than two, and further argues that the best paradigm is neither the broad nor narrow view, but one called the "code-based" paradigm.⁵⁸ This section compares the code-based paradigm and another leading framework, the "authentication-based" paradigm. Setting forth the foundational interpretive theories of the "exceeds authorized access provision" is crucial to understanding why an entirely novel interpretive paradigm is necessary in the wake of *Van Buren*.

1. Code-Based Paradigm

Numerous scholars have advocated for the code-based paradigm as a more precise definition of the narrow view. The code-based paradigm asks whether a user has "breach[ed] a code-based barrier to the system or to certain information on it."⁵⁹ Code-based specifically refers to computers or information on computers that are protected by access codes, like password portals, that are "designed to block the user from exceeding his privileges on

56. See Mayer, *supra* note 13, at 1480.

57. See Lee, *supra* note 47, at 1310.

58. Bellia, *supra* note 11, at 1457 (concluding that the lower courts use four different approaches: agency, norms-of-access, policy, contract, and code-based paradigms).

59. Bellia, *supra* note 11, at 1457.

the network.”⁶⁰ Professor Orin Kerr at UC Berkeley School of Law, an expert in computer crime law, was an initial advocate for this paradigm. However, he has since rejected the code-based approach, arguing that the “code-based” formulation is vague.⁶¹ Even so, the approach’s focus on technical barriers in computers is important because the most severe types of cybercrime achieve unauthorized access using technically sophisticated techniques to bypass barriers.

2. *Authentication-Based Paradigm*

Professor Kerr has argued that authentication, or requiring verification that the user is the one who has access rights to the information accessed, is the “most desirable basis” for defining computer trespass under the CFAA.⁶² He distinguishes code-based access from authorization-based access, arguing that the key point of authentication is “not that some code was circumvented, but rather that the computer owner conditioned access on authentication of the user and the access was outside the authentication.”⁶³ Access that bypasses an authentication gate is unauthorized access.⁶⁴ What determines an authentication gate is “a matter of social understanding rather than technology,” and often asks whether computer information is perceived to be publicly accessible or private.⁶⁵ “Virtual speed bumps” that make access more difficult, like hidden addresses and IP address blockers, should not affect authorized access, because the spaces these barriers attempt to conceal are considered open and public under the norms of the internet.⁶⁶ While no cases contain an explicit use of the term “authentication,” courts often grapple with social norms surrounding computer use and must decide what constitutes computer access and trespass given the technological capabilities at any given time.

60. Orin Kerr, *Cybercrime’s Scope: Interpreting “Access” and “Authorization” in Computer Misuse Statutes*, 78 N.Y.U. L. REV. 1596, 1644–46 (Nov. 2003).

61. *Id.*

62. Kerr, *supra* note 48, at 1147.

63. *Id.* at 1164.

64. *Id.*

65. *Id.* at 1173.

66. *Id.* at 1147, 1168 (arguing that an IP block is not a real barrier because users have multiple IP addresses due to having multiple devices, can often change their IP address, or shield it using a proxy server or Virtual Private Network).

III. *VAN BUREN V. UNITED STATES*

A. CASE SUMMARY

Police officer Nathan Van Buren received a bribe to run a license-plate check on a vehicle, from an acquaintance who suspected that an undercover officer owned the vehicle.⁶⁷ At the time, Van Buren did not know that the bribe was part of an Federal Bureau of Investigation undercover sting operation.⁶⁸ After running the license-plate check, Van Buren was arrested and convicted under the CFAA for “exceed[ing] authorized access” to the law enforcement database.⁶⁹ Trial evidence showed that Van Buren was trained to not use the database for an “improper purpose,” which included personal use.⁷⁰ On appeal in the Eleventh Circuit, Van Buren argued that the “exceeds authorized access” clause only applied to those who obtain information that should have been inaccessible, not to the misuse of information that was accessible, as was in case.⁷¹ The Eleventh Circuit affirmed the trial court’s decision and held that Van Buren was not entitled to run a license-plate check in the police database for personal purposes.⁷²

The Supreme Court granted certiorari to clarify the meaning of the “exceeds authorized access” provision of the CFAA. Reversing the Eleventh Circuit’s ruling by a 6-3 decision, the Court held that the CFAA did not apply to Van Buren under a narrow reading of the statute.⁷³ Justice Barrett wrote the majority opinion, holding that under the narrow view, liability under the “unauthorized access” and “exceeds authorized access” provisions “stems from a gates-up-or-down inquiry—one either can or cannot access a computer system, and one either can or cannot access certain areas within the system.”⁷⁴ The opinion imports the same meaning into both the “without authorization” and “exceeds authorized access” clauses, though mainly references the latter given its central focus to the case.⁷⁵ The court rejected the broad view that “exceeds authorized access” meant using one’s authorized access to information for an improper purpose.⁷⁶ The majority in *Van Buren* held that a

67. *Van Buren v. United States*, 141 S. Ct. 1648, 1653 (2021).

68. *Id.*

69. *Id.*

70. *Id.*

71. *Id.*

72. *Id.* at 1653–54.

73. *Van Buren*, 141 S. Ct. at 1658.

74. *Id.* at 1658–59.

75. *Id.* at 1658.

76. *Id.*

CFAA violation only occurs when a user obtains information in areas of the computer that are “off limits to him.”⁷⁷

Justice Barrett focused on the literal meaning of the statute. She looked at the CFAA’s definition of “exceeds authorized access” which refers to a user obtaining information “that the accessor is not entitled so to obtain.”⁷⁸ Justice Barrett paid special attention to the word “so,” describing it as “a term of reference that recalls ‘the same manner as has been stated.’”⁷⁹ She further wrote the “manner as has been stated” is the manner of obtaining information through a computer that one is authorized to access.⁸⁰ Van Buren had access to the database as well as vehicle information within it, and thus the “gate” in the “gates-up-or-down” inquiry was lifted for him.

Paradoxically, even though the Court appears to adopt a narrow view, footnotes eight and nine call into question how to define the “gates” of the “gates-up-or-down” inquiry. Footnote eight states “for present purposes, we need not address whether this inquiry turns only on technological (or ‘code-based’) limitations on access, or instead also looks to limits contained in contracts or policies.”⁸¹ The Court avoids taking a concrete stance on whether the “gates-up-or-down” inquiry is based on technological restrictions like password portals, or restrictions based on contract and policy terms.⁸² Meanwhile, the following footnote, footnote nine, suggests hinging authorization on “authentication,” which refers to passwords or user credentials, drawing language from the Password Trafficking § 1030(a)(6) provision of the CFAA.⁸³

Finally, Justice Barrett eliminates the broad view by arguing that it would criminalize “millions of otherwise law-abiding citizens,” and extend to “trivial” computer use like “embellishing an online-dating profile” and “using a pseudonym on Facebook,” directly rejecting the prosecution’s argument in *Drev*.⁸⁴ In doing so, the Majority sides with legal scholars’ significant critique of the broad view, and condemns the unfavorable outcomes of cases like *Swartz* that expanded prosecutorial discretion under the CFAA.

Justice Thomas wrote the dissent, which Chief Justice Roberts and Justice Alito joined. Justice Thomas argued that the CFAA should impose liability

77. *Id.* at 1662.

78. *Id.* at 1649.

79. *Van Buren*, 141 S. Ct. at 1649.

80. *Id.*

81. See *id.* at n. 8.

82. See *id.*

83. See *id.* at n. 9.

84. *Id.* at 1658.

when a person uses information that they are entitled to access for an improper purpose, and that the majority's reading of the "exceeds authorized access" provision was too narrow.⁸⁵ Justice Thomas uses the analogy of a valet parking attendant: the attendant may have access to drive the car, but they would "exceed authorized access" if they took the car for a joy ride.⁸⁶ The dissent argued that authorized access should hinge upon whether a computer user exceeded the scope of the computer owner's consent.⁸⁷

B. LEGAL COMMUNITY AFTER *VAN BUREN*

The legal community was generally receptive to *Van Buren* and its narrowing of the scope of the "exceeds authorized access" provision, because it resolved the decades-long circuit split while endorsing prevalent critiques of the broad view.⁸⁸ However, legal scholars and practitioners continue to debate the significance of footnote eight and attempt to reconcile it with the rest of the opinion. Professor Kerr argues that *Van Buren* establishes the CFAA as a trespass statute, while footnote eight leaves to the lower courts the "hard line-drawing" job of defining gates that can trigger liability.⁸⁹ In the wake of *Van Buren*, courts must now delineate between provider-imposed restrictions that are more like "speed bumps" and real barriers to access that are "gates" that can trigger CFAA liability.⁹⁰

Practitioners advise employers that the gates of the "gates-up-or-down" inquiry are based on technical restrictions, but under footnote eight, they could also be based on policy or contract restrictions.⁹¹ Because *Van Buren* only addressed purpose-based violations, and did not address violations of contractual and policy-based restrictions, employers can still pursue remedies in such cases.⁹² This could be the focal point of future CFAA litigation of the "exceeds authorized access" provision.⁹³ Practitioners see *Van Buren* as a way

85. *Van Buren*, 141 S. Ct. at 1657.

86. *Id.* at 1662.

87. *Id.* at 1663.

88. Caroline Simons & Roland Chang, *Supreme Court Narrows Scope of the Computer Fraud and Abuse Act*, ORRICK TRADE SECRETS WATCH (July 22, 2021), <https://blogs.orrick.com/trade-secrets-watch/2021/07/22/supreme-court-narrows-scope-of-the-computer-fraud-and-abuse-act/> [<https://perma.cc/V8BK-2VJC>].

89. Orin Kerr, *The Supreme Court Reins in the CFAA in Van Buren*, LAWFARE (June 9, 2021), <https://www.lawfareblog.com/supreme-court-reins-cfaa-van-buren> [<https://perma.cc/ECC3-E6S7>].

90. *Id.*

91. Fisher Phillips News Podcast, *The Post-Van Buren Workplace and the Computer Fraud and Abuse Act, Part I*, FISHER PHILLIPS, (July 26, 2021), <https://www.fisherphillips.com/news-insights/post-van-buren-workplace-computer-fraud-part-1.html>.

92. *Id.*

93. *Id.*

to advise companies to review or add internal technological restrictions within computer systems, files, and databases to limit access to confidential information.⁹⁴ Companies should also review and refresh contracts and policies for employees regarding confidentiality, data security, and terms of use.⁹⁵ Ultimately, however, *Van Buren* was not the conclusive interpretation of the “exceeds authorized access” provision that the legal community hoped it would be, because of the potential for footnote eight to undermine the narrow view approach.

C. *VAN BUREN*’S CONTRIBUTION TO THE PROBLEM

While much concern exists about footnote eight’s apparent contradiction of the Court’s “gates-up-or-down” inquiry, legal scholarship has failed to recognize that the inquiry itself is impracticable because of its ambiguity. The Court’s language in the opinion describes the “gates-up-or-down” inquiry as asking whether one “can or cannot access a computer system,” and “can or cannot access certain areas within the system.”⁹⁶ Furthermore, the Court stated that a user violates the CFAA when they enter areas of a computer that are “off limits,” a vague rule that is impossible to apply.⁹⁷ The Court is unclear as to whether a user’s status—for example, as an ex-employee or a recipient of a cease-and-desist letter—can bar them from accessing information, or whether a technological gate must exist to prevent them from entering.

Despite the seeming simplicity of a gates-up-or-down inquiry, fundamental questions arise when applied to real-world scenarios and caselaw: does the gate move up and down based on technology, and if so, does blocking a user’s IP address close the gates of access to them, or are the gates a code-based restrictions like a password portal? Or in an entirely different interpretation, is the gate based on the user’s identity, where it opens for current employees but closes for former ones? The opinion in *Van Buren* stops short of establishing a clear and useful “gates” test for courts to apply to CFAA claims.

In some cases, the gate is clear. For example, the court in *US v. Morris* partially adopted a code-based approach when it held that Morris violated the CFAA because a computer virus he made, known as the “worm,” exploited vulnerabilities in the source code of various computers programs, known as “bug[s],” and guessed passwords.⁹⁸ The “worm” first infected a computer at MIT and then, at a much faster rate than he anticipated, spread to machines

94. Fisher Phillips News Podcast, *supra* note 91.

95. *Id.*

96. *Van Buren*, 141 S. Ct. at 1649.

97. *Id.* at 1662.

98. *United States v. Morris*, 928 F.2d 504, 505–06 (2d Cir. 1991).

across the country at leading universities, military sites, and medical research facilities.⁹⁹ By exploiting vulnerabilities and guessing passwords, Morris circumvented technical gates that were down for him.

However, in many if not most other cases, the gate is harder to articulate. Recall *US v. Auernheimer*, where the defendant wrote a script to automatically display email addresses in AT&T's website login portal by manipulating the website's URL strings.¹⁰⁰ The iPad users' unique identifying number at the end of the URL and email addresses were confidential to AT&T, and therefore Auernheimer's access was unauthorized and violated the CFAA.¹⁰¹ But applying the "gates-up-or-down" inquiry from *Van Buren* makes it unclear whether Auernheimer violated the CFAA. What the gate is and whether Auernheimer trespassed are difficult to articulate. Anyone can type in URL strings, and a code-based gate blocking access to the URL landing pages did not seem to exist. But an argument for a gate existing could be that AT&T intended the information to be confidential and did not intend for anyone but the account holder to see the auto-filled page. Yet, what the gate is in this scenario is still in question. *Auernheimer* becomes impossible to resolve under the Court's "gates-up-or-down" inquiry.

Footnotes eight and nine only exacerbate the test's ambiguity. Footnote eight's refusal to adopt a strictly technological-based gate may undermine *Van Buren*'s holding. The dicta allows lower courts to look at contract and purpose-based restrictions as closed gates that trigger liability instead of "speed bumps" that would not.¹⁰² Further, although footnote nine offers a potential interpretation of authorization as "user authentication," the opinion does not explicitly endorse this interpretation, and thus leaves the lower courts guessing as to whether user authentication is the proper test to apply.¹⁰³ The Court's reluctance to endorse a specific definition of the "gates" in the "gates-up-or-down" inquiry undermines the test's strength and exposes its underlying fragility.

Under the Courts' unclear holding, the lower courts could move the goalposts of the "gates-up-or-down" inquiry at whim to fit different interpretive paradigms in a manner as inconsistent as before *Van Buren*. And just as before, prosecutors and private actors will abuse the ambiguity of the "gates," threatening the legality of ordinary computer usage.

99. *Id.* at 506.

100. *U.S. v. Auernheimer*, 748 F.3d 525, 530–31 (2014).

101. Superseding Indictment, *U.S. v. Auernheimer*, 748 F.3d 525, 530–31 (2014).

102. *See Kerr, supra* note 48, at 1147 (describing types of systems of internet access known as "virtual speed bumps").

103. *See Van Buren*, 141 S. Ct. at n.9.

An example of how the courts could shift the goalposts is in treating cease-and-desist letters as gates rather than speed-bumps. For example, in *Facebook v. Power Ventures*, Facebook sent a cease and desist letter to Power Ventures for accessing and using Facebook user accounts to send automated messages.¹⁰⁴ Power Ventures enabled social media users to view their accounts across numerous platforms in one place, by soliciting user data through automated scripts.¹⁰⁵ Users gave their consent to Power Ventures to access their Facebook accounts and send emails to Facebook friends to promote its platform.¹⁰⁶ The Ninth Circuit held that Facebook's cease and desist letter revoked Power Venture's access to the platform, using the analogy of a person wanting to borrow a friend's jewelry held in a bank safe deposit box.¹⁰⁷ If the bank did not allow the borrower onto its premises for any reason, then the person's access has been denied. The court held that Power Ventures acted "without authorization" in violation of the CFAA.¹⁰⁸

Here, when applying the ambiguous "gates-up-or-down" inquiry from *Van Buren*, the gates could shift from technological barriers that prevent access, to cease-and-desist letters sent to specific undesirable users. Because the gates lack a clear definition, they grant the courts capacious interpretive grounds to modify the gates at the court's discretion.

The code-based and authentication-based paradigms can help define the "gates" in *Van Buren*'s "gates-up-or-down" inquiry in part, but also create several problems. The following section evaluates the strengths and weaknesses of using the code-based paradigm and the authentication-based paradigm to define "gates." Part IV then lays out a normative solution to define the "gates" in a way that resolves weaknesses in both the paradigms and *Van Buren*'s narrow view holding.

D. PROBLEMS WITH APPLYING THE CODE-BASED PARADIGM TO *VAN BUREN*

The code-based paradigm could define the "gates" as code-based restrictions, like a password portal. However, the formulation of a "code-based" restriction is vague, and even more vague is what it means to breach a code-based barrier so as to trigger liability.¹⁰⁹ The most obvious breach is using sophisticated web tools and manipulating native code to surpass a code-based restriction. For example, any act that fits within the common conception of

104. *Facebook, Inc. v. Power Ventures, Inc.*, 844 F.3d 1058, 1062 (9th Cir. 2016).

105. *Id.*

106. *Id.* at 1065.

107. *Id.* at 1068.

108. *Id.* at 1069.

109. *Kerr*, *supra* note 48 at 1164.

“hacking” to bypass a password portal will trigger liability if there is a code-based gate. But does an employee who shares a password with an ex-employee breach the code-based paradigm, and trigger liability? In other words, is password sharing a computer crime? The code-based paradigm was meant to extract a clearly defined rule of the narrow view interpretation of the “exceeds authorized access” provision. However, its vague formulation fails to establish a standard of what it means to breach a password portal, and essentially is an unproductive restatement of the narrow view of exceeds authorized access. A stricter standard of circumvention is needed.

Secondly, defining the “gates” under the code-based paradigm is ineffective at protecting ethical hackers and bug bounty program participants. It would create a chilling effect on ethical, or “white-hat,” hackers and cybersecurity researchers whose work often requires circumventing code-based barriers.¹¹⁰ External computer and website users who report bugs and security vulnerabilities are essential to a company’s network infrastructure, just like motorists who report potholes are to a city’s road infrastructure.¹¹¹

Participants in rewards programs for identifying software vulnerabilities, known as “bug bounty” programs, are especially vulnerable to committing CFAA violations if the “gates” are based on code barriers.¹¹² In a bug bounty program, companies offer rewards for computer users who can find loopholes in their website or software code. Companies such as Shopify, Mozilla, and Atlassian have contractual safe harbors for bug bounty participants, which a strictly code-based definition of “gates” in the “gates-up-or-down” inquiry would fail to consider.¹¹³ For example, Mozilla promises that “as long as you comply with this policy, [w]e consider your security research to be ‘authorized’ under the Computer Fraud and Abuse Act.”¹¹⁴

110. *See Computer Fraud and Abuse Act Hampers Security Research*, ELEC. FRONTIER FOUND., <https://www.eff.org/document/cfaa-and-security-researchers> [<https://perma.cc/KQ85-GQ2G>] (last visited Oct 4, 2021) (listing other examples of public interest computer hackers include car safety system hackers, electronic voting system security hackers, and medical device hackers who identify security flaws in implantable medical devices such as insulin pumps and pacemakers, which put patients’ privacy and safety at risk); *see also* Mark A. Lemley et al., Brief of Technology Companies as Amici Curiae in Support of Petitioner at 4, *Van Buren v. United States*, 141 S. Ct. 1648 (2021) (No. 19-783) (July 8, 2020).

111. *Id.* at 5.

112. *See id.*

113. *Id.* at 8.

114. *Security Bug Bounty Program*, MOZILLA <https://www.mozilla.org/en-US/security/bug-bounty/> [<https://perma.cc/ND4X-J4H6>] (last visited Dec 8, 2021).

Despite these contractual safe harbors, the risk for bug bounty participants and the larger ethical hacking community is still widely perceived.¹¹⁵ While the Department of Justice’s Computer Crime and Intellectual Property Section states that safe harbors for bug bounty programs will “substantially reduc[e] . . . the likelihood” of CFAA prosecution, prosecutors are not barred from pursuing cases against ethical hackers if they so desire.¹¹⁶

For example, a student at the University of Michigan faced an FBI investigation and potential CFAA charges for attempting to hack into an app, despite the app’s participation in a bug bounty program.¹¹⁷ As part of an election security course, the student identified security weaknesses in Voatz’s app, an app that enables people overseas to vote in U.S. elections. Prosecutors argued that Voatz’s bug bounty contract terms went into effect only after the student had hacked into the app, and that the student hacked into the “live election” part of the app, which was excluded from the bug bounty terms.¹¹⁸ Yet Voatz only updated its terms to exclude the “live election” part after the investigation was underway.¹¹⁹

The prosecutorial discretion used to criminalize a legitimate bug bounty participant in *Voatz* is the latest part of a chronic history of CFAA abuses. From contract-protected hacking to trivial violations of contracts and policies, nearly any type of computer usage could become a target for the ever-expanding scope of the CFAA. Bug bounty programs highlight the importance of incorporating alternative measures such as user authentication into the “gates” in the “gates-up-or-down” inquiry, and show why the gates cannot be solely based on code restrictions.

E. PROBLEMS WITH THE AUTHENTICATION-BASED PARADIGM TO *VAN BUREN*

The “authentication-based” paradigm, alluded to in footnote nine and proposed by scholars such as Professor Kerr, is necessary to adopt, but must also resolve three main concerns. First, authentication should be more clearly

115. See Brief of Technology Companies, *supra* note 111, at 10 (stating that the risk of criminal liability for security researchers is not a hypothetical threat, and that the government “can and will bring criminal cases based on a mere terms of service violation, even if the company didn’t ask it to.”)

116. See Brief of Technology Companies, *supra* note 111, at 11 (stating that “what companies think is ordinary testing behavior may well look like malicious hacking to a prosecutor unversed in computer security.”)

117. Kevin Collier, *FBI Investigating if Attempted 2018 Voting App Hack Was Linked to Michigan College Course*, CNN (Oct. 5, 2019) <https://www.cnn.com/2019/10/04/politics/fbi-voting-app-hack-investigation/index.html> [<https://perma.cc/CV5S-26RE>].

118. *Id.*

119. *Id.*

defined. Secondly, safeguards must be in place to prevent the paradigm from emboldening private actors to co-opt prosecutorial power and prosecutorial discretion. And relatedly, it must not be abused in a way that deputizes the CFAA to go after minor employment quarrels and intellectual property disputes unrelated to cybercrime.

The definition of authentication in an “authentication-based” restriction must be clarified. In footnote nine, the Court suggested that the “gates” adopt the CFAA password trafficking provision’s definition of authorization as “‘authentication,’ which turns on whether a user’s credentials allow him to proceed past a computer’s access gate.”¹²⁰ But neither the Court nor the password trafficking provision defines “user credentials,” which could refer to a passcode, a job position, both at once, or something else altogether.

Additionally, recall Professor Kerr’s definition of the authentication as “verifying that the user is the person who has the access rights to the information accessed.”¹²¹ The definition of “access rights” should have a clearer definition than “user credentials.” Additionally, if the authentication gate becomes a “matter of social understanding rather than technology” as Professor Kerr suggests, changing norms about what constitutes authentication may incentivize liberal prosecutions under numerous interpretations of authentication and create mass confusion among the courts.¹²² The result could be *déjà vu* of the CFAA’s overexpansion from when prosecutors and broad view advocates attempted to expand the CFAA’s unauthorized access provision to include violations of employment contracts and social media terms of use.

Secondly, an authentication-based definition of the “gates” in the “gates-up-or-down” inquiry could enable companies and civil litigants to confer and revoke user credentials on a whim, enabling them to bring CFAA claims at their discretion. Under an authentication-based paradigm, the computer owner has the sole power to raise and lower the gates of federal criminal liability depending on whether it verifies the user. This seems especially harsh given that civil penalties for contract and state law violations already provide adequate remedies for unverified computer usage. Additional safeguards to the authentication-based paradigm are necessary to protect computer users who violate contract and state laws from federal criminal liability under the CFAA.

For example, applying the authentication-based paradigm in instances where companies issue cease-and-desist letters to data scrapers or revoke

120. *Van Buren*, 141 S. Ct. 1648, n.9 (2021).

121. Kerr, *supra* note 48, at 1147.

122. *Id.* at 1173.

access for ex-employees will empower private companies to weaponize the CFAA for their own private gain. If the recipient of a cease-and-desist letter ignores the letter, or the ex-employee continues to access the employer's computer, then they could face federal criminal charges under statute meant to deter sophisticated computer hacking. The CFAA already provides a private right of action, so formalizing the authentication paradigm can further explode these kinds of claims.¹²³ For example, in *Swartz*, the grand jury found that Aaron Swartz “exceeded authorized access” because he ignored JSTOR’s numerous IP blocking protocols; the protocols indicated that JSTOR had revoked Swartz’s authorization to use their service.¹²⁴ Handing to private companies the lever that opens and closes the “gates” that trigger a federal crime would create a significant chilling effect on employees and computer users.

An authentication-based approach taken alone will affirm and reinforce the deputization of the CFAA for corporate employment quarrels, which are far from the sophisticated cyber hacking the CFAA was meant to pursue. For example, in *Nosal II*, a former employee whose access to the company’s database was revoked, borrowed a valid password from a current employee to access the database.¹²⁵ The court held that Nosal violated the CFAA because accessing a computer once one’s access has been revoked constitutes unauthorized entry, and that the “unequivocal revocation of computer access closes both the front door and the back door.”¹²⁶ Violating revoked access rules, like in *Nosal II*, should not have the same cause of action as computer hackers who use sophisticated technological skills to commit “breaking and entering” into computers. Further, other federal, state, and contract laws are sufficient to deter such bad inside actors. For example, 18 U.S.C. § 1832 is a criminal law that already prohibits the theft of trade secrets.¹²⁷ Escalating commercial intellectual property quarrels to the level of federal criminal liability is superfluous and reductive to Congress’s goals for the CFAA.

123. Aaron Mackey & Kurt Opsahl, *Van Buren is a Victory Against Overbroad Interpretations of the CFAA, and Protects Security Researchers*, ELEC. FRONTIER FOUND. (June 3, 2021), <https://www.eff.org/deeplinks/2021/06/van-buren-victory-against-overbroad-interpretations-cfaa-protects-security> [<https://perma.cc/U5DC-ZNWC>].

124. Indictment, *United States v. Swartz*, Defendant., 2012 WL 4341933 ¶ 38–39.

125. *United States v. Nosal*, 844 F.3d 1024 (9th Cir. 2016), *cert. denied*, 138 S. Ct. 314 (2017).

126. *Id.* at 1028.

127. 18 U.S.C. § 1832.

IV. NORMATIVE SOLUTION

A. THE DOUBLE-DOOR INQUIRY

To narrow and clarify the Court's definitions of "without authorized access" and "exceeds authorized access, the "gates" in *Van Buren's* "gates-up-or-down" inquiry should consist of a code-based prong and an authentication-based prong. In reference to the two-part vestibule entryways found in colder climates, a "double-door" inquiry requires that a hacker first pass the code-based door, and then, pass the authentication-based door, to face CFAA liability.

For the first prong or "gate," a computer user must circumvent a clearly defined code-based barrier to fall within the CFAA's scope. A code-based barrier is one that protects information using one of the following: an alphanumeric passcode, a code-based identifier like an IP address or a web cookie, encryption token, or source code. Circumvention occurs when a person attempts to bypass a code-based barrier using technical tools or manipulating native code. It can involve trial-and-error password cracking known as a "brute force attack," in which hackers use automated systems to enter different passwords until one works.¹²⁸ Circumvention can also include decoding scrambled messages or possessing the translation "key" that can decode messages; these are tactics that fall under a coding technique known as decryption. Another common circumvention tactic is manipulating the source code of a computer program or website, either by inputting new malicious code or changing the code in vulnerable areas.¹²⁹

This definition of "circumventing a code-based barrier" uses a heightened and stricter standard than that of previous scholarship. It narrows the definition to specific categories of computer code that can be circumvented, while requiring a heightened standard of "circumvention" or "manipulation" as opposed to mere entry through a coded gate. Ordering the doors by starting with the strict standard of circumvention to the broader standard of authorization, rather than the reverse, is the most effective structure to eliminate many cases from being improperly criminalized under a CFAA analysis. For example, access violations relating to trade secrets, or contract and use-based restrictions, like in *Van Buren*, will be tossed out at the first door under the heightened circumvention analysis.

128. *What is a brute force attack?*, CLOUDFLARE, <https://www.cloudflare.com/learning/bots/brute-force-attack/> [<https://perma.cc/82QR-TJNW>] (last visited Dec 8, 2021).

129. Sharma9955, *5 Common Hacking Techniques Used by Hackers*, GEEKS FOR GEEKS (Feb. 19, 2020), <https://www.geeksforgeeks.org/5-common-hacking-techniques-used-by-hackers/?ref=rp> [<https://perma.cc/RA35-FDV3>].

Once the court determines a user circumvented a code-based restriction, the user may pass through the first set of doors and advance to the second set. Under the second set of doors, there is an “authentication-based” gate where the computer has the ability to verify users based on any aspect of their identity, which could include job position, age, relation to the user, or other means that the owner chooses. For example, the computer could recognize an employee based on their company-issued key fob, and grant them access. In this case, the second gate is “lifted” and no trespass or CFAA violation occurs. If the computer is unable to authenticate the user’s identity, then the second gate is down for the user and they have committed trespass in violation of the CFAA.

B. WHY THE DOUBLE-DOOR INQUIRY RESOLVES THE
AFOREMENTIONED PROBLEMS

1. *It resolves the problems with a strictly code-based approach.*

The double-door inquiry resolves the outstanding problems with a strictly code-based approach, because it weighs both the legitimacy of the user’s technical actions and their identity, whereas the code-based paradigm only focuses on the former. Further, it clarifies the definition of a code-based gate as referring specifically to passcodes, code-based identifiers, encryption tokens, and source code. It eliminates the vagueness of the term as previous scholars have mentioned. The two-gates test sets forth a clearly defined technical gate and requires verification of a user’s identity, narrowing the scope of the CFAA to filter out most user activity that violates existing law based on contracts, trade secrets, or other intellectual property issues.¹³⁰ This section evaluates its effectiveness when applied to trade secret disputes that have been wrongly criminalized under the CFAA, as well as addressing potential cases involving ethical hackers and bug bounty program participants.

First, the two-gates test is a solution to situations where a strictly code-based test could find CFAA liability for mere entry through, rather than circumvention or manipulation, of a code-based barrier. In the past, trade secret cases that companies pursued under the guise of the CFAA argued a code-based approach, especially where they revoked a computer user’s access, but the user still acquired a password. For example, in *United States v. Rich*, a man paid an employee at Lending Tree to give him account access so he could

130. See Kerr, *supra* note 48, at 1170 (arguing that civil contract law such as terms and conditions or terms of use on websites already set legal limits on how people can use websites); Lee, *supra* note 47, at 1340 (arguing that other laws already create a catch-all for computer crimes such as trade secret theft).

use the company's paid services.¹³¹ And in *Nosal II*, an ex-employee borrowed valid credentials from a current employee to access the firm's database.¹³² Under a code-based gate test, because the users crossed through the code-based gate of the password portal, they could be liable under the CFAA.¹³³ Such an outcome has the potential to escalate account password sharing to the level of a federal crime.

However, under the two-gates test, neither case would be a CFAA violation, because the first gate has a heightened standard for trespassing through a code-based barrier that requires circumvention or manipulation of the barrier. Because both actors in *Rich* and *Nosal II* obtained the proper passwords without manipulating the code or circumventing the portal by potentially attacking the source code, or intercepting a web cookie that stored the login information, they fail the first part of the inquiry. Without even broaching the second part about user authentication, no possible CFAA violation results. Contract law, state law, and trade secret law are sufficient avenues to pursue remedies, thus maintaining the limited scope of the CFAA.

Second, the double-door test protects bug bounty program participants and "white hat" hackers, whom companies protect through contract and policy terms. A common example is a hacker who finds errors in a program's source code, known as "bugs." These bugs can often make the system vulnerable to third party access and data breaches. Under the double-door paradigm, these hackers often circumvent technological barriers to protected information and therefore trespass through the first "gate," which triggers potential CFAA liability. Yet then under the paradigm, these white hackers then move on to the "authentication-based" gate of the test. Because contract and policy terms explicitly lift the gate for them, they do not trespass under a double-door inquiry and therefore do not violate the CFAA.

Adopting this test for ethical hackers and bug bounty programs incentivizes companies to create safe harbors for computer users who can identify and report security vulnerabilities. It strengthens network infrastructure overall and eliminates the chilling effect on security research due to the uncertainty of prosecution. Further, First Amendment protections are likely available even for those white hat hackers and algorithmic auditors who are not explicitly protected by contracts.¹³⁴ White hat hackers shed light on

131. *United States v. Rich*, 610 F. App'x 334, 334 (4th Cir. 2015).

132. *United States v. Nosal*, 844 F.3d 1024, 1024 (9th Cir. 2016), *cert. denied*, 138 S. Ct. 314 (2017).

133. *See id.*

134. Jacquellena Carrero, *Access Granted: A First Amendment Theory of Reform of the CFAA Access Provision*, 120 COLUM. L. REV. 131, 135 (2020).

vulnerabilities for the public interest, distinguishing them from unprotected hackers such as those who act for ransom or other commercial aims.

2. *It resolves the problems with a strictly authentication-based approach.*

The two-gates test resolves the problems with a solely authentication-based approach, which would dangerously overexpand criminally liable acts under the CFAA. For example, companies who issue cease-and-desist letters could pursue CFAA charges under an authentication-based paradigm, because revoking access to a website closes the authentication-based gate. However, under a two-gates test, alleged hackers must first trespass through a clearly defined code-based gate to be within the scope of a CFAA violation. Therefore, any cease-and-desist case in which computer users accessed publicly available information does not pass the first gate and is sealed off from triggering liability under the CFAA.

The manipulation of publicly available URL strings in *Auernheimer* is an example of where the two-gates test can eliminate confusion regarding whether a computer user “exceeds authorized access” under the CFAA.¹³⁵ Because Auernheimer did not circumvent any code-based restrictions, the gate was not down and he did not attempt to trespass through it.¹³⁶ *Auernheimer* would be sealed off from triggering liability under the CFAA.¹³⁷

Similarly, in *HiQ Labs v. LinkedIn*, the defendants did not circumvent any code-based restrictions when they data scraped LinkedIn’s web pages.¹³⁸ In that case, the company HiQ used an automated system to scan and collect data from across LinkedIn en masse, a technique known as data scraping.¹³⁹ Because LinkedIn’s web pages were available to the public, HiQ would not have committed any form of code-based trespass.¹⁴⁰ Therefore, the case would be sealed off from a valid CFAA claim.

Requiring first a code-based gate and then an authentication-based gate ultimately eliminates the Court’s ambiguity regarding whether violations of purpose or used-based restrictions found in contracts and policy can trigger CFAA liability. By requiring first that a computer user circumvent or manipulate a code-based restriction, and secondly that they lack authentication, the user has committed trespass through a “gates-down” situation. The double-door inquiry adequately narrows the “narrow view” of

135. *See* U.S. v. Auernheimer, 748 F.3d 525 (2014).

136. *See id.*

137. *See id.*

138. *HiQ Labs, Inc. v. LinkedIn Corp.*, 938 F.3d 985, 1004–05 (9th Cir. 2019)

139. *See id.* at 1004.

140. *See id.*

the CFAA to reign in the overexpansion of CFAA prosecution that criminalizes relatively trivial computer activity. It redirects the statute to fulfill its original purpose and best aligns with legislative intent.

C. IMPLEMENTING THE DOUBLE-DOOR INQUIRY

While the CFAA may have originally intended to criminalize acts of code-based or technological circumvention on computers, the everchanging landscape of technology and cybersecurity demand a wholly new interpretation of unauthorized computer access. Therefore, the gates must not only refer to code-based trespass, but must refer to user verification and authentication. This double-door inquiry with an updated and clearer definition of a code-based gate and an authentication gate is necessary to modernize the CFAA so that it keeps up with innovations in cyber hacking.

Two possible ways to implement this test exist: one is through the courts, the other through legislation. First, courts should adopt the two-part test I have proposed for interpreting the definition of authorized access in the CFAA.¹⁴¹ However, we cannot leave the work of line-drawing entirely to the lower courts. Given that a CFAA case failed to reach Supreme Court for almost forty years despite the severity of inconsistent CFAA rulings in the lower courts, a legislative solution is necessary to prevent further criminalization of innocent computer users. Legislation should amend the CFAA to define “without authorization” as a two-gates test that involves both code-based access and also user authentication. The appendix of this note includes a legislative proposal to adopt the double-door inquiry into the statute.

V. CONCLUSION

The Supreme Court codified the narrow view of the CFAA’s “exceeds authorized access” provision, in hopes of ending the decades-long interpretive juggling act among the lower courts. Yet, *Van Buren* failed to establish the clarity needed of the provision. While computer crime experts see the narrow view outcome as desirable because it puts officer Van Buren and other purpose-based cases out of the CFAA’s scope, the Courts resulting “gates-up-or-down” inquiry has evaded important scrutiny. This Note is the first to challenge it for being too ambiguous and therefore impracticable. A normative solution to defining the “gates” of the “gates-up-or-down” inquiry is necessary

141. Kerr, *supra* note 89 (arguing that *Van Buren* leaves the interstitial work of defining a “closed gate” to the lower courts).

to ensure effective, lasting reform of the CFAA’s “exceeds authorized access” provision.

The “double-door” inquiry requires bypassing two gates instead of one to trigger a CFAA violation. The first gate asks whether a user has used sophisticated technical skills to circumvent a code-based restriction such as a password portal, while the second gate asks whether a user has authentication, meaning the owner has verified the user’s access based on their identity or employment status. Only this “double-door” test of both a technology-based gate and an authentication-based gate is rigorous enough to apply the “gates-up-or-down” inquiry to past and future cybercrime cases, while also reigning in the overexpansion of the CFAA’s prosecutorial domain. *Van Buren* was not the end to the interpretive woes of the CFAA’s “exceeds authorized access” provision many hoped it would be. Rather, it began the Sisyphean challenge of combatting the most sophisticated technical computer hackers with a few ambiguously written words. The Computer Fraud and Abuse Act must evolve to narrow and clarify its language. Only then will its meaning have enough substance to deter and punish the real bad actors of the age of information.

VI. APPENDIX

18 U.S.C. §1030. Fraud and related activity in connection with computers

- (a) Whoever—
 - (2) Intentionally access a computer without authorization or exceeds authorized access, and thereby obtains—
 - (C) Information from any protected computer; . . .

The term “without authorization” means to (1) manipulate or circumvent a code-based barrier to a computer or information on a computer and (2) lack authentication.

A code-based barrier is an account or information protected by one of the following: an alphanumeric passcode, a code-based identifier like an IP address or a web cookie, encryption token, or source code.

Authentication refers to when the computer owner has verified the user and thus granted authentication. The owner can verify the user based on any aspect of their identity, such as job position, age, relation to the user, or other means that the owner chooses.

SOLVING THE *NETCHOICE* DILEMMA: REDUCING SPEECH PROTECTIONS ON INTERNET PLATFORMS WITH BROADCAST CASE LAW

Connor Kennedy[†]

I. INTRODUCTION

In the last few decades, the internet has transformed almost every facet of our daily lives.¹ This transformation, however, has been accompanied by widespread dissatisfaction with the prevalence of harm on online platforms.² Social media discourse, for example, has been implicated in harms ranging from COVID-19 misinformation³ in the United States to the genocide of Rohingya minorities in Myanmar.⁴ Yet internet speech remains largely unregulated.⁵

Proposals to regulate internet speech are not rare, but almost all must deal with the constitutional hurdle of strict scrutiny—a stringent standard of review that requires laws to be “narrowly tailored to serve compelling state interests.”⁶ A law that qualifies for this standard of review can quickly be nullified as unconstitutional if either of the two prongs, narrow tailoring and compelling

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1. See Anmar Frangoul, *10 Ways The Web and Internet Have Transformed Our Lives*, CNBC (Feb. 9, 2018, 3:30 PM ET), <https://www.cnbc.com/2018/02/09/10-ways-the-web-and-internet-have-transformed-our-lives.html> (listing examples of how the internet has transformed many aspects of our lives).

2. See Monique Beals, *70 Percent Of Americans Say Facebook, Twitter Do More Harm than Good: Poll*, THE HILL (Oct. 20, 2021, 2:50 PM ET), <https://thehill.com/policy/technology/577625-70-percent-of-americans-say-facebook-twitter-do-more-harm-than-good-poll> (demonstrating “widespread dissatisfaction” through a poll that shows the vast majority of Americans believe that online platforms do more harm than good).

3. Amir Bagherpour & Ali Nouri, *COVID Misinformation is Killing People*. SCI. AM. (Oct. 11, 2020), <https://www.scientificamerican.com/article/covid-misinformation-is-killing-people1/>.

4. Paul Mozur, *A Genocide Incited on Facebook, With Posts from Myanmar’s Military*, N.Y. TIMES (Oct. 15, 2018), <https://www.nytimes.com/2018/10/15/technology/myanmar-facebook-genocide.html>.

5. See Daphne Keller, *Six Constitutional Hurdles for Platform Speech Regulation*, CTR. FOR INT. & SOC’Y BLOG (Jan. 22, 2021), <http://cyberlaw.stanford.edu/blog/2021/01/six-constitutional-hurdles-platform-speech-regulation-0> (listing constitutional restraints on platform speech regulation).

6. See *Reed v. Town of Gilbert*, 576 U.S. 155, 163 (2015) (specifying a strict scrutiny standard for First Amendment-based challenges).

state interests, are not met. Any law requiring online platforms to omit or change certain content on their websites would need to pass this strict scrutiny standard, as such a law would likely implicate the platform's First Amendment rights.⁷

Both requirements to overcome strict scrutiny represent substantial hurdles. Regarding the first requirement, the Supreme Court has never precisely defined what constitutes a compelling state interest.⁸ Case law, however, suggests that it is a high bar, often comprising essential government functions such as the military draft and tax collection.⁹ Regarding the second requirement, “[n]arrow tailoring means that the government may not regulate expression in such a manner that a substantial portion of the burden on speech does not serve to advance its goals.”¹⁰ Experts like Daphne Keller, the Director of the Program on Platform Regulation for the Stanford Cyber Policy Center, have made clear that this dual-pronged standard is a formidable obstacle to potential reforms of internet speech regulation.¹¹

Less stringent standards of review do exist, and one is “intermediate scrutiny.”¹² It requires a law to further an “important” government interest in a way that is “substantially related to that end.”¹³ One area in which intermediate scrutiny applies is broadcast speech regulation.¹⁴ In fact, *Reno v. ACLU*, the Supreme Court decision which established that strict scrutiny applied to internet speech regulation, justified its holding primarily by distinguishing the internet medium from the broadcast medium.¹⁵ Though this strict scrutiny standard is a considerable obstacle to internet rule-making, it has not prevented all such attempts at regulation.

7. *See id.*

8. *See* Robert T. Miller, *What is a Compelling Governmental Interest?*, 21 J. MKTS. & MORALITY 71, 72 (2018) (“[T]he Supreme Court has never given a general account of what makes some ends that government may pursue compelling and others not.”).

9. *See id.* at 74 n.14 (“[S]ome examples include collecting of income taxes, *Hernandez v. Commissioner*, 490 U.S. 680 (1989) . . . and drafting men into the armed forces, *Gillette v. United States*, 401 U.S. 437 (1971).”).

10. *Richland Bookmart, Inc. v. Knox Cnty.*, 555 F.3d 512, 528 (6th Cir. 2009) (internal citations and quotations omitted).

11. Daphne Keller, *Amplification and Its Discontents*, 1 J. FREE SPEECH L. 227, 262–63 (2021) (concluding that many of the proposed solutions to increase platform liability for various negative externalities would be unconstitutional and proposing that privacy and competition law should instead be leveraged to regulate platforms).

12. *Craig v. Boren*, 429 U.S. 190, 218 (1976) (Rehnquist, J., dissenting) (describing the majority’s heightened scrutiny standard as a form of “intermediate” scrutiny).

13. *Id.* at 197 (majority opinion) (articulating the intermediate scrutiny standard).

14. 3 RODNEY A. SMOLLA, *SMOLLA & NIMMER ON FREEDOM OF SPEECH* § 26:27 (3d ed. 1996 & Supp. 2021).

15. *Reno v. ACLU*, 521 U.S. 844, 868–70 (1997).

Among the recent attempts to regulate the internet is Florida Senate Bill (SB) 7072, which implemented various rules to rein in “leftist” corporations.¹⁶ This law was swiftly blocked by the U.S. District Court for the Northern District of Florida in *NetChoice, LLC v. Moody*.¹⁷ The district court held that SB 7072 merited a preliminary injunction under strict scrutiny, but, notably, made clear that even under intermediate scrutiny, the result would have been the same.¹⁸ Additionally, and even after noting that social media does not fit neatly into existing juridical frameworks for speech regulation,¹⁹ the court nevertheless applied the strict scrutiny standard formulaically.²⁰ Thus, *NetChoice* illustrates the space that exists to adjust the constitutional standard applied to internet regulation. Intermediate scrutiny would successfully invalidate egregiously-biased laws, like SB 7072, while providing more latitude for laws that prevent harm.

This Note argues that intermediate scrutiny, the reduced level of protection that applies to broadcast speech regulation, should also apply to online platforms. Some content-motivated laws, such as Florida SB 7072, should certainly be blocked, but strict scrutiny is an overly blunt tool to do so because it also prevents necessary reform. Broadcast case law provides a judicial template that ably justifies the application of intermediate scrutiny to internet regulation. This lesser scrutiny would provide greater bandwidth to regulate the internet and reduce negative externalities. Judicial decisions that occurred in the nascent stages of broadcast technology tackled many of the same policy concerns that those in the early internet era faced, but the case law of each ultimately manifested very different levels of protection. Elucidating this inconsistency creates a strong justification for lowering protection for speech on online platforms from strict to intermediate scrutiny.

To be clear, the government should not become the arbiter of speech on the internet, as authoritarian actors could leverage that control to produce even more harm. But responsibly calibrating the scope of government power to ameliorate harms without overly restricting freedom is possible. Broadcast regulation already strikes such a balance. The severe harms that have

16. *Governor Ron DeSantis Signs Bill to Stop the Censorship of Floridians by Big Tech*, RON DESANTIS (May 24, 2021), <https://www.flgov.com/2021/05/24/governor-ron-desantis-signs-bill-to-stop-the-censorship-of-floridians-by-big-tech/> [hereinafter *Gov. Ron DeSantis Signs Bill*].

17. 546 F. Supp. 3d 1082, 1096 (N.D. Fla. 2021), *aff'd in part, vacated in part*, 34 F.4th 1196 (C.A.11 (Fla.), 2022).

18. *Id.* at 1095 (“The result would be the same under intermediate scrutiny.”).

19. *Id.* at 1090.

20. *See id.* at 1093–94. This ruling was largely upheld on appeal. *See NetChoice, LLC v. Att’y Gen., Fla.*, 34 F.4th 1196, 1231 (C.A.11 (Fla.), 2022).

accompanied the growth of the modern internet must be addressed, and so legislators must be empowered to make changes.

This Note has four additional Parts. Part II provides background information on the widespread dissatisfaction with the current state of internet regulation and surveys some proposed solutions. It also evaluates the legislative history behind Florida SB 7072 and introduces the Florida *NetChoice* case. Another *NetChoice* case, one that arose in Texas and is a mirror image of the Florida case, is also briefly summarized. This Part then outlines the subsequent appellate history of both of the Texas and Florida cases, situating the proposal in this Note within the larger jurisprudential context. Part II concludes by surveying the history of broadcast regulation and the general nature of constitutional speech protections. Part III examines the adjudicative background of the Florida *NetChoice* case more closely, delving into the conceptualizations of internet technology that influenced the doctrine at its nascent stages and attacking errant reasoning in the foundational case law. Part IV proposes a new framework based on broadcast case law that underpins the proposal to lower the standard of review for internet speech regulation. Part V concludes.

II. BACKGROUND

Florida SB 7072 sought to regulate an environment that is rife with problematic externalities and general discontent among the public. *NetChoice*'s invalidation of the law demonstrated that the reasoning that courts use to assess online speech regulation lacks a tailoring to the modern internet. This Part juxtaposes internet regulation with the parallel system of broadcast regulation, which stands out as a functional system with a reduced standard of scrutiny. Section A provides context and analysis of the Florida *NetChoice* case and SB 7072, briefly surveying the online harms that animated support for the law. It also discusses a Texas attempt to regulate social media content, as well as the subsequent appellate history of both the Florida and Texas *NetChoice* cases. Section II.B outlines constitutional speech protections and explains the evolution of the broadcast content regulation model.

A. THE MODERN INTERNET AND *NETCHOICE*

Widespread dissatisfaction with online platforms, intensified by the negative externalities that have become endemic to online speech, has motivated politicians and academics to propose regulatory measures. The circumstances surrounding the Florida *NetChoice* case elucidate some of the tension between the decades-old doctrine that governs the internet and the internet's subsequent evolution. The obvious flaws of SB 7072

notwithstanding, it has a veneer of moral authority as it, at least ostensibly, represents an attempt to regulate a functionally anarchic online environment that has allowed harms to proliferate. This Section surveys the widespread dissatisfaction with harm on online platforms and then analyzes the legislative history, the text, and the downstream effects of SB 7072.

1. *Widespread Dissatisfaction with Online Platforms Harms*

Speech on online platforms has been linked to a parade of horrors in recent years. Online platforms have been implicated in severe harms such as human trafficking²¹ and terrorist recruitment.²² They have also contributed to political polarization.²³ More generally, the European Parliamentary Research Service cites damage to social relationships, damage to community, and impaired public and private boundaries as some of the harms that the internet causes.²⁴

A recently filed complaint from a class action lawsuit by Rohingya refugees against Meta Platforms, Inc. details some particularly glaring and horrific examples of the harms that accompany an unregulated internet.²⁵ The complaint alleged that the defendant's platform "materially contributed to the development and widespread dissemination of anti-Rohingya hate speech, misinformation, and incitement of violence—which together amounted to a substantial cause, and perpetuation of, the eventual Rohingya genocide."²⁶ The complaint detailed some of the horrific content posted to the platform, such as a picture of a boat of Rohingya refugees with the caption, "[p]our fuel and set fire so that they can meet Allah faster."²⁷

Americans are not oblivious to the harms of this lack of internet regulation. A recent poll found that 70% of Americans believe social media platforms do

21. BRITTANY ANTHONY, POLARIS, REPORT: HUMAN TRAFFICKING AND SOCIAL MEDIA (July 2018), <https://polarisproject.org/human-trafficking-and-social-media/>.

22. Antonia Ward, *ISIS's Use of Social Media Still Poses a Threat to Stability in the Middle East and Africa*, THE RAND BLOG (Dec. 11, 2018), <https://www.rand.org/blog/2018/12/isiss-use-of-social-media-still-poses-a-threat-to-stability.html>.

23. Damon Centola, *Why Social Media Makes Us More Polarized and How to Fix It*, SCI. AM. (Oct. 15, 2020), <https://www.scientificamerican.com/article/why-social-media-makes-us-more-polarized-and-how-to-fix-it/>.

24. Gianluca Quaglio, *How The Internet Can Harm Us, and What We Can Do About It*, EUR. PARLIAMENTARY. RSCH. SERV. (Feb. 18, 2019), <https://epthinktank.eu/2019/02/18/how-the-internet-can-harm-us-and-what-can-we-do-about-it/>.

25. Complaint at 2–4, *Jane Doe v. Meta Platforms, Inc.*, 3:22-cv-00051, (N.D. Cal. filed January 5, 2022).

26. *Id.* at 2.

27. *Id.* at 7 (citing Steve Stecklow, *Why Facebook is Losing the War on Hate Speech in Myanmar*, REUTERS (Aug. 15, 2018), <https://www.reuters.com/investigates/special-report/myanmar-facebook-hate/>).

more harm than good to society.²⁸ Additionally, a plurality of 47% of U.S. adults support increased regulation of “major technology companies,” with only 11% opining that “these companies should be regulated less.”²⁹ This dissatisfaction, moreover, is not rigidly partisan. Individuals from across the ideological spectrum have argued for greater regulation.³⁰ An amicus brief for the defendant-appellant in the *NetChoice* appeal summarized the prevailing sentiment:

“The States have a strong interest in ensuring that their citizens enjoy access to the free flow of information and ideas in “the modern public square” that is the social media marketplace. *Packingham v. North Carolina*, 137 S. Ct. 1730, 1737 (2017). But the social-media ecosystem, run by an increasingly small number of large companies who function as the gatekeepers of online content, threatens the States’ ability to meet this salutary goal.”³¹

Many proposals exist to address these online harms. For instance, a bipartisan bill introduced in the U.S. Senate in 2019 sought to ban “dark patterns,” a term describing “tricks” derived from behavioral psychology that platforms use to persuade consumers to relinquish their data.³² A former chairman of the Federal Communications Commission (FCC) argued for a

28. Beals, *supra* note 2; see also Monica Anderson, *Fast Facts on Americans’ Views About Social Media as Facebook Faces Legal Challenge*, PEW RSCH. CTR. (Dec. 10, 2020), <https://www.pewresearch.org/fact-tank/2020/12/10/fast-facts-on-americans-views-about-social-media-as-facebook-faces-legal-challenge/> (“64% [of Americans] say social media have a mostly negative effect on the way things are going in the country today . . .”).

29. Anderson, *supra* note 28.

30. Compare Lauren Gambino, ‘Too Much Power’: It’s Warren v Facebook in a Key 2020 Battle, THE GUARDIAN (Oct. 20, 2019, 8:04 EDT), <https://www.theguardian.com/us-news/2019/oct/19/elizabeth-warren-facebook-break-up> (Democratic Sen. Elizabeth Warren against Facebook as a left-wing example), with Nash Jenkins, *The Mark Zuckerberg vs. Ted Cruz Showdown Was the Most Explosive Part of Today’s Facebook Testimony*, TIME (Apr. 10, 2018 6:10 PM EDT), <https://time.com/5235461/mark-zuckerberg-facebook-ted-cruz/> (Republican Sen. Ted Cruz against Facebook as a right-wing example); see also Emily A. Vogels, *Support for More Regulation of Tech Companies has Declined in U.S., Especially Among Republicans*, PEW RSCH. CTR. (May 13, 2022), <https://www.pewresearch.org/fact-tank/2022/05/13/support-for-more-regulation-of-tech-companies-has-declined-in-u-s-especially-among-republicans/> (finding that sizable percentages of Republicans, Democrats, and independents favor greater regulation for major technology companies).

31. Brief for the State of Texas, et al. as Amicus Curiae Supporting Defendants-Appellants at 1, *NetChoice, LLC v. Moody*, 546 F. Supp. 3d 1082 (N.D. Fla. 2021) (No. 21-12355), <https://digitalcommons.law.scu.edu/historical/2536>.

32. Diane Bartz, Susan Thomas & Jonathan Oatis, *U.S. Senators Introduce Social Media Bill to Ban ‘Dark Pattern’ Tricks*, REUTERS (Apr. 9, 2019 9:08 AM), <https://www.reuters.com/article/us-usa-tech/u-s-senators-introduce-social-media-bill-to-ban-dark-patterns-tricks-idUSKCN1RL25Q>.

new federal agency specifically tasked with regulating digital platforms, akin to the Federal Trade Commission (FTC) or the FCC.³³ A prominent senator submitted twenty separate regulatory proposals to the FTC, ranging from disclosure requirements for online political advertisements to a duty to clearly and conspicuously label bots.³⁴ Thus, the need for solutions is not a novel assessment. Yet strict scrutiny remains an obstacle.

The difficulties involved in regulating harmful internet speech have also attracted attention from various academics.³⁵ For instance, scholars have argued that platforms could be regulated indirectly through privacy or competition law.³⁶ Many of these proposals, however, are either novel and untested, like the regulation of content-navigation algorithms, or quite narrow, such as the proscription of only “blatant” falsifications.³⁷ Other solutions

33. See Tom Wheeler, *Facebook Says It Supports Internet Regulation. Here's an Ambitious Proposal That Might Actually Make a Difference*, TIME (Apr. 5, 2021, 4:09 PM EDT), <https://time.com/5952630/facebook-regulation-agency/>.

34. See Ariel Shapiro, *Democratic Sen. Warner has a New Policy Paper With Proposals to Regulate Big Tech Companies*, CNBC (July 30, 2018 11:59 AM EDT), <https://www.cnbc.com/2018/07/30/sen-warner-proposes-20-ways-to-regulate-big-tech-and-radically-change.html>.

35. E.g., Tim Wu, *Is the First Amendment Obsolete?*, 117 MICH. L. REV. 547 (2018), <https://repository.law.umich.edu/mlr/vol117/iss3/4>. Wu uses his indictment of an ossified First Amendment jurisprudence to propose regulation using of the logic in *Blum v. Yaretsky* where “the state can be held responsible for private action ‘when it has exercised coercive power or has provided such significant encouragement, either overt or covert, that the choice must in law be deemed to be that of the State.’” *Id.* at 548–50, 579–80; *Blum v. Yaretsky*, 457 U.S. 991, 1003 (1982); see also Kyle Langvardt, *Can the First Amendment Scale?* 1 J. FREE SPEECH L. 273, 302 (2021) (“Certain core First Amendment doctrines have the potential to hollow out the First Amendment’s substantive aspirations if they are applied too mechanically to massive-scale content governance by online platforms.”); Lauren E. Beausoleil, *Free, Hateful, and Posted: Rethinking First Amendment Protection of Hate Speech in a Social Media World*, 60 B.C. L. REV. 2100, 2144 (2019), <https://bclawreview.bc.edu/articles/316> (arguing to, in light of empirically proven hate speech, “amend First Amendment doctrine so that it can properly combat, control, and contemplate the power of hate speech transmitted through social media communications.”); Julie E. Cohen, *Tailoring Election Regulation: The Platform is the Frame*, 4 GEO. L. TECH. REV. 641, 661 (2020) (arguing that regulation is based on the notion that the “costs of mistaken instances of suppression (far) outweigh those of mistaken failures to suppress” and that this notion is untrue in online information environments).

36. Keller, *supra* note 11, at 271 (concluding that many of the proposed solutions of increasing platform liability for various negative externalities would be unconstitutional and proposing that privacy and competition law should instead be leveraged to regulate platforms).

37. See Dallas Flick, *Combatting Fake News: Alternatives to Limiting Social Media Misinformation and Rehabilitating Quality Journalism*, 20 SMU SCI. & TECH. L. REV. 375, 389–90 (2018), <https://scholar.smu.edu/scitech/vol20/iss2/17> (arguing that Justice Breyer’s concurrence in *Alvarez* can justify a “flexible intermediate scrutiny standard” which can regulate “blatant” falsifications that are unambiguous and contrary to easily verifiable public information); *United v. Alvarez*, 567 U.S. 709, 730–39 (2012) (Breyer, J., concurring); see also Sofia Grafanaki, *Platforms, the First Amendment and Online Speech: Regulating the Filters* (2018), 39 PACE L. REV. 111,

touch on the availability of broadcast precedent as an alternative model of regulation but then quickly dismiss the possibility of applying this model to the internet, arguing in a conclusory fashion that it would be too administratively complex.³⁸

Alan Rozenshtein, a law professor at the University of Minnesota, authored a proposal for First Amendment deregulation that touches on broadcast precedent. He addressed *NetChoice* directly, arguing the court “undervalued the government interest behind laws limiting content moderation.”³⁹ Specifically, he argued for a “broader societal free expression interest in limiting the First Amendment rights of social media platforms.”⁴⁰ Rozenshtein further critiqued the *NetChoice* court’s reliance on case law that possessed an “expansively laissez-faire vision”⁴¹ of internet regulation and was “famously conclusory and under-reasoned.”⁴² He then used broadcast precedent to illustrate the existence of an alternative legal model governing editorial decisions. By doing so, he implicitly contended that the *NetChoice* court made substandard use of historical precedent.⁴³

This Note’s proposal for greater regulatory permissibility, achieved through an intermediate scrutiny standard, takes Rozenshtein’s reasoning much further. It argues that not only does broadcast precedent provide an alternative legal model, it provides the correct legal model. The widespread and severe harms of the internet medium merit greater government intervention. Intermediate scrutiny, a standard of review that is already applied to broadcast media, would successfully facilitate this end.

2. *The Enactment of Florida SB 7072*

Florida Senate Bill 7072 was a recent legislative attempt to regulate online platforms, signed on May 24, 2021.⁴⁴ This bill contained a host of provisions ranging from specific rules about the presentation of content on platforms to

134 (2018) (arguing that there is a subset of content-navigation algorithms that could be regulated without constitutional objections).

38. See Langvardt, *supra* note 35, at 300–02 (discussing briefly the existing models of regulation in broadcast and cable but then quickly dismissing these models as unworkable).

39. Alan Z. Rozenshtein, *Silicon Valley's Speech: Technology Giants and the Deregulatory First Amendment*, 1 J. FREE SPEECH L. 337, 367 (2021), <https://www.journaloffreespeechlaw.org/rozenshtein.pdf>.

40. *Id.*

41. *Id.* at 370.

42. *Id.* at 369.

43. *Id.* at 370.

44. *Gov. Ron DeSantis Signs Bill*, *supra* note 16.

a ban on the removal of users.⁴⁵ Some provisions were relatively innocuous, such as disclosure requirements before rule changes⁴⁶ and annual notice requirements regarding the use of algorithms.⁴⁷ Other provisions, however, were more onerous, such as limitations on deplatforming⁴⁸ and directives on content display and amplification.⁴⁹

The law's primary defect was its hyperpartisan motivation. Florida Governor Ron DeSantis argued the bill "guaranteed protection" for the "real Floridians" against the tyranny of the "Silicon Valley elites."⁵⁰ The Florida Lieutenant Governor went further, equating this tyranny to communism and declared that many Floridians "know the dangers of being silenced or have been silenced themselves under communist rule."⁵¹ Therefore, she continued, they were lucky to have "a Governor that fights against big tech oligarchs that contrive, manipulate, and censor if you voice views that run contrary to their radical leftist narrative."⁵² Other Florida politicians expressed similar sentiments.⁵³

The constitutionality of SB 7072 was never a serious question. Laws regulating speech are subject to strict scrutiny if they "cannot be 'justified without reference to the content of the regulated speech.'"⁵⁴ Here, the partisan intent of the law was inescapable. Indeed, the law's enactors highlighted it. As a clear example of its absurdity, the law contained a specific carve-out favoring technology companies that owned theme parks—a key industry and employer in Florida.⁵⁵ Scholars quickly identified the blatant unconstitutionality. For example, A. Michael Froomkin, a University of Miami law professor, said the

45. S. 7072 (Fla. 2021). <https://www.flsenate.gov/Session/Bill/2021/7072/BillText/pb/HTML>.

46. FLA. STAT. § 501.2041(2)(c), *subjected to preliminary injunction by NetChoice, LLC v. Moody*, 546 F.Supp.3d 1082 (2021).

47. *Id.* § 501.2041(2)(g).

48. *Id.* § 501.2041(2)(d).

49. *Id.*

50. *Gov. Ron DeSantis Signs Bill*, *supra* note 16.

51. *Id.*

52. *Id.*

53. *See id.* (describing statements by the Speaker of the Florida House, Chris Sprowls, that social media platforms have turned into the town square and that if "democracy is going to survive, we must stand up to these technological oligarchs and hold them accountable.").

54. *Reed v. Town of Gilbert*, 576 U.S. 155, 156 (2015) (citation omitted).

55. *See* Jon Brodtkin, *Florida Makes it Illegal for Facebook and Twitter to Ban Politicians*, ARS TECHNICA (May 25, 2021, 11:47 AM), <https://arstechnica.com/tech-policy/2021/05/florida-regulates-facebook-and-twitter-compares-big-tech-to-communist-rule/> ("The new law . . . carves out an exception for tech companies that happen to also own theme parks. That would exempt . . . Disney . . .").

law was “so obviously unconstitutional, you wouldn’t even put it on an exam.”⁵⁶ Broadly, the *NetChoice* court agreed with his assessment.

3. *The NetChoice Case*

The plaintiffs in *NetChoice, LLC v. Moody* were NetChoice, LLC (“NetChoice”) and the Computer & Communications Industry Association (CCIA)—trade associations that represent social-media providers.⁵⁷ The CCIA is an influential organization that has represented the computer technology, telecom, and internet industries since 1972.⁵⁸ NetChoice was founded in 2001 and “works to make the Internet safe for free enterprise and free expression.”⁵⁹ The defendants consisted of those tasked with enforcing SB 7072, including the Attorney General of Florida.⁶⁰

The *NetChoice* court recognized that the place of online platforms in the existing typology of constitutional scrutiny for First Amendment laws was not entirely clear.⁶¹ In general, the appropriate level of First Amendment protection often depends on differentiating speech from conduct and varies based on the specific medium of expression.⁶² The plaintiffs in *NetChoice* insisted that speech on internet platforms should be treated no differently from typical speech.⁶³ The State, conversely, argued that internet platforms should be treated more like common carriers—“transporting information from one person to another much as a train transports people or products from one city to another.”⁶⁴ The court in *NetChoice* concluded that the “truth is in the middle.”⁶⁵ The court decided that a social media platform was functionally dissimilar to newspapers and other more traditional mediums for First Amendment purposes.⁶⁶ They also, however, disagreed with the notion that

56. Gilad Edelman, *Florida’s New Social Media Law Will Be Laughed Out of Court*, WIRED, (May 24, 2021, 6:20 PM), <https://www.wired.com/story/florida-new-social-media-law-laughed-out-of-court/>.

57. *NetChoice, LLC v. Moody*, 546 F. Supp. 3d 1082, 1084 (N.D. Fla. 2021).

58. *See About CCLA*, COMPUT. & COMM’NS INDUS. ASS’N, ccianet.org/about/ (last visited Mar. 18, 2020).

59. *See About Us*, NETCHOICE, netchoice.org/about/ (last visited Mar. 18, 2020).

60. *NetChoice*, 546 F. Supp. 3d at 1084.

61. *See id.* at 1093.

62. *See* 1 RODNEY A. SMOLLA, SMOLLA & NIMMER ON FREEDOM OF SPEECH § 4:1 (3d ed. 1996 & Supp. 2021).

63. *NetChoice*, 546 F. Supp. 3d at 1091.

64. *Id.*

65. *Id.*

66. *Id.* at 1093 (“[I]t cannot be said that a social media platform, to whom most content is invisible to a substantial extent, is indistinguishable for First Amendment purposes from a newspaper or other traditional medium.”). The phrase “invisible” is used by the court to indicate that, unlike a newspaper, a social media platform does not manually review all

platforms “engage[] only in conduct.”⁶⁷ Their activities, like those of newspapers, have a speech component.⁶⁸ This analysis highlights the difficulty courts face when applying existing case law to the modern internet: wedging the internet awkwardly into outdated categories.

Despite the legal quandaries, the *NetChoice* decision was straightforward given the law’s clear motivation and obviously overbroad language. The court held that the legislation failed under both strict and intermediate scrutiny due to the “substantial factual support” that the law was motivated by “hostility to the social media platforms’ perceived liberal viewpoint.”⁶⁹ The court also questioned the broad scope of the law. The law, for instance, prohibited platforms from banning website access to “any candidate for office,” defined as “any person who has filed qualification papers and subscribed to the candidate’s oath.”⁷⁰ The court noted that platforms often ban users for reasons such as “spreading a foreign government’s disinformation . . . or attempting to entice minors for sexual encounters.”⁷¹ Filing candidate papers would be a “low bar” for anyone wishing to carry out these activities to avoid deplatforming.⁷² In an explicit repudiation of the law’s lack of precision, the court pointed that “some of the disclosure provisions seem designed not to achieve any governmental interest but to impose the maximum available burden on the social media platforms.”⁷³

Ultimately, the *NetChoice* court held that strict scrutiny was the appropriate standard of review for laws that regulate freedom of expression on the internet, a stance it entirely justified using the seminal 1997 precedent, *Reno v. ACLU*. Unambiguously, the court asserted in one short paragraph what it considered clear precedent:

[T]he First Amendment applies to speech over the internet, just as it applies to more traditional forms of communication. *See, e.g., Reno v. ACLU*, 521 U.S. 844, 870, 117 S. Ct. 2329, 138 L. Ed. 2d 874 (1997) (stating that prior cases, including those allowing greater

published content. “[T]he overwhelming majority of the material never gets reviewed except by algorithms.” *Id.* at 1091–92.

67. *Id.* at 1093.

68. *See id.* (concluding that platform speech exists and is thereby subject to First Amendment scrutiny).

69. *Id.*

70. *Id.* at 1086.

71. *Id.*

72. *Id.*

73. *Id.* at 1095.

regulation of broadcast media, ‘provide no basis for qualifying the level of First Amendment scrutiny that should be applied’ to the internet).⁷⁴

Therefore, despite the court’s explication about intermediate scrutiny and the inadequacy of the jurisprudence, the court’s reasoning is ultimately mechanical. In the court’s opinion, *Reno v. ACLU* is clear governing precedent, which requires that strict scrutiny should apply to the law, and the law is clearly invalid under strict scrutiny.⁷⁵ The robust evidence for the partisan motivation of the law combined with the lack of precision in tailoring the provisions were constitutionally fatal.

This district court ruling was largely upheld on appeal.⁷⁶ The Eleventh Circuit found that “NetChoice ha[d] shown a substantial likelihood of success on the merits of its claim that S.B. 7072’s content-moderation restrictions . . . violate the First Amendment.”⁷⁷ To note, the Eleventh Circuit did differentiate their ruling slightly, finding that the disclosure provisions in SB 7072 were more likely to be constitutionally permissible because they were “content-neutral.”⁷⁸ Nonetheless, the vast majority of the more substantive provisions, like the prohibition on candidate deplatforming, were found to be subject to strict scrutiny.⁷⁹ Thus, Florida’s attempt to regulate online platforms with SB 7072 was almost entirely nullified.

Those who passed SB 7072, however, were ultimately trying to regulate a medium in dire need of regulation. Some of the observations made by those who engaged in the partisan rancor that accompanied the signing of SB 7072 were not entirely inaccurate. The internet and social media have arguably created a virtual public square for political dialogue.⁸⁰ The internet has become a key element of political campaigns, and internet content can drive public opinion.⁸¹ Social media can create movements and spur political mobilization.

74. *Id.* (emphasis added).

75. *Id.*

76. *NetChoice, LLC v. Att’y Gen., Fla.*, 34 F.4th 1196, 1231–32 (11th Cir. 2022)

77. *Id.* at 1229–30.

78. *Id.* at 1209, 1232; *see id.* (“The State’s interest here is in ensuring that users—consumers who engage in commercial transactions with platforms by providing them with a user and data for advertising in exchange for access to a forum—are fully informed about the terms of that transaction and aren’t misled about platforms’ content-moderation policies. This interest is likely legitimate.”).

79. *Id.* at 1226.

80. *See, e.g.,* Christopher Mascaro & Sean Patrick Goggins, *Twitter as Virtual Town Square: Citizen Engagement During a Nationally Televised Republican Primary Debate*, SPA 2012 ANN. MEETING PAPER (2012), https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2108682.

81. *See* Lata Nott, *Political Advertising on Social Media Platforms*, AM. BAR ASS’N (June 25, 2020), https://www.americanbar.org/groups/crsj/publications/human_rights_magazine_home/voting-in-2020/political-advertising-on-social-media-platforms/ (“[T]he public

Powerful tools such as microtargeting bring new capabilities to both incumbents and insurgents.⁸² Moreover, the concentration of these political tools on a few key platforms *does* give those platforms tremendous power.⁸³ Yet, this power has not been effectively managed to mitigate the attendant harms of the online environment.⁸⁴

4. *The Spread of SB 7072—Building Pressure to Reform*

A few months later, *NetChoice, LLC v. Paxton* mirrored the proceedings of the Florida district court case when another law aimed at regulating online platforms was enacted in Texas and summarily blocked by a district court.⁸⁵ The Texas law, House Bill (HB) 20, prohibited censorship by social media platforms based on “viewpoint.”⁸⁶ Upon signing the bill, Governor Abbott of Texas tweeted that “[s]ilencing conservative views is un-American, it's un-Texan[,] and it's about to be illegal in Texas.”⁸⁷ Similar to the Florida *NetChoice* case, the Paxton court granted a preliminary injunction, and noted that their decision would be the same under both strict and intermediate scrutiny.⁸⁸ The district court in Paxton again utilized *Reno* to justify applying strict scrutiny to the internet medium.⁸⁹

Though the Florida law and the Texas law vary slightly—the Texas law focused more on general content regulation while the Florida law focused on user deplatforming—the subsequent court proceedings for each were undeniably similar.⁹⁰ The Texas law’s enactment suggests that the tension

became aware of how powerful and game changing political advertising on social media could be.”).

82. *Id.* (“social media has a distinctive characteristic that makes it very different from those traditional mediums of communication—it allows for microtargeting.”).

83. *See, e.g.,* Eileen Guo, *Facebook is Now Officially Too Powerful, Says the US Government*, MIT TECH. REV. (Dec. 9, 2020), <https://www.technologyreview.com/2020/12/09/1013641/facebook-should-be-broken-up-says-us-government/>.

84. *See supra* Section II.A.1.

85. *See* *NetChoice, LLC v. Paxton*, No. 1:21-CV-840-RP, 2021 WL 5755120 (W.D. Tex. Dec. 1, 2021), *rev'd*, *NetChoice, LLC v. Paxton*, 49 F.4th 439 (5th Cir. 2022). This Note will refer to this Texas *NetChoice* case as “*Paxton*” and the Florida *NetChoice* case as “*NetChoice*” in order to avoid confusion.

86. *Id.* at 1 (citing Tex. Civ. Prac. & Rem. Code Ann. § 143A.002 (West 2021)).

87. *Id.* (alterations in original).

88. *Id.* at 13–14.

89. *See id.* at 6 (citing *Reno v. ACLU*, 521 U.S. 844, 870 (1997)).

90. John Villasenor, *Texas’ New Social Media Law is Blocked For Now, But That’s Not the End of the Story*, BROOKINGS (Dec. 14, 2021), <https://www.brookings.edu/blog/techtank/2021/12/14/texas-new-social-media-law-is-blocked-for-now-but-thats-not-the-end-of-the-story/>.

between rigid speech protections on the internet and the government interest in regulating such speech is set to become a recurring pattern.⁹¹

Further muddling this legal landscape, the Fifth Circuit actually reversed the district court ruling in Paxton on appeal, distinguishing its conclusion from the recent Eleventh Circuit ruling in Florida.⁹² The Fifth Circuit differentiates the Texas law from the Florida law by noting, *inter alia*, that “SB 7072 prohibits all censorship of some speakers, while HB 20 prohibits some censorship of all speakers.”⁹³ The Fifth Circuit concluded, therefore, that HB 20 is “a content- and viewpoint-neutral law and is therefore subject to intermediate scrutiny at most.”⁹⁴ While largely diverging from the Eleventh Circuit ruling, this conclusion mirrors the particular Eleventh Circuit holding that “content-neutral” regulations, like the disclosure requirements in SB 7072, on social media platforms are subject to intermediate scrutiny.⁹⁵ Nonetheless, it is clear that the legal framework governing content moderation laws on the internet is fractured and unsettled.

This prevailing legal landscape is clearly in need of a modern and tailored constitutional framework that courts can more predictably apply. Indeed, the Supreme Court recently requested the Biden administration for its views on whether Florida and Texas could “prevent large social media companies from removing posts based on the views they express,” signaling that the Court plans to take up the issues presented by the *NetChoice* cases in its next term.⁹⁶ This Note seeks to solve this content moderation problem by proposing an intermediate level of scrutiny that courts can apply to all content moderation laws on the internet medium. To do so, courts should look to case law surrounding another speech medium: broadcast.

91. *See id.* Both the Florida and Texas cases are currently on appeal within different circuit courts. *See id.* Moreover, other states have also recently passed regulations. *See More State Content Moderation Laws Coming to Social Media Platforms*, PERKINS COIE (Nov. 17, 2022), <https://www.perkinscoie.com/en/news-insights/more-state-content-moderation-laws-coming-to-social-media-platforms.html>.

92. *NetChoice, LLC v. Paxton*, 49 F.4th 439, 494 (5th Cir. 2022).

93. *Id.* at 489 (emphasis in original).

94. *Id.* at 480. Less relevant to this specific analysis but perhaps more profoundly, the Fifth Circuit even held that content moderation decisions by platforms should not be considered editorial judgment. *See id.* at 459 (“Unlike newspapers, the Platforms exercise virtually no editorial control or judgment. The Platforms use algorithms to screen out certain obscene and spam-related content. And then virtually everything else is just posted to the Platform with zero editorial control or judgment.”).

95. *Compare NetChoice, LLC v. Att’y Gen., Fla.*, 34 F.4th at 1209, 1230 *with NetChoice, LLC v. Paxton*, 49 F.4th at 480.

96. Adam Liptak, *Supreme Court Puts Off Considering State Laws Curbing Internet Platforms*, N.Y. TIMES (Feb. 24, 2023), <https://www.nytimes.com/2023/01/23/us/scotus-internet-florida-texas-speech.html?searchResultPosition=1>.

B. FIRST AMENDMENT SCRUTINY: BROADCAST AS A TEMPLATE

Though current precedent subjects internet speech regulations to unqualified strict scrutiny, First Amendment jurisprudence contains plenty of variations in which protections change based on a multitude of factors. Broadcast speech is an intriguing example of a medium that amplifies speech to global audiences, like the internet, yet has historically enjoyed less First Amendment protection.

1. *Constitutional Background for Speech Protections*

Reed v. Town of Gilbert explains the application of the strict scrutiny standard to content-based speech regulations.⁹⁷ Content-based legislation is “presumptively unconstitutional and may be justified only if the government proves that they are *narrowly tailored* to serve *compelling state interests*.”⁹⁸ This strict scrutiny standard applies to laws that are explicitly content-based, as well as “laws that cannot be ‘justified without reference to the content of the regulated speech,’ or that were adopted by the government ‘because of disagreement with the message [the speech] conveys.’”⁹⁹

Strict scrutiny, however, sometimes gives way to reduced levels of protection depending on the speech medium. “[S]peech in public schools, speech by government employees, speech on government property that is not a public forum, speech funded by the government, or the regulation of broadcasting” are all examples of speech that receive lower levels of protection for various reasons.¹⁰⁰ For example, in government-funded speech, the speaker can be precluded from speaking about religion due to the Establishment Clause.¹⁰¹ Additionally, broadcast speech is subject to reduced levels of protection based on the specific features of the technology that transmits it.¹⁰²

Moreover, limits on First Amendment scrutiny are not always based on the medium. The nature and location of the speech, as well as the identity of the speaker, can reduce the level of constitutional protection. For example, speech that is commercial in character receives a diminished level of protection,¹⁰³ laws limiting obscene speech are constitutionally permissible,¹⁰⁴ student and

97. *See Reed v. Town of Gilbert*, 576 U.S. 155, 163–64 (2015) (citation omitted).

98. *Id.* at 163 (emphasis added).

99. *Id.* at 164 (citation omitted).

100. 1 RODNEY A. SMOLLA, SMOLLA & NIMMER ON FREEDOM OF SPEECH § 4:4 (3d ed. 1996 & Supp. 2021).

101. *See* 2 RODNEY A. SMOLLA, SMOLLA & NIMMER ON FREEDOM OF SPEECH, § 19:1(3d ed. 1996 & Supp. 2021).

102. *See* 3 SMOLLA & NIMMER ON FREEDOM OF SPEECH, *supra* note 14, § 26:1.

103. *See* 2 SMOLLA & NIMMER ON FREEDOM OF SPEECH, *supra* note 101, § 20:1.

104. *See id.* § 14:7.

government speakers enjoy lower levels of protection; and protection is reduced in courtrooms and on sidewalks constructed for specific purposes, such as allowing access to a post office.¹⁰⁵

Furthermore, some forms of internet speech regulation already exist. Defamation suits against online platforms are constitutionally permissible,¹⁰⁶ and internet service providers (ISPs) can also be liable for certain forms of intellectual property infringement. For example, the Second Circuit held that the online video-sharing platform Vimeo could be liable for the copyright-infringing content of certain posts if Vimeo was reasonably aware of the infringement.¹⁰⁷ In the *NetChoice* cases, the Fifth Circuit and Eleventh Circuit also permitted certain internet regulations insofar as they were “content-neutral.”¹⁰⁸ These constitutionally-permissible regulations, however, are often either quite narrow or overly blunt. A broader vehicle to reduce constitutional protection that can allow legislators to regulate ISPs more precisely, like a reduced standard of scrutiny based on the notion that the internet *medium in general* deserves less protection, would have a larger impact.

2. History of Broadcast Regulation

The constitutional framework for broadcast regulation has its foundation in spectrum scarcity.¹⁰⁹ The germinal Supreme Court decision, *Red Lion Broadcasting Co. v. FCC*, upheld the fairness doctrine using this logic: “[w]here there are substantially more individuals who want to broadcast than there are frequencies to allocate, it is idle to posit an unabridgeable First Amendment right to broadcast”¹¹⁰

The Court in *Red Lion* began by explaining the historical development of broadcast regulations.¹¹¹ It noted that prior to the governmental allocation of broadcast frequencies in 1927, allocation “was left entirely to the private sector,

105. *Id.* § 8:32 (courtrooms); *id.* § 8:17 (sidewalk constructed for a post office).

106. *See, e.g.,* Stratton Oakmont, Inc. v. Prodigy Servs. Co., 1995 WL 323710, at *3–5 (N.Y. Sup. Ct. May 24, 1995) (holding an online platform liable for defamatory content posted on the platform). This holding was later nullified by 47 U.S.C. § 230, but it nonetheless demonstrates that there is no *constitutional* hurdle to holding platforms liable for defamation.

107. Capitol Recs., LLC v. Vimeo, LLC, 826 F.3d 78, 98 (2d Cir. 2016) (describing the standard for forfeiting a safe-harbor provision due to possession of infringing content as “either kn[ow]ing the video was infringing or kn[ow]ing facts making that conclusion obvious to an ordinary person who had no specialized knowledge . . .”).

108. *Compare* NetChoice, LLC v. Att’y Gen., Fla., 34 F.4th at 1230 *with* NetChoice, LLC v. Paxton, 49 F.4th at 480.

109. 3 SMOLLA & NIMMER ON FREEDOM OF SPEECH, *supra* note 14, § 26:3.

110. *Red Lion Broad. Co. v. FCC*, 395 U.S. 367, 388 (1969).

111. *See id.* at 375–76.

and the result was chaos.”¹¹² The petitioning broadcasters argued that the fairness doctrine, specifically its rules concerning political editorials, was unconstitutional.¹¹³ The fairness doctrine was a Congressional mandate for the FCC to ensure “that equal time be allotted all qualified candidates for public office.”¹¹⁴ The Court understood the broadcasters as claiming the constitutional right to “use their allotted frequencies continuously to broadcast whatever they choose, and to exclude whomever they choose from ever using that frequency.”¹¹⁵ It firmly disagreed with this position, comparing the contested regulations to the rules surrounding sound-amplifying equipment that had the capacity to “drown[] out civilized private speech” and concluding that the same policy concerns “limit[ed] the use of broadcast equipment.”¹¹⁶ In its most direct reasoning, the Court stated,

When two people converse face to face, both should not speak at once if either is to be clearly understood. But the range of the human voice is so limited that there could be meaningful communications if half the people in the United States were talking and the other half listening. Just as clearly, half the people might publish, and the other half read. But the reach of radio signals is incomparably greater than the range of the human voice and the problem of interference is a massive reality. The lack of know-how and equipment may keep many from the air, but only a tiny fraction of those with resources and intelligence can hope to communicate by radio at the same time if intelligible communication is to be had, even if the entire radio spectrum is utilized in the present state of commercially acceptable technology.¹¹⁷

“[I]his fact,” combined with the chaos that existed when broadcast allocation was left to the private sector, necessitated government regulation of the broadcast medium.¹¹⁸ No one, the Court concluded, had a right to “monopolize” a scarce frequency, nor did the First Amendment preclude “the Government from requiring a licensee to share his frequency with others and to conduct himself as a proxy or fiduciary with obligations to present those views and voices which are representative of his community.”¹¹⁹ The role of

112. *Id.* at 375.

113. *Id.* at 386.

114. *Id.* at 370–71.

115. *Id.* at 386.

116. *Id.* at 387.

117. *Id.* at 387–88.

118. *Id.* at 388.

119. *Id.* at 388.

the First Amendment was to protect the “right[s] of the viewers and listeners,” as opposed to the broadcasters.¹²⁰

The underlying policy in *Red Lion* was that broadcast regulations served an enabling function, allowing a freer speech environment to “preserve an uninhibited marketplace of ideas in which truth will ultimately prevail.”¹²¹ Notably, the Court pointed out that the regulations could have gone further. Given the scarce resource of spectrum, the Court declared,

in a Nation of 200,000,000, the Government could surely have decreed that each frequency should be shared among all or some of those who wish to use it, each being assigned a portion of the broadcast day or the broadcast week. The ruling and regulations at issue here do not go quite so far.¹²²

In a later case, *FCC v. Pacifica Foundation*, the Supreme Court similarly upheld a regulatory action that prohibited content on the broadcast medium, agreeing that the FCC had the authority to regulate material that was indecent but not obscene.¹²³ It noted that the reasons for the broadcast medium’s reduced First Amendment protection are “complex” but asserted that the “uniquely pervasive presence” of broadcast was an important element.¹²⁴ Specifically, the offensive and indecent material on a broadcast medium “confronts the citizen, not only in public, but also in the privacy of the home, where the individual’s right to be left alone plainly outweighs the First Amendment rights of an intruder.”¹²⁵ The Court concluded that because the audience of a broadcast “is constantly tuning in and out, prior warnings cannot completely protect the listener or viewer from unexpected program content.”¹²⁶ Drawing a comparison with a physical altercation, the Court wrote, “to say that one may avoid further offense by turning off the radio when he hears indecent language is like saying that the remedy for an assault is to run away after the first blow.”¹²⁷

In a third case, *Sable Communications of California, Inc. v. FCC*, the Supreme Court considered the constitutionality of an outright ban on indecent interstate commercial telephone messages.¹²⁸ There, however, the Court held that the rule “far exceed[ed] that which is necessary to limit the access of minors to

120. *Id.* at 390 (citation omitted).

121. *Id.*

122. *Id.* at 390–91.

123. *See* *FCC v. Pacifica Found.*, 438 U.S. 726, 729, 750–51 (1978).

124. *Id.* at 748.

125. *Id.*

126. *Id.*

127. *Id.* at 748–49.

128. *See* *Sable Commc’ns of Cal., Inc. v. FCC*, 492 U.S. 115, 117 (1989).

such messages” and, therefore, that “the ban does not survive constitutional scrutiny.”¹²⁹ *Sable* differentiated from *Pacifica* on volition grounds. *Sable* emphasized the fact that the primary concern in *Pacifica* was that “the recipient ha[d] no meaningful opportunity to avoid” the “public radio broadcast.”¹³⁰ Contrastingly in the Court stressed that a phone sex hotline “require[d] the listener to take affirmative steps to receive the communication,” unlike “public displays, unsolicited mailings and other [less avoidable] means of expression.”¹³¹ The Court therefore found “no ‘captive audience’ problem” with the telephone service, as “callers [would] generally not be unwilling listeners.”¹³² Ultimately, the Court concluded the service was “not so invasive or surprising that it prevents an unwilling listener from avoiding exposure to it.”¹³³

Since these decisions, the Court has essentially settled on an “intermediate” scrutiny for broadcast.¹³⁴ Justice Brennan elucidated this standard in *FCC v. League of Women Voters of California*: a broadcast restriction is constitutional “only when we were satisfied that the restriction is narrowly tailored to further a substantial government interest, such as ensuring adequate and balanced coverage of public issues.”¹³⁵ His phrasing is substantially similar to the classic characterization of intermediate scrutiny.¹³⁶

The three cases explained above provide the *policy* justifications underlying the case law governing broadcast regulation and reveal that *Reno v. ACLU* completely misinterpreted the broadcast case law it used to justify applying strict scrutiny to laws that regulate internet speech.¹³⁷

III. RECONSIDERING THE STRICT SCRUTINY DOCTRINE

Reno v. ACLU, the determinative case applying strict scrutiny to internet speech regulation, utilized a myopic techno-optimist view of the internet that

129. *Id.* at 131.

130. *Id.* at 127 (emphasis added).

131. *Id.* at 128.

132. *Id.*

133. *Id.*

134. 3 SMOLLA & NIMMER ON FREEDOM OF SPEECH, *supra* note 14, § 26:27.

135. *Id.* (quoting *FCC v. League of Women Voters of Cal.*, 468 U.S. 364, 380 (1984)).

136. *See* *Craig v. Boren*, 429 U.S. 190, 197 (1976) (“To withstand constitutional challenge, previous cases establish that classifications . . . must serve important governmental objectives and must be substantially related to achievement of those objectives.”).

137. *See* *Reno v. ACLU*, 521 U.S. 844, 870 (1997) (holding that there is “no basis for qualifying the level of First Amendment scrutiny that should be applied to [the internet].”).

distorted the Supreme Court's reasoning.¹³⁸ Compounding this errant perspective is an overly textualist and simplistic view of the case law considering the regulation of broadcast, a medium that *Reno* distinguished from the internet to ground its conclusion.¹³⁹ Deconstructing these layers of distortion, however, reveals that the logic justifying the level of First Amendment scrutiny applied to broadcast actually mirrors the juridical concerns animating internet speech jurisprudence quite closely.

This Part dismantles the *Reno* precedent that obligated the *NetChoice* courts to apply strict scrutiny to Florida SB 7072 and Texas HB 20. Section III.A situates the *Reno* case in its historical context, examining the broader ideological perspectives about the internet that existed contemporaneously. Section B then examines the hyper-formalist reasoning the *Reno* Court used to justify its application of strict scrutiny to internet regulation. After noting the cursory nature of the reasoning, Section III.B corrects the *Reno* Court's error and correctly applies the broadcast case law to the internet medium by properly considering the underlying policy concerns.

A. THE IDEOLOGICAL GROUNDING OF *RENO V. ACLU*

Though the opinion of the techno-optimist majority in *Reno v. ACLU* predominated the case, its perspective was not universally held. At the time *Reno* was decided, disagreements with this optimistic ideology existed both in the judiciary and legislature, a position that aligns with modern scholars who are wary of the harms that the internet might facilitate. A comparison of these ideological strains illustrates the modern ramifications of the prevailing techno-optimist judicial perspective.

1. *Techno-Optimism and the Majority Opinion*

The potential of the internet generated substantial optimism in the late 1990s. Around this time, John Perry Barlow, the founder of the Electronic Frontier Foundation (EFF), penned an email that became known as the "Declaration of the Independence of Cyberspace."¹⁴⁰ The email went viral within the technological community, and *Wired* reprinted a copy of it in 1996.¹⁴¹ Barlow argued that cyberspace was not a realm subject to traditional

138. See *Reno*, 521 U.S. at 870 (1997) (finding no basis for qualifying the level of scrutiny after providing an optimistic description of the internet as a "dynamic, multifaceted category of communication.").

139. See *id.* at 868 (citing "special justifications for regulation of broadcast media" and then concluding that these justifications were "not present in cyberspace.").

140. JEFF KOSSEFF, *THE TWENTY-SIX WORDS THAT CREATED THE INTERNET* 77 (2019).

141. *Id.*

governments and institutions.¹⁴² He proclaimed that traditional “legal concepts of property, expression, identity movement, and context do not apply to us. They are all based on matter, and there is no matter here.”¹⁴³

Jeff Kosseff, a law professor who has written extensively about the techno-optimism that permeated the government in the late 1990s, explained that under the ideological framework typified by emails like Barlow’s, “the Internet is simply different from the media that came before it.”¹⁴⁴ Kosseff argued that individuals at the time thought the internet presented “greater social benefits than old-school media.”¹⁴⁵ Therefore, according to Kosseff, these same proponents naturally concluded that the internet should not be subject to the same laws and regulations.¹⁴⁶ Congressional floor debates over legislation seeking to protect ISPs from liability echoed these sentiments, with legislators emphasizing “the need to nurture the amazing potential of this burgeoning technology.”¹⁴⁷ Kosseff also noted that the Supreme Court had signaled an adoption of techno-optimist vision.¹⁴⁸ Justice Stevens, for example, wrote that “the Internet allows ‘tens of millions of people to communicate with one another and to access vast amounts of information from around the world’ and is ‘a unique and wholly new medium of worldwide communication.’”¹⁴⁹

The *NetChoice* courts used *Reno*, a case decided during this heady, enthusiastic period of the late 1990s, as the foundational precedent to justify strict scrutiny.¹⁵⁰ In *Reno*, the Supreme Court considered two provisions intended “to protect minors from ‘indecent’ and ‘patently offensive’ communications on the internet.”¹⁵¹ Effectively, the rules banned any internet provider from the “knowing” transmission of indecent content to any minor.¹⁵² The law provided up to two years in prison as punishment.¹⁵³

The Court found these provisions clearly unconstitutional.¹⁵⁴ In a strong repudiation, the Court stated that the provisions were not narrow enough to compensate for what was otherwise an inappropriately wide-ranging

142. *Id.*

143. *Id.*

144. *Id.* at 78.

145. *Id.*

146. *Id.*

147. *Id.*

148. *See id.*

149. *Id.*

150. *See NetChoice, LLC v. Moody*, 546 F. Supp. 3d 1082, 1091 (2021) (citing *Reno v. ACLU*, 521 U.S. 844, 870 (1997)).

151. *Reno*, 521 U.S. at 849.

152. *Id.* at 859 (citing 47 U.S.C. § 223(a)).

153. *Id.* at 872. *Reno* ultimately invalidated the punishment provision. *Id.* at 885.

154. *See id.* at 882.

prohibition on certain types of content. The provisions “threaten[ed] to torch a large segment of the Internet community.”¹⁵⁵ Therefore, the Court invalidated them by generally subjecting internet speech regulation to strict scrutiny. It justified the high level of protection by distinguishing the internet from broadcast.¹⁵⁶ Specifically, the Court reasoned that broadcast’s (1) “history of extensive government regulation,” (2) “scarcity of available frequencies at inception,” and (3) “‘invasive’ nature,” were all “not present in cyberspace.”¹⁵⁷

Explaining this reasoning, the Court asserted that, unlike broadcast, the internet does not “invade an individual’s home or appear on one’s computer screen unbidden.”¹⁵⁸ And dissimilar from broadcast, the internet is not a “scarce” commodity; it “provides relatively unlimited, low-cost capacity for communication of all kinds.”¹⁵⁹ Also, broadcast was “a medium which as a matter of history had ‘received the most limited First Amendment protection,’ . . . in large part because warnings could not adequately protect the listener from unexpected program content.”¹⁶⁰ The Court concluded that “[t]he Internet . . . has no comparable history.”¹⁶¹

An optimistic perception of the internet pervades *Reno*. According to the Court, the internet is a “vast democratic forum[]”¹⁶² and the “new marketplace of ideas.”¹⁶³ In one of the clearest examples of this enthusiastic rhetoric, the Court describes the internet’s potential as follows:

This dynamic, multifaceted category of communication includes not only traditional print and news services, but also audio, video, and still images, as well as interactive, real-time dialogue. Through the use of chat rooms, any person with a phone line can become a town crier with a voice that resonates farther than it could from any soapbox. Through the use of Web pages, mail exploders, and newsgroups, the same individual can become a pamphleteer.¹⁶⁴

In line with this sentiment, the Court optimistically concluded that “a reasonably effective method by which parents can prevent their children from

155. *Id.*

156. *See id.* at 868–69.

157. *Id.* at 868 (citations omitted).

158. *Id.* at 869 (citing *ACLU v. Reno*, 929 F. Supp. 824 (E.D. Pa. 1996), *aff’d*, 521 U.S. 844 (1997)).

159. *Id.* at 870.

160. *Id.* at 867 (citing *FCC v. Pacifica Found.*, 438 U.S. 726, 748 (1978)).

161. *Id.*

162. *Id.* at 868.

163. *Id.* at 885.

164. *Id.* at 870.

accessing sexually explicit and other material which parents may believe is inappropriate for their children will soon be widely available.”¹⁶⁵

2. Justice O'Connor Endorses a Measured Approach

The optimism regarding the new internet medium was not universal. Justice O'Connor wrote separately in *Reno*—dissenting in part and concurring in part—and was more measured in her technological predictions. She thought that the law's references to “adult zones” on the internet were potentially constitutional, instead emphasizing that it was the current state of the internet that precluded that possibility.¹⁶⁶ She acknowledged that the internet was merely an “interconnection of electronic pathways” that “allow[s] speakers and listeners to mask their identities.”¹⁶⁷ But, she contended, “Cyberspace undeniably reflects some form of geography” with services like chat rooms existing in “fixed ‘locations’ on the Internet.”¹⁶⁸

While acknowledging that the internet at the time was not “zoned,” Justice O'Connor asserted that certain technologies that could structure the internet into this more fixed state appeared “promising,” and she indicated an openness to regulation if the circumstances changed.¹⁶⁹ Ultimately though, the technologies that she envisioned would remedy the constitutional problem were not sufficiently available in the late 1990s.¹⁷⁰ For this reason, she agreed with the majority that the provisions could not pass strict scrutiny as they would have functionally required all websites to eliminate all indecent content, even for adults.¹⁷¹ Justice O'Connor's opinion demonstrates a doctrinal flexibility, implicitly more sensitive to the potential harms of the internet, that did not continue in *Reno*'s progeny.

Justice O'Connor was not alone in her assessment. Senator Exon, the drafter of the legislation invalidated in *Reno*, was described as someone who “genuinely had a concern about what kids could be exposed to [on the internet].”¹⁷² The strict two-year prison sentence evidenced the seriousness of his concerns. Nonetheless, the secure “adult zones” of the internet never came to fruition, and internet harms only proliferated.

Though this demonstrates the existence of an alternative perception towards the internet and its accompanying harms, it is worth noting that only

165. *Id.* at 855.

166. *Id.* at 886 (O'Connor, J., concurring in part).

167. *Id.* at 889.

168. *Id.* at 890.

169. *Id.* at 890–91.

170. *See id.* at 891.

171. *Id.* at 891–92.

172. KOSSEFF, *supra* note 140, at 62.

a single other justice joined Justice O'Connor's opinion.¹⁷³ Instead, the holding in *Reno v. ACLU* was primarily justified through the optimistic language in the majority opinion. As a result, the protections that have emanated from *Reno* more closely align to a perception of the internet guided by a distorted, optimistic view.

3. Modern Ramifications

Both the optimistic and cautious perspectives of the internet have survived to the present day. Those who opposed Florida's internet regulation law displayed the positive perspective in various *NetChoice* amicus briefs. The cautious perspective is percolating in academic circles.

Many academics are quite skeptical of unbounded optimism over the internet's potential. Legal scholar Tim Wu has argued that scarcity in the online domain has shifted from a lack of speech to a lack of listener attention.¹⁷⁴ Wu suggested that law enforcement should become more involved in this online era.¹⁷⁵ He aligns with law professor Julie Cohen, who has challenged the traditional paradigm that the "costs of mistaken instances of suppression (far) outweigh those of mistaken failures to suppress."¹⁷⁶ Cohen argued this paradigm is not entirely true in online information environments.¹⁷⁷ Additionally, Lauren Beausoleil has argued that the degree of harm on online platforms merits a re-analysis of the existing law around the First Amendment and online platforms.¹⁷⁸

Conversely, the amicus briefs in support of the *NetChoice* plaintiffs were highly optimistic about the positive effects of the internet. A brief by the Reporter's Committee for Freedom of the Press was concerned that the government could "improperly skew public discussion" through the regulations, which it characterized as "dictat[ing] what appears online."¹⁷⁹ It argued that the government's "interference" with "online platforms' exercise of editorial control and judgment is antithetical to the public's interest in freely

173. See *Reno*, 521 U.S. at 886 (O'Connor, J., concurring in part) ("Justice O'CONNOR, with whom THE CHIEF JUSTICE joins, concurring in the judgment . . .").

174. See Tim Wu, *supra* note 35, at 548. ("[I]t is no longer speech itself that is scarce, but the attention of listeners.").

175. *Id.* at 550.

176. Cohen, *supra* note 35, at 661.

177. See *id.*

178. See Beausoleil, *supra* note 35, at 2144.

179. Motion of the Reporters Committee for Freedom of the Press, et al. for Leave to File Amici Curiae Brief in Support of Plaintiffs' Motion for Preliminary Injunction at 13, *NetChoice, LLC v. Moody*, 546 F. Supp. 3d 1082 (N.D. Fla. 2021) (No. 4:21-cv-00220-RH-MAF).

receiving and disseminating information.”¹⁸⁰ It further emphasized case law that describes the First Amendment as a “powerful antidote to any abuses of power.”¹⁸¹ Another amicus brief espoused similar positive sentiments, describing the internet as “perhaps the most powerful mechanisms available to a private citizen to make his or her voice heard.”¹⁸²

Supporting the optimistic point of view are the many incredible advances that the internet has enabled. Services like Twitter have become both an environment for political dialogue and a source of official statements from government leaders, arguably fitting the definition of a “vast democratic forum[.]”¹⁸³ Social media has helped foster coalitions like the #MeToo movement as the collective consciousness generated on online forums intensifies support for certain causes.¹⁸⁴ Facebook groups have allowed people to share their resources and help their communities, a recent example being neighborhood groups that have coordinated daily tasks like grocery shopping for vulnerable people during the COVID-19 crisis.¹⁸⁵ Candidates outside of the political mainstream and traditional institutions, such as Andrew Yang, have been able to use social media to spread novel ideas like universal basic income,¹⁸⁶ aligning with the characterization of the internet as a “marketplace of ideas.”¹⁸⁷ Moreover, email, social media, and online blogging have indeed

180. *Id.* at 13.

181. *Id.* at 14 (citing *Miami Herald Pub. Co. v. Tornillo*, 418 U.S. 241, 260 (1974) (White, J., concurring) (citation omitted in original)). In *Tornillo*, the Supreme Court found a “right-to-reply” statute, which forced newspapers to allow space in their publications for political candidates to publish a reply to any attack on their personal character, unconstitutional. *Tornillo*, 418 U.S. at 244–45, 258.

182. Brief for the Amicus Curiae Electronic Frontier Foundation and the Protect Democracy Project, Inc. in support of Plaintiffs’ Motion for Preliminary Injunction at 17, *NetChoice, LLC v. Moody* 546 F. Supp. 3d 1082 (N.D. Fla. 2021) (No. 4:21-cv-00220-RH-MAF) (quoting *Packingham v. North Carolina*, 137 S. Ct. 1730, 1737 (2017)). In *Packingham*, the Supreme Court struck down a North Carolina law that prevented registered sex offenders from accessing social media websites. *Packingham*, 137 S. Ct. at 1733–35. The Court concluded that to “foreclose access to social media altogether is to prevent the user from engaging in the legitimate exercise of First Amendment rights.” *Id.* at 1737.

183. *Reno v. ACLU*, 521 U.S. 844, 869 (1997).

184. See Katie Thomson, *Social Media Activism and the #MeToo Movement*, MEDIUM (June 12, 2018), <https://medium.com/@kmtthomson.11/social-media-activism-and-the-metoo-movement-166f452d7fd2>.

185. Michael Torres, *Local Community Facebook Groups Helping Those in Need Amid Coronavirus*, KSBY6 (Mar. 18, 2020, 7:34 AM), <https://www.ksby.com/news/local-news/local-community-facebook-groups-helping-those-in-need-amid-coronavirus>.

186. Kevin Roose, *In Andrew Yang, the Internet Finds a Meme-Worthy Candidate*, N.Y. TIMES (Mar. 20, 2019), <https://www.nytimes.com/2019/03/20/technology/andrew-yang-internet-democratic-primary.html>.

187. See *Reno*, 521 U.S. at 885 (describing the internet as a “new marketplace of ideas.”).

provided everyone with the capacity to be “a town crier with a voice that resonates farther than it could from any soapbox” or an incredibly effective digital “pamphleteer.”¹⁸⁸

The problem, however, is not that *Reno* was incorrect as to the potential benefits of the internet. The problem is that *Reno*, decided in 1997 during the internet’s infancy, did not foresee the potential for harm. At that time, only about seventy million people, or 1.7% of the world population, used the internet.¹⁸⁹ Only 20% of Americans got their news from the internet at least once a week, and weather was the most popular online news attraction.¹⁹⁰ Even in 2000, only forty million Americans had ever purchased a product online,¹⁹¹ and over 90% of Sub-Saharan Africa, South Asia, East Asia, and the Pacific had no internet access at all.¹⁹² The *Reno* Court’s simplistic descriptions reflect this context.¹⁹³

The modern internet is dramatically different. Internet usage as of March 2021 constituted about 65.6% of the world population, or 5.1 billion users.¹⁹⁴ The internet has transitioned from being U.S.-centric to a completely global network. Now, around 2 billion people are online in East and South Asia with another 489 million in Africa.¹⁹⁵ Smartphones connect millions of individuals to the internet instantly from almost anywhere in the United States, and people can access most essential services, from health records and insurance to commercial banking, almost entirely digitally. Doctor’s appointments and business meetings are now regularly conducted electronically, and public officials utilize messaging platforms like Twitter for official proclamations and announcements.

188. *Id.* at 870.

189. *Today’s Road to e-Commerce and Global Trade Internet Technology Reports*, INTERNET GROWTH STAT., <https://www.internetworldstats.com/emarketing.htm> (last accessed Mar. 20, 2020).

190. *World Wide Web Timeline*, PEW RSCH. CTR. (Mar. 11, 2014), <https://www.pewresearch.org/internet/2014/03/11/world-wide-web-timeline/>.

191. *Id.*

192. Max Roser, Hannah Ritchie & Esteban Ortiz-Ospina, *Internet*, OUR WORLD IN DATA (2015), <https://ourworldindata.org/internet>.

193. For example, the “World Wide Web” was the “best known category of communication over the Internet,” allowing individuals to “search for and retrieve information stored in remote computers.” *Reno*, 521 U.S. at 852. And webpages were “elaborate documents.” *Id.*

194. INTERNET GROWTH STAT., *supra* note 189.

195. *Number of Worldwide Internet Users In 2021, By Region (in Millions)*, STATISTA, <https://www.statista.com/statistics/249562/number-of-worldwide-internet-users-by-region/> (last visited Apr. 1, 2023).

The harms of social media and online platforms have also increased. Terrorist organizations utilize social media for nefarious ends with groups like ISIL using platforms to spread toxic propaganda.¹⁹⁶ Human traffickers also use platforms to recruit and control new victims, as well as to spread rumors and deceptions online.¹⁹⁷ These services also increase political polarization and societal division.¹⁹⁸ And perniciously, the substantial amount of misinformation they contain has tangible effects outside of the virtual world.¹⁹⁹ For example, exposure to social media misinformation about the COVID-19 pandemic has been correlated with refusal of the COVID-19 vaccine.²⁰⁰

The utopian predictions about future of the internet from the late 1990s have not become reality. The internet might be a democratic forum in some sense, but powerful intermediaries still modulate all communication. Everyone is not standing in the town square, expressing their voices and ideas. Instead, everyone is standing in that square silently, with one or two powerful individuals passing messages between all present. These messages must be sent in a specific form, according to specific rules, and they are transmitted to individuals based on predesigned structures and algorithms. Further, those who control this speech are not motivated by the public interest; they are motivated by profit.²⁰¹

To summarize, the rigid application of the strict scrutiny standard in the *NetChoice* cases can be traced to *Reno*, and this standard is unworkable in the digital age. In 1997, *Reno* put forth an ironclad endorsement of the new internet medium and dismissed one existing harm—exposure of children to indecent material—guided by an optimistic view of the internet’s future. The Court largely downplayed the child protection interest on the assumption that “evidence indicates” that a “reasonably effective” technology for parents to prevent children from seeing this material was bound to arise.²⁰² If current content moderator working conditions, post-traumatic stress disorder, and

196. Ward, *supra* note 22.

197. ANTHONY, *supra* note 21, at 19–21, 25–26.

198. Centola, *supra* note 23.

199. See Tiffany Hsu, *Tracking Viral Misinformation*, N.Y. TIMES (Feb. 24, 2022, 12:01 AM ET), <https://www.nytimes.com/live/2020/2020-election-misinformation-distortions#qanon-believers-us-survey>.

200. *Id.*

201. For more discussion on the uniqueness of the online platform medium, see Matthew P. Hooker, *Censorship, Free Speech & Facebook: Applying the First Amendment to Social Media Platforms via the Public Function Exception*, 15 WASH. J.L. TECH. & ARTS 36, 40 (2019), <https://digitalcommons.law.uw.edu/wjlta/vol15/iss1/3>; Beausoleil, *supra* note 35; Kate Klonick, *The New Governors: The People, Rules, and Processes Governing Online Speech*, 131 Harv. L. Rev. 1598, 1601-02 (2018); Cohen, *supra* note 35; Grafanaki, *supra* note 37.

202. *Reno v. ACLU*, 521 U.S. 844, 855 (1997).

workplace trauma are any indication, a “reasonably effective” method of regulating undesirable content has still not been realized.²⁰³ And yet, the modern internet is still confined by *Reno*’s inelastic reasoning. This reasoning has forced judges, as in *NetChoice*, into an apparent cognitive dissonance, acknowledging on the one hand how social media does not fit neatly into existing jurisprudence but formulaically applying strict scrutiny on the other. *Reno*, however, was errant not only in its predictions regarding the internet’s future but also in its core logic regarding the regulation of the internet. These logical errors justify overturning the decision.

B. RE-READING THE FORMALIST JUSTIFICATIONS FROM *RENO V. ACLU*

Supported by its positive perception of the internet medium, the Court in *Reno* distinguished the internet from broadcast to justify a high level of protection in the form of strict scrutiny. Its mechanical application of broadcast case law, however, obscured the true nature of that precedent. The *Reno* Court boiled down the distinction with broadcast along three valences. Broadcast’s (1) “history of extensive government regulation,” (2) “scarcity of available frequencies at . . . inception,” and (3) “‘invasive’ nature” were all “not present in cyberspace.”²⁰⁴

The Court’s logic is problematic. Apart from the fact that it does not actually say anything about the internet—instead defining the internet as essentially “not broadcast”—the substantive case law is improperly conceptualized. This Section comprehensively examines valences (2) and (3) to demonstrate the overly-textualist misreading that causes the conceptualization error. Not examined further is valence (1)—that the internet, a new medium, lacks a history of regulation—because the reasoning is circular. Any new medium, by definition, will lack a history of regulation.

1. Underlying Policy of “Frequency Scarcity”

Red Lion Broadcasting Inc. v. FCC first introduced the concept of frequency scarcity.²⁰⁵ In *Red Lion*, the Court upheld the fairness doctrine largely on the basis that broadcast frequencies were scarce,²⁰⁶ but relied on reasoning that

203. See Casey Newton, *The Trauma Floor The Secret Lives of Facebook Moderators in America*, THE VERGE (Feb. 25, 2019 8:00 AM EST), <https://www.theverge.com/2019/2/25/18229714/cognizant-facebook-content-moderator-interviews-trauma-working-conditions-arizona>.

204. *Reno*, 521 U.S. at 868 (citations omitted).

205. See 3 SMOLLA & NIMMER ON FREEDOM OF SPEECH, *supra* note 14, § 26.3 (citing *Red Lion Broad. Co. v. FCC*, 395 U.S. 367, 388 (1969)).

206. See *Red Lion Broad. Co. v. FCC*, 395 U.S. 367, 388 (“Where there are substantially more individuals who want to broadcast than there are frequencies to allocate, it is idle to posit

demonstrated an acute concern with the policy consequences that frequency scarcity produced in the speech environment. These policy considerations included (1) equity in who can produce speech, and (2) clarity and quality of speech provided. Thus, the concern with “frequency scarcity” in the literal sense in cases like *Reno* is arguably misguided. Indeed, *Pacifica*, a subsequent seminal case after *Red Lion*, only mentioned frequency scarcity in its footnotes—further implying that the policy concerns were the true issues.²⁰⁷

The *Red Lion* Court clearly evinced the first policy, speech equity, when it mentioned that the political editorial regulation by the FCC could have imposed even stricter requirements. Specifically, the FCC could have mandated that the broadcast spectrum be apportioned to provide time to *anyone* who wanted to use the medium.²⁰⁸ Thus, the Court privileged the need for equality on the broadcast medium. The pursuit of such equality was so important that it merited abridging the speech of others who were using the service.

The speech equity policy is also evident in *Red Lion*’s reasoning that no one should have the right to “monopolize” a scarce frequency,²⁰⁹ and its concern over the possibility that “lack of know-how and equipment may keep many from the air.” The Court sought to avoid a situation where “only a tiny fraction of those with resources and intelligence can hope to communicate by radio.”²¹⁰ These concerns only indirectly relate to frequency scarcity. Even if an infinite amount of frequency were available, insufficient “know-how” and resources to communicate using the medium would still raise access issues.²¹¹ Monopoly, moreover, is an ownership dynamic that prevents other users from obtaining fair access. It does not necessarily require scarcity, even if scarcity makes it easier for a monopoly to occur. Equity remains the unifying principle animating the Court’s reasoning, not frequency scarcity per se.

The other overarching concern in *Red Lion* that undergirds the language of “scarcity” is the clarity and quality of the discourse in the speech environment. The government sought to regulate broadcast to “preserve an uninhibited marketplace of ideas *in which truth will ultimately prevail.*”²¹² In the Court’s view,

an unabridgeable First Amendment right to broadcast comparable to the right of every individual to speak, write, or publish.”).

207. *FCC v. Pacifica Found.*, 438 U.S. 726, 731 n.2, 770 n.4 (Brennan, W., dissenting) (1978).

208. *Red Lion*, 395 U.S. at 390–91.

209. *Id.* at 388–89.

210. *Id.* at 388.

211. *Id.*

212. *Id.* at 390 (emphasis added).

the “chaos” of unregulated spectrum would inhibit this truth.²¹³ As an example, the Court equated the nature of the unregulated spectrum with voice amplification devices. Both had the potential to “drown[] out civilized private speech.”²¹⁴ As with the speech equity concern, frequency scarcity was not the literal issue; it was the effect of that scarcity on discourse.

2. Underlying Policy of “Invasiveness”

Reno also distorted the policy concern that broadcast was “invasive” through an overly literal application. *Sable* and *Pacifica* demonstrate that the invasiveness concern reflects two underlying concerns which are distinct but related: (1) the volition of the consumer to control the nature of the content consumed; and (2) the pervasiveness of the medium in general society.

A comparison of *Sable* and *Pacifica* illustrates the volition concern. In *Sable*, it was important that the commercial telephone service at issue required “affirmative steps,” creating a “meaningful opportunity” to avoid the indecent content.²¹⁵ Contrastingly, in *Pacifica*, the broadcast’s audience was “constantly tuning in and out.”²¹⁶ Therefore, pre-program warnings could not “completely protect the listener or viewer from unexpected program content.”²¹⁷ *Pacifica* analogized broadcast to an assault, reasoning that saying that one had sufficient control over a broadcast because one could turn off the television or radio was like saying “that the remedy for an assault is to run away after the first blow.”²¹⁸ Because an audience member could not completely prevent the reception of offensive content, the member did not have sufficient volition.

The second underlying concern, pervasiveness, derives from language in *Pacifica* stating that broadcast had a “uniquely pervasive presence”²¹⁹ because it “confronts the citizen, not only in public, but also in the privacy of the home.”²²⁰ Therefore, *Pacifica* concluded broadcast implicates one’s right to “privacy [in] the home, where the individual’s right to be left alone plainly outweighs the First Amendment rights of an intruder.”²²¹ To enjoy a broadcast, individuals do not need to go to a theater in a public area. They simply turn on the television in their houses in front of their families. Simply

213. *Id.* at 375.

214. *Id.* at 387 (citing *Kovacs v. Cooper*, 336 U.S. 77 (1949)).

215. *Sable Commc’ns of Cal., Inc. v. FCC*, 492 U.S. 115, 127–28 (1989).

216. *FCC v. Pacifica Found.*, 438 U.S. 726, 748 (1978).

217. *Id.*

218. *Id.* at 749.

219. *Id.* at 748.

220. *Id.*

221. *Id.*

stated, the concern was that broadcast's presence made it unreasonable to expect that individuals would be able to avoid the medium altogether.

Overall, the frequency scarcity and invasiveness concepts that were utilized in *Reno* represent underlying concerns that a literal reading omits. Incorporating these concerns into a more modern comparison of the internet and broadcast mediums demonstrates that intermediate scrutiny is as appropriate for the internet as it was for broadcast.

IV. FINALIZING A BASIS FOR INTERMEDIATE SCRUTINY

Courts should replace the strict scrutiny standard of review for internet speech with the intermediate scrutiny standard that applies to broadcast speech. The modern internet implicates many of the same concerns that drove the adoption of reduced protection for broadcast. Therefore, internet speech law can seamlessly incorporate the juridical framework that grounds broadcast speech protections.

This Part justifies the application of intermediate scrutiny to internet regulation. Section IV.A demonstrates that subjecting the modern internet to the exact same reasoning used in *Reno* leads to a different result if the normative underpinnings of “frequency scarcity” and “invasiveness” are considered. Section IV.B then probes the broadcast precedents of *Pacifica* and *Sable* further, finding that their shared interest in protecting children provides yet another viable parallel to further justify an intermediate scrutiny standard.

A. BROADCAST JURISPRUDENCE APPLIED TO THE INTERNET

The underlying concerns that motivated the “frequency scarcity” and “invasiveness” concepts cited by the *Reno* Court, when re-examined with a more holistic and historically-grounded understanding, directly implicate the modern internet. *Reno* could not have foreseen the development of the modern internet. But applying that Court's reasoning to today's internet leads to a different conclusion.

1. *Applying “Frequency Scarcity” to the Modern Internet*

Concerns over speech inequality and the clarity and quality of online discourse animated the original “frequency scarcity” prong of broadcast case law. Both concerns are also problems with the modern internet. Those who engage in online speech can have dramatically unequal reach and influence, and online misinformation and polarization dilute the clarity and quality of internet discourse.

The dynamics of online viral speech, as well as internet availability more generally, elucidate the internet's considerable speech inequality. “Viral” online

speech is defined as content that is “quickly and widely spread or popularized especially by means of social media.”²²² Complex, psychological factors control virality,²²³ and algorithms are often designed to amplify excitable and controversial content to keep individuals engaged on the platforms.²²⁴ This complexity, obviously, can make the system opaque to the average individual, while more sophisticated actors can strategically curate and amplify their content. Predictably, a small percentage of people provide a vast majority of the content on social media platforms, and certain individuals exert outsized influence on public discourse.²²⁵ Moreover, virality can be better utilized by individuals who are savvy enough to use the platforms in an effective manner, systemically favoring individuals with greater access to resources and relevant expertise.²²⁶ Other, more basic resource concerns such as internet access further compound this inequality, as individuals in lower socioeconomic levels sometimes cannot access internet devices as easily or reside in areas with unreliable internet connections.²²⁷ Just as frequency scarcity limited speech equity in the broadcast medium, these features of online discourse limit speech equity in the internet medium.

222. *Viral*, MERRIAM-WEBSTER, <https://www.merriam-webster.com/dictionary/viral#other-words> (last visited Apr. 6, 2022).

223. See Jonah Berger & Katherine L. Milkman, *Emotion and Virality: What Makes Online Content Go Viral?* 5 GFK MKT. INTEL. REV. 18, 19–23 (2013).

224. See Jon Evans, *Facebook Isn't Free Speech, It's Algorithmic Amplification Optimized for Outrage*, TECHCRUNCH (Oct. 20, 2019, 6:00 AM PDT), <https://techcrunch.com/2019/10/20/facebook-isnt-free-speech-its-algorithmic-amplification-optimized-for-outrage/>.

225. See Shannon Bond, *Just 12 People Are Behind Most Vaccine Hoaxes on Social Media, Research Shows*, NPR (May 14, 2021, 11:48 AM ET), [npr.org/2021/05/13/996570855/disinformation-dozen-test-facebooks-twitthers-ability-to-curb-vaccine-hoaxes](https://www.npr.org/2021/05/13/996570855/disinformation-dozen-test-facebooks-twitthers-ability-to-curb-vaccine-hoaxes); Trevor van Mierlo, *The 1% Rule in Four Digital Health Social Networks: An Observational Study*, 16 J. MED. INTERNET RSCH. 1, 1 (2014) (illustrating the rule that 1% of users contribute the vast majority of online content).

226. See Beatrice Forman, *Wealth Inequality Exists Among Influencers, Too*, VOX (Sept. 1, 2021, 10:58 AM EDT), <https://www.vox.com/the-goods/22630965/influencer-pay-gaps-privilege-creator-economy> (“[T]he savvy required to make it online is distinctly . . . corporate. Creators are drafting contracts, negotiating pay for nebulous freelance assignments . . . For those who grow up around upper-middle-class office jargon, the jump from regular person to marketable online celebrity is a bit more natural . . .”). This is a corollary to the Court’s concern in *Red Lion* over the inability of some people to use the broadcast spectrum due to a lack of “know-how.” See *Red Lion Broad. Co. v. FCC*, 395 U.S. 367, 387 (1969).

227. See Kendall Swenson & Robin Ghertner, *People in Low-Income Households Have Less Access to Internet Services—2019 Update*, U.S. DEPT. OF HEALTH & HUM. SERVS. (Mar. 2021), <https://aspe.hhs.gov/sites/default/files/private/pdf/263601/internet-access-among-low-income-2019.pdf>; Emily A. Vogels, *Digital Divide Persists Even as Americans With Lower Incomes Make Gains in Tech Adoption*, PEW RSCH. CTR. (June 22, 2021), <https://www.pewresearch.org/fact-tank/2021/06/22/digital-divide-persists-even-as-americans-with-lower-incomes-make-gains-in-tech-adoption/>.

Moreover, the clarity and quality of the discourse, the second policy concern embedded into “frequency scarcity,” is frustrated by the nature of the modern internet. Misinformation and polarization, for instance, substantially reduce the quality of online discourse. Algorithms that control and channel content for users on social media can have polarizing effects.²²⁸ Moreover, online misinformation is difficult to police,²²⁹ affects a vast segment of the population,²³⁰ and can cause tangible harm.²³¹ Therefore, the clarity and quality of online speech is certainly a concern for the modern internet, again implicating the “frequency scarcity” concern in broadcast case law.

In this light, the reasoning the *Reno* Court used to distinguish the internet from broadcast in order to apply the strict scrutiny standard is on less solid ground. The Court in *Reno* sought to justify its reasoning through a hyper-textualist application of “frequency scarcity” but functionally ignored the policy considerations that gave this phrase meaning. The internet is, in fact, a medium with substantial speech inequality and also suffers from a lack of clear, high-quality discourse. Thus, with regard to the “frequency scarcity” prong, the same concerns that drove the reduction of constitutional protection for broadcast also counsel for reduced protection for the internet.

2. *Applying “Invasiveness” to the Modern Internet*

“Invasiveness” is similarly motivated by two related policy considerations that are not reflected in the literal meaning of the term. These considerations are (1) user volition, which refers to the meaningful opportunity for a user to control their consumption of content; and (2) the pervasiveness of the medium in society. These considerations are related because user volition also concerns

228. See Joshua A. Tucker, Andrew Guess, Pablo Barbera, Cristian Vacarri, Alexandra Siegel, Sergey Sanovich, Denis Stukal, Brendan Nyhan, *Social Media, Political Polarization, and Political Disinformation: A Review of the Scientific Literature*, HEWLETT FOUND. (Mar. 19, 2018), <http://dx.doi.org/10.2139/ssrn.3144139>; Matteo Cinelli, Gianmarco De Francisci Morales, Alessandro Galeazzi & Michele Starnini, *The Echo Chamber Effect on Social Media*, PNAS (Feb. 23, 2021), <https://www.pnas.org/content/118/9/e2023301118>.

229. See Mathew Ingram, *The Challenges of Global Content Moderation*, COLUM. JOURNALISM REV.: THE MEDIA TODAY (June 10, 2021), https://www.cjr.org/the_media_today/the-challenges-of-global-content-moderation.php.

230. Hunt Allcott & Matthew Gentzkow, *Social Media and Fake News in the 2016 Election*, 31 J. ECON. PERSPS. 211, 214–15 (2017), <https://web.stanford.edu/~gentzkow/research/fakenews.pdf>.

231. See Angus Bridgman, Eric Merkley, Peter John Loewen, Taylor Owen, Derek Ruths, Lisa Teichmann, Oleg Zhilin, *The Causes and Consequences of COVID-19 Misperceptions: Understanding the Role of News and Social Media*, HARV. KENNEDY SCH. MISINFO. REV. (SPECIAL ISSUE) (June 18, 2020), <https://misinforeview.hks.harvard.edu/article/the-causes-and-consequences-of-covid-19-misperceptions-understanding-the-role-of-news-and-social-media/>.

the ability to avoid the medium altogether, and something that is highly pervasive is more difficult to avoid.

Online speech implicates both considerations. Currently, individuals who seek to avoid the internet lack volition because of the internet's pervasiveness in modern society. Internet platforms have billions of users, and individuals often depend on platforms for necessities. People use social media for news, dating, buying and selling goods, searching for jobs, communicating with friends and family, and entertainment. Some people earn the majority of their income from online platforms.²³² For instance, the sole job of social media managers is to utilize online platforms to benefit their employers.²³³ Society is so dependent on social media that political campaigns and government officials make announcements using various online platforms.²³⁴ Entirely proscribing social media from one's lifestyle may technically be possible, but an average person living in the United States no longer has any "meaningful opportunity" to do so. And although users have to take "affirmative steps" to log into their various profiles, users enjoy little volition in practical terms due to the degree of societal dependency on social media.

This lack of volition extends to the amount of control a user can exert over their experience while using the internet. The algorithmically driven displays on social media prevent viewers from having full control over the content that they receive in many cases. Moreover, dark patterns online often use "design[s] that manipulate[] or heavily influence[] users to make certain choices,"²³⁵ as the following illustrates:

Facebook tells us when our friends have 'liked' a page, encouraging us to do the same; dark patterns trigger our preference for shiny buttons over grey ones; platforms nudge us to buy products others

232. See Jennifer Herrity, *What are Influencers?*, INDEED (Nov. 1, 2021), <https://www.indeed.com/career-advice/career-development/what-are-influencers> (describing the "influencer" profession as an "online personality who impacts their followers' purchasing decisions based on their reputation" and noting that the "national average salary for an influencer is \$52,035 per year") (last visited Apr. 1, 2023).

233. See, e.g., *Social Media Manager Job Description: Top Duties and Qualifications*, INDEED, [https://www.indeed.com/hire/job-description/social-media-manager?gclid=Cj0KCCQjwtrSLBhCLARIsACh6Rmg40qa8Ojop-actY5qwrtdtU2coBf7tLu7DKS1Twr760pToP\]rG0v4aAp4mEALw_wCB&accid=](https://www.indeed.com/hire/job-description/social-media-manager?gclid=Cj0KCCQjwtrSLBhCLARIsACh6Rmg40qa8Ojop-actY5qwrtdtU2coBf7tLu7DKS1Twr760pToP]rG0v4aAp4mEALw_wCB&accid=) (Mar. 21, 2022).

234. E.g., *The White House (@whitehouse)*, INSTAGRAM, <https://www.instagram.com/whitehouse/?hl=en> (last visited Mar. 21, 2022); *FTC (@FTC)*, TWITTER, https://twitter.com/FTC?ref_src=twsrc%5Egoogle%7Ctwcamp%5Eserp%7Ctwgr%5Eauthor (last visited Mar. 21, 2022).

235. Sara Morrison, *Dark Patterns, The Tricks Websites Use to Make You Say Yes, Explained*, VOX: RECODE (Apr. 1, 2021, 11:20 AM EDT), <https://www.vox.com/recode/22351108/dark-patterns-ui-web-design-privacy>.

have bought before us; and apps gamify sharing by encouraging us to continue a ‘streak’ with our friends. The list goes on.²³⁶

Ari Ezra Waldman, a professor of law and computer science at Northeastern University, concludes, “At a minimum, the power of design means that our choices [online] do not always reflect our real personal preferences.”²³⁷ The “captive audience”²³⁸ problem, therefore, stems from both the reality that the internet permeates so many aspects of society and from a users’ lack of control over their experience while using the internet.

Applying strict scrutiny to online platform regulation is illogical today. Many of the concerns that led to broadcast’s greater regulation are directly implicated by the internet medium. Given that the asserted differences between the internet and broadcast constituted the primary reason that the Supreme Court applied strict instead of intermediate scrutiny in *Reno*, the fact that those differences are illusory indicates that intermediate scrutiny is the appropriate standard for First Amendment challenges to internet regulation.

B. PROTECTING CHILDREN THROUGH AN INTERMEDIATE SCRUTINY

The protection of children, an important interest in both *Sable* and *Pacifica*, also justifies applying intermediate scrutiny to the internet. *Pacifica* was concerned that broadcasts were “uniquely accessible” to children and used this logic to justify greater regulation.²³⁹ *Sable* discussed protecting “the physical and psychological well-being of minors.”²⁴⁰ Both cases concluded that the child protection interest justified increased regulation for broadcast content.²⁴¹

The internet undeniably causes considerable harm to minor users. Facebook’s own internal research has demonstrated that Instagram has negative effects on the mental health of teenage girls.²⁴² Exposure to self-harm on Instagram has led to an increase in suicidal ideation.²⁴³ These harms are compounded by the ubiquity of platform usage with younger demographics.

236. *Id.*

237. Ari Ezra Waldman, *Cognitive Biases, Dark Patterns, and the ‘Privacy Paradox’*, 31 CURRENT OP. PSYCH. 105, 107 (2020), <https://doi.org/10.1016/j.copsyc.2019.08.025>.

238. *See Sable Commc’ns of Cal., Inc. v. FCC*, 492 U.S. 115, 128 (1989).

239. *FCC v. Pacifica Found.*, 438 U.S. 726, 749 (1978).

240. *Sable*, 492 U.S. at 126 (citations omitted).

241. *Pacifica*, 438 U.S. at 749–50; *Sable*, 492 U.S. at 126–28.

242. Georgia Wells, Jeff Horwitz & Deepa Seetharaman, *Facebook Knows Instagram is Toxic for Teen Girls, Company Documents Show*, WALL ST. J. (Sept. 14, 2021 7:59 AM ET), <https://www.wsj.com/articles/facebook-knows-instagram-is-toxic-for-teen-girls-company-documents-show-11631620739>.

243. *See* Florian Arendt, Sebastian Scherr & Daniel Romer, *Effects of Exposure to Self-Harm on Social Media: Evidence From a Two-Wave Panel Study Among Young Adults*, 21 NEW MEDIA & SOC’Y 2422, 2435–37 (2019), <https://doi.org/10.1177/1461444819850106>.

According to the American Academy for Pediatric and Adolescent Psychiatry, around 75% of individuals aged thirteen to seventeen have at least one active social media account.²⁴⁴ Some of the risks of social media to children include exposure to “harmful or inappropriate content,” “exposure to dangerous people,” “cyber bullying,” and “interference with sleep.”²⁴⁵ These harms demonstrate that increased internet regulation would serve a child-protection interest as well, providing another strong justification for the adoption of an intermediate scrutiny standard.

V. CONCLUSION

Internet-facilitated human trafficking, extremist recruitment and propaganda, public health misinformation, and cyberbullying are all online harms that have proliferated in the last few decades of the internet’s development. Yet many proposals to address these harms through increased regulation are still largely precluded by *Reno v. ACLU*, a case decided when the internet was in its infancy. The laissez-faire orthodoxy that dominated earlier conversations about internet regulation is woefully unprepared for the realities of an internet that has the power to fuel genocide, accelerate conspiracies, and degrade the mental health of children.

Government intervention is clearly needed, and intervention through broadcast case law is ultimately preferable to other proposals due to its straightforward nature. *Reno* initially distinguished the internet from broadcast to justify applying strict scrutiny to the internet.²⁴⁶ Thus, the reality that the *underlying policy concerns* of broadcast case law, instead, justify the application of the intermediate scrutiny standard, helps to dismantle the authority of the *Reno* decision. Put differently, *Reno* is precedent for using broadcast cases as precedent, therefore, demonstrating that the *Reno* Court’s original logic actually points in the opposite direction has increased potency as a legal argument.

Intermediate scrutiny would provide lawmakers with desperately needed flexibility to create laws that reduce the severe negative externalities of the modern internet. Extreme or overtly partisan laws, like many of those at issue in the *NetChoice* cases, could still be struck down. They would be struck down, however, by a constitutional standard that affords governments the freedom to enact effective, calibrated regulations that seek to reduce internet speech harms. The status quo of internet regulation has proliferated harmful

244. *Social Media and Teens*, AM. ACAD. OF CHILD & ADOLESCENT PSYCHIATRY (Mar. 2018), https://www.aacap.org/AACAP/Families_and_Youth/Facts_for_Families/FFF-Guide/Social-Media-and-Teens-100.aspx.

245. *Id.*

246. *See Reno v. ACLU*, 521 U.S. 844, 868 (citations omitted).

misinformation and provided a digital environment that allows for horrific crimes to perpetuate. An intermediate scrutiny standard would be a responsible recalibration that would allow regulators to finally tackle these problems more effectively.

THE POLITICS OF AGENCY ADJUDICATION AFTER *UNITED STATES V. ARTHREX*

Madeline Hyde Elkins[†]

I. INTRODUCTION

When the Supreme Court granted certiorari in *United States v. Arthrex*, the patent bar feared that inter partes review (IPR), an administrative process to review patents, could be rendered unconstitutional.¹ By contrast, in administrative law circles, this case was viewed as a “potential blockbuster” with the potential to continue the Court’s trend of increasing Presidential control over the administrative state in the vein of *Lucia v. SEC* and *Seila Law v. CFPB*.² The decision in *Arthrex* declined to render IPRs unconstitutional, but it continues the Court’s jurisprudence of constitutional formalism, strict separation of powers, and the curtailing of agency independence.

The Court in *Arthrex* held that administrative patent judges (APJs) cannot constitutionally make final IPR decisions given their status as inferior officers under the Appointments Clause.³ In so doing, *Arthrex* reframes the Appointments Clause through the lens of the Vesting Clause, thereby making the decision-making *powers* of inferior officers the domain of the Appointments Clause, rather than their appointment or removal.⁴

At a minimum, the decision in *Arthrex* advances the Court’s project to expand the President’s control of the Executive Branch and, therefore, administrative agencies. While the Appointments Clause once was the domain of appointment and removal of executive officers, the Court expands the reach of the Clause and Presidential control beyond the simple ability to hire or fire someone. Though Chief Justice Roberts’s Opinion declines to make the far-reaching holding that any decision by any inferior officer must be reviewable

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1. See Douglas R. Nemas & Cassandra M. Baloga, *In Arthrex, Supreme Court to Review Constitutionality of the Patent Board’s Structure*, SKADDEN ARPS, SLATE, MEAGHER & FLOM LLP AND AFFILIATES (Dec. 22, 2020), <https://www.skadden.com/insights/publications/2020/12/insights-special-edition-us-supreme-court-term/in-arthrex-scotus-to-review>.

2. See Christopher J. Walker, *What Arthrex Means for the Future of Administrative Adjudication: Reaffirming the Centrality of Agency-Head Review*, YALE J. REG. & COMMENT BLOG (June 21, 2021), <https://www.yalejreg.com/nc/what-arthrex-means-for-the-future-of-administrative-adjudication-reaffirming-the-centrality-of-agency-head-review/>.

3. *United States v. Arthrex, Inc.*, 141 S. Ct. 1970, 1988 (2021).

4. See *id.* at 2003 (Thomas, J., dissenting) (describing the holding as leaving a “tried and true approach”).

by the President or a congressionally confirmed appointee, *Arthrex* nonetheless lays the groundwork for such a holding and furthers a project to reduce the independence of administrative agencies from the control of the President.⁵

While the Court furthers executive control under the unitary executive theory, its project of increasing political accountability implicates important due process concerns. The director review process created by *Arthrex* has a potential to weaken the quality of process afforded to parties and to increase the possibility for bias under the guise of policy. The new process is in conflict with the statutory scheme created by Congress to a further of philosophy of the constitution based on an interpretation of the text which even Justice Thomas calls a “penumbra.” This is all for the purpose of vindicating an interest in the outcome of an individual adjudication that is questionably an executive entitlement at all, an interest which may be overwritten entirely on judicial review. However, because the result of the opinion is to create more executive discretion, the remedy in *Arthrex* does not prevent the Director from taking measures to protect APJ independence and improve fairness in IPR. Recommendations are suggested herein which would increase the quality of process given to parties in IPR by using the executive discretion to protect independent adjudication.

Part II provides legal background including a brief overview of the relevant patent law (Section II.A) and the context for the constitutional question raised (Section II.B). Section II.B frames the argument that the constitutional issue in *Arthrex* is more one of separation of powers than appointment.

Part III provides the case’s procedural history (Section III.A), followed by summary of the four opinions on the constitutional issue (Section III.B) and the three opinions on the remedy (Section III.C). The Court in *Arthrex* is deeply divided. While the case lacks a majority opinion, two different sets of justices create an effective majority on each of the constitutional issue and the remedy. While Chief Justice Roberts, and Justices Alito, Barrett, and Kavanaugh remain in both majorities, Justice Gorsuch leaves the five-member majority on the constitutional issue to write a separate dissent on the remedy. In the remedy, Justices Breyer, Kagan, and Sotomayor join the 7–2 majority. Part II shows that in each of the issue and the remedy the deciding fifth vote differs radically from the other four on its view of the role of impartiality (and, implicitly, due process) in agency adjudication.

Part IV argues that *Arthrex* was wrongly decided (Sections IV.A–C) and concludes with policy prescriptions (Section IV.D) to improve fairness for parties after *Arthrex*. Section IV.A argues that agency head final review solves no issue that the Court set out to decide. Section IV.B illustrates the tension created between strong executive oversight and fairness of process. Section

5. See discussion *infra* Section II.B.1.

IV.C argues the remedy upsets Congress's statutory controls and that more deference to Congress was owed. Section IV.D provides suggestions by which the Director can use their discretion to improve fairness and protect independence.

II. LEGAL BACKGROUND

A. PATENT EXAMINATION AND POST GRANT PROCEEDINGS

1. *Patents and Initial Examination*

A patent is a government issued “right to exclude” others from practicing certain claimed subject matter,⁶ and the power to grant these rights is an enumerated power of Congress.⁷ The so-called quid pro quo of the patent system dictates that in exchange for a limited monopoly the inventor must provide useful information to the public, such that the public gains something of value once the patent term expires.⁸ While patents have “the attributes of personal property,” the Supreme Court has repeatedly held that these “attributes” are confined by the patent right's status as a “public franchise.”⁹ Accordingly, patents exist as an economic policy device of the government that has at least some aspects of personal property.

Initial issuance of patents is through an ex parte examination process overseen by the United States Patent and Trademark Office (USPTO), an administrative agency within the Department of Commerce.¹⁰ The USPTO hires and trains patent examiners, who are far more often scientists than lawyers and who determine whether a patent application meets the basic requirements of patentability.¹¹ These basic requirements include: subject matter eligibility, utility, novelty, non-obviousness, and adequate disclosure.¹² An unfavorable decision on patentability during examination may be appealed to the Patent Trial and Appeal Board (PTAB).¹³ An appeal is presided over by

6. 35 U.S.C. § 154(a)(1).

7. U.S. CONST. art. I, § 8, cl. 8.

8. *See* *Brenner v. Manson*, 383 U.S. 519, 534 (1966).

9. 35 U.S.C. § 261; *see also* *Oil States Energy Servs., L.L.C. v. Greene's Energy Grp.*, 138 S. Ct. 1365, 1374 (2018) (citing with approval *Pfaff v. Wells Elecs., Inc.*, 525 U.S. 55, 63–64 (1998) and *Seymour v. Osbourne*, 78 U.S. 516, 533 (1870)).

10. 35 U.S.C. § 1(a); *see generally* U.S. PATENT & TRADEMARK OFF., *MANUAL OF PATENT EXAMINING PROCEDURE* § 700 (9th ed., rev. 10, 2019) (describing the process of patent examination).

11. H. Whei Hsueh, Comment, *Standardizing Patent Examiner Training and Qualifications*, BERKELEY TECH. L.J. (Apr. 11, 2016), <https://btj.org/2016/04/standardizing-patent-examiner-training-and-qualifications/> (showing a technical degree is required, but a law degree is atypical).

12. 35 U.S.C. §§ 101–03, 112.

13. 35 U.S.C. § 134(a).

a panel of at least three agency adjudicators, APJs, who are chosen from a pool of more than two hundred.¹⁴ The APJs are appointed by the Director of the USPTO and are required to be “persons of competent legal knowledge and scientific ability who are appointed by the Secretary [of Commerce], in consultation with the Director.”¹⁵

2. *Inter Partes Review*

Once a patent has issued, the validity of the patent may be challenged by a third-party in two ways: through suit in an Article III court, for example, by asserting the defense of invalidity in an action for infringement, or by petition for administrative review, such as inter partes review (IPR).¹⁶ The 2011 Leahy-Smith America Invents Act (AIA) ended the previously existing inter partes reexamination proceeding overseen by the then Board of Patent Trials and Interferences and replaced it with a set of new post-grant proceedings, including IPR, overseen by a rebranded PTAB.¹⁷ An IPR is an adversarial administrative proceeding which allows for a third party to challenge and, potentially, cancel an issued patent on grounds of lack of novelty or obviousness and based on prior patents and printed publications.¹⁸ The patent owner defends the validity of the patent, and a three-member panel of APJs makes a final determination after reviewing the arguments of both sides.¹⁹

To begin an IPR proceeding, a person who is not the patent owner or their privy files a petition for review with a specific statement of the grounds on which the challenge is based.²⁰ The petition must be reviewed within three months and a decision to institute may be issued in the Director’s discretion if “there is a reasonable likelihood that the petitioner would prevail with respect to at least one of the claims.”²¹ If instituted, the patent is reviewed by a panel

14. 35 U.S.C. § 6(c); *see also* Georgianna Witt Braden, *USPTO Administrative Tribunal: Patent Trial and Appeal Board*, U.S. PATENT & TRADEMARK OFF., slide 8 (Aug. 26, 2021), https://www.uspto.gov/sites/default/files/documents/20210824-PTAB-Stadium_Tour_presentation__short_version_edited-IQ_808095-Updated_for_Aug_2021-IQ_819421-Final.pdf.

15. 35 U.S.C. § 3(b)(3); 35 U.S.C. § 6(a).

16. 35 U.S.C. § 282(b)(2); *see also* 35 U.S.C. § 311.

17. Leahy-Smith America Invents Act (A.I.A.), Pub. L. No. 112-29, 125 Stat. 284 (2011) (codified at 35 U.S.C.).

18. 35 U.S.C. § 311(a)–(b).

19. 35 U.S.C. § 316(a)(1)–(13), 316(c).

20. 35 U.S.C. §§ 311–12; *see also* *Uniloc 2017 LLC v. Facebook Inc.*, 989 F.3d 1018, 1027–28 (Fed. Cir. 2021) (“‘Determining whether a []party is a [real party in interest] demands a flexible approach that takes into account both equitable and practical considerations,’ with the heart of the inquiry focused on ‘whether a petition has been filed at a []party’s behest.’” (citing *Applications in Internet Time, LLC v. RPX Corp.*, 897 F.3d 1336, 1351 (Fed. Cir. 2018))).

21. 35 U.S.C. § 314.

of at least three adjudicators who may include the Director of the USPTO, the Secretary of Commerce, and their appointed APJs.²²

Each year the USPTO institutes between 800 and 1,000 IPRs and denies institution of around 400 to 500 petitions.²³ Additionally, between 200 and 300 petitions are settled pre-institution.²⁴ By comparison, district court patent proceedings range from about 4,500 to 6,000 filings per year.²⁵ Of the IPR proceedings that are instituted, around 80% result in invalidation of some or all of the claims.²⁶ Because of the relatively high rate of invalidation (once instituted), IPRs have become a tool for defendants in infringement suits.²⁷ The IPR process also puts pressure on patent owners to settle, because termination of the IPR after institution is discretionary, rather than mandatory, and an IPR is less likely to be terminated the further the IPR is in the process.²⁸ A string of constitutional challenges to the IPR process has followed the passage of the A.I.A.; however, the IPR proceeding has proven relatively resilient.²⁹

22. 35 U.S.C. § 6(a)–(c).

23. See U.S. PATENT & TRADEMARK OFF., TRIAL STATISTICS IPR, PGR, CBM, PATENT TRIAL AND APPEAL BOARD–JUNE 2020 (June 30, 2020), slide 6, https://www.uspto.gov/sites/default/files/documents/Trial_Statistics_20200630_.pdf [hereinafter TRIAL STATISTICS] (showing the institution rate for IPRs hovers around 60% and also showing that, while the decision to institute is not apolitical, the institution rate has nonetheless been relatively stable over time).

24. See TRIAL STATISTICS, *supra* note 23, at slide 8.

25. *Just the Facts: Intellectual Property Cases—Patent, Copyright, and Trademark*, U.S. COURTS: JUDICIARY NEWS (Feb. 13, 2020), <https://www.uscourts.gov/news/2020/02/13/just-facts-intellectual-property-cases-patent-copyright-and-trademark>; *accord*, 2021 *Patent Dispute Report: First Half in Review*, UNIFIED PATENTS (July 1, 2021), <https://www.unifiedpatents.com/insights/q2-2021-patent-dispute-report>.

26. See TRIAL STATISTICS, *supra* note 23, at slide 11.

27. See *id.*; see also Meaghan H. Kent, *10 Reasons Every Defendant in Patent Litigation Should Consider Inter Partes Review*, VENABLE, LLP (Apr. 23, 2014), <https://www.venable.com/insights/publications/2014/04/10-reasons-every-defendant-in-patent-litigation-sh>. In a famous example, former Federal Circuit Chief Judge Randall Rader at the AIPLA annual meeting in October 2013 famously called the IPR panels “death squads.” Tony Dutra, *Rader Regrets CLS Bank Impasse, Comments on Latest Patent Reform Bill*, BLOOMBERG BNA (Oct. 29, 2013).

28. See 37 C.F.R. § 42.74(a); see, e.g., *Rubicon Commc’ns, LP, v. Lego A/S*, No. IPR2016-01187 (PTAB, Paper No. 100, Dec. 14, 2017) (denying both parties’ motions to terminate the IPR after settlement of district court litigation because of the public interest in invalidation and the advanced state of the IPR proceeding).

29. See, e.g., *Thryv, Inc. v. Click-To-Call Techs.*, 140 S. Ct. 1367 (2020); *Return Mail, Inc. v. U.S. Postal Serv.*, 139 S. Ct. 1853 (2019); *Oil States Energy Servs., L.L.C. v. Greene’s Energy Grp.*, 138 S. Ct. 1365 (2018); *SAS Inst. Inc. v. Iancu*, 138 S. Ct. 1348 (2018); *Cuozzo Speed Techs., LLC v. Lee*, 579 U.S. 261 (2016).

Final decisions of the PTAB, including institution decisions and final written decisions on patentability and in IPR, are reviewable within the USPTO upon filing a Request for Rehearing,³⁰ which must indicate a material misapprehension of fact or law.³¹ Review is taken in the PTAB's discretion and may be reheard by the same panel of three APJs who heard the original IPR.³² Typically, around 5% of requests for rehearing are accepted.³³ Negative decisions of patentability from the PTAB or of invalidity during administrative proceedings are appealable to the United States Court of Appeals for the Federal Circuit (C.A.F.C.), which has exclusive jurisdiction over patent appeals.³⁴ Prior to *Arthrex*, the final written decision of the PTAB following a Request for Rehearing was the final word from the USPTO³⁵

While the USPTO is an administrative agency, its status with respect to the requirements of the Administrative Procedure Act (APA) has not always been clear. This is in part because the patent office predates the APA³⁶ Only in 1999 did the Supreme Court rule that the USPTO was an agency governed by the APA.³⁷ Because of this ambiguity, patent office procedures for adjudication have not always found easy parallels to a particular model of agency adjudication, even by comparison to the range and variety of models within Article II. The Federal Circuit has at various times “accepted” that IPRs are a “formal” adjudication under the APA³⁸ Despite the many ways in which IPR bears the trappings of formal adjudication under the APA or even Article III

30. 35 U.S.C. § 6(c).

31. 37 C.F.R. § 41.52(a)(1).

32. 35 U.S.C. § 6(c) (“Only the Patent Trial and Appeal Board may grant rehearings.”) (overruled by *United States v. Arthrex*, 141 S. Ct. 1970 (2021)); *see also* *Ethicon Endo-Surgery, Inc. v. Covidien LP*, 812 F.3d 1023, 1029 (Fed. Cir. 2016) (“The PTO’s assignment of the institution and final decisions to one panel of the Board does not violate due process.”).

33. Jason N. Mock & Michael R. Houston, *While Tempting, PTAB Requests for Rehearing Face Long Odds*, FOLEY & LARDNER LLP: PTAB TRIAL INSIGHTS (Oct. 15, 2019), <https://www.foley.com/en/insights/publications/2019/10/ptab-requests-rehearing-face-long-odds>.

34. 28 U.S.C. § 1338(a); 28 U.S.C. §§ 1295(a)(1), (a)(4)(A).

35. 35 U.S.C. § 6(c).

36. *See* Nate Smith, *The Peripatetic U. S. Patent Office: Locations 1790 to Present*, LIBRARY OF CONG. BLOGS (July 13, 2020), https://blogs.loc.gov/inside_adams/2020/07/the-patent-office/ (describing that what would be known as the Patent Office was created in 1790 and gradually expanded and formalized).

37. *Dickinson v. Zurko*, 527 U.S. 150, 153 (1999) (holding that the standards of evidence of the APA apply to patent proceedings).

38. *See, e.g.,* *Synopsys, Inc. v. Mentor Graphics Corp.*, 814 F.3d 1309, 1322 (Fed. Cir. 2016), *overruled on other grounds by* *Aqua Prods., Inc. v. Matal*, 872 F.3d 1290, 1328 (Fed. Cir. 2017) (accepting without deciding that the precedential Board decision in *MasterImage* is such a “formal agency adjudication”).

litigation, at least one scholar has argued that IPR is not a formal adjudication subject to sections 554 and 556–557 of Title V.³⁹

The Director of the USPTO also serves as the Undersecretary of Commerce for Intellectual Property and is appointed by the President with the advice and consent of Congress.⁴⁰ The Director of the USPTO is responsible for promulgating regulations related to the procedures governing post-grant proceedings and examination of patents.⁴¹ The Director has the discretionary authority to determine whether an IPR is instituted,⁴² whether an IPR is de-instituted,⁴³ whether the decision rendered by the PTAB has the force of precedent,⁴⁴ which adjudicators will sit on the panel during review,⁴⁵ and, if a rehearing is granted, which adjudicators will sit on the panel during rehearing.⁴⁶ In practice, many of these decisions are delegated.⁴⁷ However, it was the Director's notable lack of the power to grant a rehearing or to grant a final decision in that rehearing that was the subject of the constitutional challenge in *Arthrex*.⁴⁸

B. APPOINTMENTS AND SEPARATION OF POWERS

1. *The Constitutional Question*

The primary question under review in *Arthrex* was whether the administrative patent judges were principal officers or inferior officers for the purposes of the Appointments Clause.⁴⁹ If the administrative patent judges

39. See Christopher J. Walker & Melissa F. Wasserman, *The New World of Agency Adjudication*, 107 CALIF. L. REV. 141, Section III.A. (2019).

40. 35 U.S.C. § 6(a).

41. 35 U.S.C. § 2(b)(2); 35 U.S.C. § 316(a).

42. 35 U.S.C. § 314(a).

43. *Sling TV, LLC v. Realtime Adaptive Streaming LLC*, 840 F. App'x 598, 599 (Fed. Cir. 2021) (dismissing appeal based on challenge that Direct lacked discretionary authority to de-institute an IPR).

44. U.S. PATENT & TRADEMARK OFF., PATENT TRIAL & APPEAL BOARD: STANDARD OPERATING PROCEDURE 2 (REVISION 10): PRECEDENTIAL OPINION PANEL TO DECIDE ISSUES OF EXCEPTIONAL IMPORTANCE INVOLVING POLICY OR PROCEDURE: PUBLICATION OF DECISIONS AND DESIGNATION OR DE-DESIGNATION OF DECISIONS AS PRECEDENTIAL OR INFORMATIVE, pp. 1–2, <https://www.uspto.gov/sites/default/files/documents/SOP%20R10%20FINAL.pdf> [hereinafter SOP 2].

45. 35 U.S.C. § 6(c).

46. *Id.*

47. U.S. PATENT & TRADEMARK OFF., PATENT TRIAL & APPEAL BOARD: STANDARD OPERATING PROCEDURE 1 (REVISION 15): ASSIGNMENT OF JUDGES TO PANELS, pp. 1–2, <https://www.uspto.gov/sites/default/files/documents/SOP%20R15%20FINAL.pdf> [hereinafter SOP 1]; see also SOP 2, *supra* note 44, at 1–2.

48. *United States v. Arthrex, Inc.*, 141 S. Ct. 1970 (2021); see also 35 U.S.C. § 6(c).

49. Memorandum for the United States at 6–7, July 22, 2020, *United States v. Arthrex, Inc.*, 141 S. Ct. 1970 (2021) (Nos. 19-1452, 19-1458, 19-1459), 2020 WL 4227873 (cert. granted

were unconstitutionally appointed, the Court would also consider whether the Federal Circuit’s remedial holding was appropriate.⁵⁰ Under the Appointments Clause, the President has the power to appoint “Officers of the United States” with Advice and Consent of the Senate; however, by law Congress may relieve the President of the duty to obtain Congressional approval or delegate the appointment power entirely.⁵¹ The Appointments Clause directly implicates separation of powers in that the requirement of Senate confirmation provides a check on the power of the Executive.⁵² There are four routes of appointment: (1) by the President with Advice and Consent of the Senate and—without Senate confirmation—by appointment of (2) the President acting alone, (3) the Courts, and (4) Heads of Departments.⁵³ The last three routes are only available through Congressional approval by law, typically in the governing statute of the agency.⁵⁴ The language of the Appointments Clause provides for two classes of officers, (1) those appointed and confirmed by Congress, so-called “principal” officers, and (2) those who may be appointed by the President, a head of an executive department, or a court, who are “inferior Officers.”⁵⁵

Arthrex argued that the authority of panel of APJs to render patents invalid without later review by a principal officer made them unconstitutionally appointed principal officers.⁵⁶ However, rather than the question of appointment *status* that was asked, the Court considered whether the *power* of the APJs to grant a final hearing in an individual invalidation proceeding was

as to questions 1 and 2); *see also* Petition for Writ of Certiorari of Smith & Nephew, Inc. & ArthroCare Corp. at I, *United States v. Arthrex*, 141 S. Ct. 1970 (2021) (No. 19-1452), 2020 WL 3651171; Petition for Writ of Certiorari of Arthrex, Inc. at ii, *United States v. Arthrex*, 141 S. Ct. 1970 (2021) (No. 19-1458), 2020 WL 3805820; Petition for Writ of Certiorari of the United States at I, *United States v. Arthrex*, 141 S. Ct. 1970 (2021) (No. 19-1434), 2020 WL 3545866.

50. Memorandum for the United States, *supra* note 49, at 6–7 (phrasing question 2 as conditional).

51. U.S. CONST. art. II, § 2, cl. 2 (“[The president] by and with the Advice and Consent of the Senate, shall appoint, . . . all other Officers of the United States, whose Appointments are not herein otherwise provided for, and which shall be established by Law: but the Congress may by Law vest the Appointment of such inferior Officers, as they think proper, in the President alone, in the Courts of Law, or in the Heads of Departments.”).

52. *Buckley v. Valeo*, 424 U.S. 1, 124 (1976).

53. U.S. CONST. art. II, § 2, cl. 2.

54. *Id.*

55. *United States v. Germaine*, 99 U.S. 508, 509–10 (1879) (“The Constitution for purposes of appointment very clearly divides all its officers into two classes.”); *see also* *United States v. Arthrex, Inc.*, 141 S. Ct. 1970, 1979 (2021).

56. Brief for Arthrex at 19–35, *United States v. Arthrex, Inc.*, 141 S. Ct. 1970, 1983 (2021) (Nos. 19-1434, 19-1452, 19-1458), 2020 WL 7773426.

incompatible with their presumed status as “inferior officers” under the Appointments Clause.⁵⁷

2. *Arthrex* as a Separation of Powers Issue

Arthrex is not really about the *appointment* of PTAB APJs; instead, the issue at the heart of the decision is one of separation of powers itself. Specifically, that PTAB APJs have final review power within the Executive branch raises the question: does Congress have the power to create agency adjudicators within the Executive Branch that the head of the Executive Branch, the President, cannot overrule and whose appointment was overseen by neither Congress nor the President? While the plurality opinion never uses the term “separation of powers” and declines to frame the issue as one of separation of powers, the focus on the *power* of the APJs, rather than their mode of appointment, belies the reality. The issue with PTAB APJs is that—under an expansive view of executive authority—their power appears to undermine the vesting of executive authority in the President and to break chains of accountability to the President.

In the *Arthrex* decision, the plurality opinion adopts this expansive view of executive authority holding that “only an officer properly appointed to a principal office may issue a final decision binding the Executive Branch in [IPR] proceeding[s].”⁵⁸ This view of executive authority is rooted in a formalist interpretation of the Constitution and motivates the Court’s remedy—requiring that the Director, a confirmed and removable officer, have final review over final decisions of PTAB APJs in post-grant proceedings.

The formalist view of separation of powers of the plurality opinion in *Arthrex* draws from a view of the Constitution requiring a strong “unitary executive.”⁵⁹ As presented in the seminal outline of the theory, the conclusion that executive power should be strongly unitary is drawn from interpretation of the text of the (Article II) Vesting Clause read in concert with the Take Care Clause.⁶⁰ Under this view, “the President alone possesses *all* of the executive

57. See *Arthrex*, 141 S. Ct. at 1983.

58. *Id.* at 1985.

59. Steven G. Calabresi & Kevin H. Rhodes, *The Structural Constitution: Unitary Executive, Plural Judiciary*, 105 HARV. L. REV. 1153, 1165–68 (1992); see also Steven G. Calabresi & Saikrishna B. Prakash, *The President’s Power to Execute the Laws*, 104 YALE L.J. 541, 583 (1994). The term “strong” is used to connote a view of the Constitution that prioritizes unitariness over other interpretive principles. This terminology is drawn from Lawrence Lessig and Cass R. Sunstein, who acknowledge that “no one denies that in some sense the framers created a unitary executive; the question is in what sense.” See Lawrence Lessig & Cass R. Sunstein, *The President and the Administration*, 94 COLUM. L. REV. 1, 8 (1994).

60. Calabresi & Rhodes, *supra* note 59, at 1167 (referring to U.S. CONST. art. II, § 1 (“The executive Power shall be vested in a President.”) read in light of U.S. CONST. art. II, § 3 (“The President “shall take Care that the Laws be faithfully executed.”)).

power.”⁶¹ In particular, the power of the President to supplant any non-trivial, decision by a subordinate is absolute, “notwithstanding any statute” that attempts to confine these powers.⁶²

However, this expansive view of executive power is in tension with the text of the Appointments Clause. The Appointments Clause gives Congress the power to appoint inferior officers to Heads of Departments and the Courts, seemingly externally to the review of the President.⁶³ This tension between an expansive view of executive power and text of the Appointments Clause is acknowledged by the theory’s proponents, although the delegation of appointment to Heads of Departments is ultimately dismissed as “an insignificant housekeeping provision added at the last minute.”⁶⁴

In practice, the scope of the President’s appointment power implicates the ability of Congress to create politically independent or politically insulated administrative officials and to construct agencies in a politically insulated or impartial way. In its most expansive form, the requirement of a strong “unitary executive” “renders unconstitutional independent agencies and counsels to the extent that they exercise discretionary executive power.”⁶⁵ In the context of agency adjudication, it implicates Congress’s ability to create politically independent agency adjudicators including PTAB APJs. As a matter of political reality, even Justice (then Professor) Kagan has written that “the current system of administration is not strongly unitary,”⁶⁶ which exposes and has exposed a host of agencies to constitutional challenges as the Court expands its view of executive power.⁶⁷

The debate over the scope of executive power is political. This is partly because the scope of executive power is, in the abstract, a decision about what should be the domain of politics, and partly because, more concretely, the players tend to have distinct political affiliations. Some of the most influential early articles outlining the principles of a strong unitary executive were penned by prominent legal scholar and Federalist Society co-founder Steven Calabresi, and the unitariness of the executive has been an issue of interest to the Federalist Society since at least the late 1980’s.⁶⁸ Further, the early intellectual

61. *Id.* at 1165 (emphasis in original).

62. *Id.* at 1166.

63. Lessig & Sunstein, *supra* note 59, at 9–10 n.21.

64. Calabresi & Rhodes, *supra* note 59, at 1168.

65. *Id.* at 1165–66.

66. Elena Kagan, *Presidential Administration*, 114 HARV. L. REV. 2245, 2247 (2000).

67. *See, e.g.*, *Freytag v. Comm’r.*, 501 U.S. 868 (1991); *Free Enter. Fund v. Pub. Co. Acct. Oversight Bd.*, 561 U.S. 477, 496–97 (2010); *Lucia v. SEC*, 138 S. Ct. 2044, 2049 (2018); *Seila Law LLC v. Consumer Fin. Prot. Bureau*, 140 S. Ct. 2183, 2197 (2020).

68. *See* Stephen Breyer, Laurence Silberman, E. Donald Elliot & Terry Eastland, *Panel I: Agency Autonomy and the Unitary Executive*, 68 WASH. UNIV. L.Q. 3 (1990); *see also* Amanda Hollis-

leaders in the movement had significant overlap with the Reagan Justice Department, whose aims of deregulation were furthered by less independent administrative agencies.⁶⁹ Proponents with the strongest views of executive power swing conservative.⁷⁰

This debate is also modern. Prior to the 1970s, the line between principal and inferior officers was deferential to Congressional choice and did not always reflect a strong view of the inherent status or definition of the types of executive officers. For example, in 1925's *Steele v. United States*, the Court described the words "officer of the United States" as having "limited constitutional meaning."⁷¹ Indeed, *Arthrex* appears to be the first time that the Supreme Court has ever not agreed with Congress's classification.⁷² In this period, it was generally believed that Congress could statutorily limit the President's removal power.⁷³ Further, in what would become a high-water mark of the Court's jurisprudence limiting the President's removal powers, the Court held that Congress could remove from absolute Presidential control officers having "quasi-legislative" and "quasi-judicial" functions.⁷⁴

In the 1980's, there was a change in the tides as both the Reagan administration and the legal academy began to reevaluate the relationship between the President and administrative agencies.⁷⁵ In 1988, the modern unitary executive theory first appeared in the jurisprudence of the Supreme

Brusky, *The Federalist Society and the "Structural Constitution": An Epistemic Community At Work* 26–37 (2010) (Ph.D. dissertation, University of California, Berkeley).

69. Steven G. Calabresi & Christopher S. Yoo, *The Unitary Executive During the First Half-Century*, 47 CASE W. RES. L. REV. 1451, 1452–53 (1992) ("This modern debate began with claims of executive authority advanced by President Reagan, whose administration continually questioned the constitutionality of independent agencies and of independent counsels."); see also Hollis-Brusky, *supra* note 68, at 17; Ganesh Sitaraman, *The Political Economy of the Removal Power*, 134 HARV. L. REV. 352, 376–80 (2020).

70. Sitaraman, *supra* note 69, at 380 ("By the time of *Free Enterprise Fund* in 2010 and *Seila* in 2020, the unitary executive theory had become standard in separation of powers debates—particularly among conservatives.")

71. *Steele v. United States*, 267 U.S. 505, 507 (1925) (citing *Burnap v. United States*, 252 U.S. 512 (1920); *United States v. Mouat*, 124 U.S. 303 (1888); *United States v. Smith*, 124 U.S. 525 (1888)).

72. See *United States v. Arthrex, Inc.*, 141 S. Ct. 1970, 1999–2000 (2021) (Thomas, J., dissenting) ("[T]he Court's opinions have traditionally used a case-by-case analysis. And those analyses invariably result in this Court deferring to Congress' choice of which constitutional appointment process works best.")

73. *Shurtleff v. United States*, 189 U.S. 311, 314–315 (1903) ("In the absence of constitutional or statutory provision, the President can, by virtue of his general power of appointment, remove an officer, even though appointed by and with the advice and consent of the Senate.")

74. *Humphrey's Ex'r v. United States*, 295 U.S. 602, 629 (1935).

75. KRISTIN E. HICKMAN & RICHARD J. PIERCE, JR., *ADMINISTRATIVE LAW TREATISE* §§ 1.6–7 (6th ed. 2018).

Court in a strongly worded dissent by Justice Scalia in *Morrison v. Olson*, an Appointments Clause case addressing whether Congress could protect from removal an inferior officer.⁷⁶ The conservative shift in the Supreme Court has seen the rise of Justice Scalia's viewpoint with holdings in 2010's *Free Enterprise Fund* and 2020's *Seila Law* that reframed the powers of inferior and principal officers under the Appointments Clause through the lens of an expansive view of the President's powers under the Vesting Clause.⁷⁷ Between the majority opinion in *Seila Law* and the concurrence in part by Justice Thomas, Chief Justice Roberts and Justices Alito, Gorsuch, Kavanaugh, and Thomas have each joined opinions in support of the unitary executive theory, thereby cementing the theory as the Court's dominant view of the Constitution.⁷⁸

The power of the APJs, however, conflicts with this view of strong executive oversight. Congress, in its creation of the IPR process, gave APJs final authority within the agency on decisions of patent validity, without a mechanism of later review by the director.⁷⁹ Further, APJs were given tenure protections that made them not removable but for cause.⁸⁰ The limited review powers of the agency head (and through them the President) appear to displace the vesting of executive power in the President under a unitary executive theory.

Ultimately, the issue at the heart of *Arthrex*—how far the powers of legislatively created agencies extend within the executive⁸¹—dovetails with the current legal and political debate over how the powers of agencies are checked

76. *Morrison v. Olson*, 487 U.S. 654, 671–72 (1988) (holding that an independent counsel appointed by Congress was an inferior officer but protecting the independent counsel from political removal, because Congress's protection of the independent counsel from removal was within their discretion “as they think proper”); *see also id.* at 697–734 (Scalia, J., dissenting) (arguing for an unlimited power to remove the independent counsel and name checking the unitary executive theory twice).

77. *See Free Enter. Fund v. Pub. Co. Acct. Oversight Bd.*, 561 U.S. 477, 496–97 (2010) (holding that the President is “responsible for the actions of the Executive Branch” and “cannot delegate [that] ultimate responsibility or the active obligation to supervise that goes with it”); *see also Seila Law LLC v. Consumer Fin. Prot. Bureau*, 140 S. Ct. 2183, 2197 (2020) (emphasizing that Executive power “belongs to the President alone”).

78. *See Seila Law*, 140 S. Ct. at 2197 (Roberts, C.J., writing for the majority joined by Alito and Kavanaugh, JJ., and joined by Thomas and Gorsuch, JJ., concurring in part).

79. *See* 35 U.S.C. § 6(c) (“Only the Patent Trial and Appeal Board may grant rehearings.”).

80. 35 U.S.C. § 3(c) (making 5 U.S.C. § 7513's for cause removal provisions—“only for such cause as will promote the efficiency of the service”—applicable to APJs).

81. *United States v. Arthrex, Inc.*, 141 S. Ct. 1970, 1982 (2021) (“*Edmond* calls for exactly [a distinction between ‘inferior-officer power’ and ‘principal-officer power’]: an appraisal of how much power an officer exercises free from control by a superior.”).

by the judiciary.⁸² The restraint in Chief Justice Roberts’s opinion shows a tentativeness and caution in dealing with the constitutionality of agency independence. Whatever the thoughts are of the Republican-appointed justices of the strength of “unitary executive,” there is an obvious hesitance to render independent agency adjudication unconstitutional. The degree of variation in the plurality, concurring, and dissenting opinions reflects the complexity of views of the role and powers of administrative agencies as well as the role of the Court in policing the “administrative state.”

III. *UNITED STATES V. ARTHREX*

Though no single opinion garnered five votes, a majority of Justices agreed on the constitutional issue—that the PTAB APJs were unconstitutionally appointed in violation of the Appointments Clause.⁸³ A separate majority agreed that the appropriate remedy was creation of agency head final review,⁸⁴ but no majority could agree on the connection between the two. Justice Gorsuch agreed with the plurality opinion written by Justice Roberts that there was an Appointments Clause issue, but Justice Gorsuch felt that the plurality’s remedy did not go far enough.⁸⁵ Justice Breyer joined the plurality as to the remedy despite calling the decision on the Constitutional issue “unprecedented and unnecessary.”⁸⁶ Justice Thomas dissented as to both parts.⁸⁷ The result is a decision that says a lot and does comparatively little.

The following section summarizes each of the opinions in the Arthrex decision. Section A describes the lower court history. Section B addresses each opinion on the constitutional issue, and Section C addresses each opinion on the appropriate remedy.

A. PROCEDURAL HISTORY

Arthrex, Inc. sued Smith & Nephew, Inc. and ArthroCare for infringement of its U.S. Patent No. 9,179,907.⁸⁸ The defendants subsequently filed a petition of IPR, which was instituted.⁸⁹ In the IPR, the panel of APJs found that the

82. See, e.g., *Chevron, U.S.A., Inc. v. Nat. Res. Def. Couns.* 467 U.S. 837 (1984); Jeffrey A. Pojanowski, *Neoclassical Administrative Law*, 133 HARV. L. REV. 852 (2020); William Baude, *Adjudication Outside of Article III*, 133 HARV. L. REV. 1511 (2020).

83. *Infra* Section II.B.

84. *Infra* Section II.C.

85. *Infra* Section II.B.2; see also *infra* Section II.C.2.

86. *Infra* Section II.B.3; see also *Arthrex*, 141 S. Ct. at 1997.

87. *Infra* Section II.B.4.

88. *Arthrex, Inc. v. Smith & Nephew, Inc.*, Consolidated Civil Action Nos. 2:15-cv-01047 and 2:15-cv-01756 (E.D. Tex. 2016), 2016 WL 7049397.

89. Institution Decision, *Smith & Nephew, Inc. v. Arthrex, Inc.*, No. IPR2017-00275, 2017 WL 1969743 (PTAB May 10, 2017).

claims of Arthrex's patent lacked novelty and determined that the patent should be invalidated.⁹⁰ Arthrex appealed the invalidation decision to the Federal Circuit, making for the first time the argument that the appointment of the PTAB APJs was unconstitutional.⁹¹ The Federal Circuit agreed, holding that the APJs were acting as unconstitutionally appointed principal officers.⁹² In an effort to make the APJs "inferior officers," the Federal Circuit's remedy ended the tenure provisions of the APJs, making them removable by the Director at-will, and remanded the case to the PTAB to be reheard by a constitutionally appointed panel.⁹³ After denial of en banc review,⁹⁴ Smith & Nephew and ArthroCare, Arthrex, and the United States each filed petitions for writ of certiorari.⁹⁵

United States v. Arthrex was not the only suit involving the Appointments Clause argument at issue in *Arthrex*. As of the USPTO's general stay order in May 2020, 103 appeals from PTAB final decisions also raised this argument and were remanded to the P.T.A.B after the Federal Circuit decision.⁹⁶ The PTAB issued a general order holding these cases in abeyance pending review by the Supreme Court.⁹⁷

B. FOUR OPINIONS ON THE APPOINTMENTS ISSUE

1. *A Majority Holds that PTAB APJs are Unconstitutionally Appointed*

The plurality opinion in *Arthrex* was authored by Chief Justice Roberts, who was joined by Justices Alito, Barrett, and Kavanaugh and by Justice Gorsuch as to the constitutional holding.⁹⁸ The main conclusion of the effective majority on the constitutional issue is that the APJs were unconstitutionally exercising executive power without sufficient "direction and

90. Final Written Decision, *Smith & Nephew, Inc. v. Arthrex, Inc.*, No. IPR2017-00275, 2018 WL 2084866 (PTAB May 2, 2018).

91. *Arthrex, Inc. v. Smith & Nephew, Inc.*, 941 F.3d 1320 (Fed. Cir. 2019) (appealing the final written decision of the PTAB).

92. *Id.* at 1335.

93. *Id.* at 1338.

94. *Smith & Nephew, Inc. v. Arthrex, Inc.*, 953 F.3d 760 (Fed. Cir. 2020) (en banc).

95. Petition for Writ of Certiorari of *Smith & Nephew, Inc. & ArthroCare Corp.* at I, *United States v. Arthrex*, 141 S. Ct. 1970 (2021) (No. 19-1452), 2020 WL 3651171; Petition for Writ of Certiorari of *Arthrex, Inc.* at ii, *United States v. Arthrex*, 141 S. Ct. 1970 (2021) (No. 19-1458), 2020 WL 3805820; Petition for Writ of Certiorari of the *United States at I*, *United States v. Arthrex*, 141 S. Ct. 1970 (2021) (No. 19-1434), 2020 WL 3545866.

96. U.S. Patent & Trademark Off., General Order in Cases Remanded Under *Arthrex, Inc. v. Smith & Nephew, Inc.* 941 F.3d 1320 (Fed. Cir. 2019) (PTAB May 4, 2020).

97. *Id.*

98. *United States v. Arthrex, Inc.*, 141 S. Ct. 1970, 1975–76 (2021).

supervision of an officer nominated by the President and confirmed by the Senate” in violation of the Appointments Clause.⁹⁹

The opinion starts by distinguishing *Edmond v. United States*, which held that Coast Guard Criminal Appeals judges were inferior officers but acted constitutionally in adjudicating appeals.¹⁰⁰ *Edmond* articulates the modern line between a “principal” and an “inferior” officer— “[w]hether one is an ‘inferior’ officer depends on whether he has a superior” (who is not the President).¹⁰¹ Further, *Edmond* provides the rule that inferior officers are those “whose work is directed and supervised at some level” by a principal officer.¹⁰² The opinion concludes that while Coast Guard appeals judges had review within the executive by the Court of Appeal for the Armed Forces (C.A.A.F.), the APJs do not have review within the Executive Branch.¹⁰³ In distinguishing *Edmond*, the plurality twice quotes the line, “[W]hat is significant is that the judges of the Court of Criminal Appeals have no power to render a final decision on behalf of the United States unless permitted to do so by other Executive officers.”¹⁰⁴

Rationalizing the need for review of final decisions from the USPTO by the USPTO Director, the plurality argues for both the general and specific need for oversight. As a general matter, review by a confirmed officer preserves democratic accountability to individual decisions within the office.¹⁰⁵ Further, reviewing the powers of the Director in detail, the opinion rejects the suggestions that the Director’s existing powers allow significant enough control over decisions of the PTAB.¹⁰⁶

In particular, Chief Justice Roberts’s opinion describes the indirectness of the Director’s levers of power over the PTAB APJs as not the solution, but the problem.¹⁰⁷ The Director had and has extensive powers to effect decision-making at the P.T.A.B including institution, deinstitution, and panel selections.¹⁰⁸ While each of these levers of control had been cited as cause for due process concerns, here the plurality holds that the Director does not have

99. *Id.* at 1988.

100. *Edmond v. United States*, 520 U.S. 651, 662 (1997) (holding that Coast Guard Court of Criminal Appeals judges were inferior officers because: (1) they were supervised by the Judge Advocate General under the Secretary of Transportation and the Court of Criminal Appeals for the Armed forces and (2) questions of law were reviewed *de novo* while deference was given to findings of fact).

101. *Id.* at 662.

102. *Id.* at 663.

103. *Arthrex*, 141 S. Ct. at 1981.

104. *Id.* at 1980–81 (quoting *Edmond*, 520 U.S. at 665).

105. *Id.* at 1981.

106. *Id.*

107. *Id.*

108. *See supra* notes 42–46 and accompanying text.

enough power to sway arbitration decisions.¹⁰⁹ While the Chief Justice acknowledges that these levers are a roadmap to avoid a statutory prohibition, their very indirectness blurs the lines of accountability to the President.¹¹⁰

The plurality also rejects the idea that the Federal Circuit provides adequate supervision of the APJs.¹¹¹ Drawing from the conclusion in *Oil States* that issuance of a patent is carried out by the executive department, the plurality opinion concludes that the APJs are exercising “executive Power” even though the form of the proceeding is judicial.¹¹² Because, the plurality asserts, decisions of patentability are fundamentally executive in nature, oversight by the President is required; in support, Justice Roberts’s opinion cites the Vesting Clause.¹¹³

The plurality opinion is also interesting for what it doesn’t do. The opinion doesn’t ever use the words separation of powers and declines to frame the issue as a violation of the Vesting Clause.¹¹⁴ However, the language of the unitary executive appears throughout the opinion. First, the Court quotes the line from James Madison from which the term “unitary executive” is drawn: the “great principle of unity and responsibility in the Executive department.”¹¹⁵ Further, the opinion appears to be reading the Vesting Clause in light of the Take Care Clause by implying that the concern should be for the President’s ability to “discharge his own constitutional duty of seeing that the laws be faithfully executed.”¹¹⁶ Put more strongly, the whole opinion on agency head final review appears to rely on a separation of powers argument based on an expansive interpretation of the Vesting Clause. For example, “APJs ‘partake

109. *See Arthrex*, 141 S. Ct. at 1981.

110. *See id.* at 1981–82.

111. *Id.* at 1982.

112. *Id.* (citing *Oil States Energy Servs., LLC v. Greene’s Energy Grp.*, 138 U.S. 1365, 1374 (2018)).

113. *Id.* (citing *City of Arlington v. FCC*, 569 U.S. 290, 304 n.4 (2013) (citing U.S. CONST. art. II, § 1, cl. 1)).

114. *See id.* at 1982 (“The dissent pigeonholes this consideration as the sole province of the Vesting Clause, but *Edmond* recognized the Appointments Clause as a ‘significant structural safeguard[]’ that ‘preserve[s] political accountability’ through direction and supervision of subordinates—in other words, through a chain of command.” (citations omitted)); *see also id.* at 2005 (Thomas, J., dissenting) (“The Court appears to suggest that the real issue is that this scheme violates the Vesting Clause.”); *cf. id.* at 1988 (Gorsuch, J., concurring in part) (“On the merits, I agree with the Court that Article II vests the ‘executive Power’ in the President alone.”).

115. *Id.* at 1979 (quoting 1 ANNALS OF CONG. 499 (1789)).

116. *Id.* at 1983 (quoting *Myers v. United States*, 272 U.S. 52, 135 (1926)); *see also* U.S. CONST. art II, § 3.

of a Judiciary quality as well as Executive,’ APJs are still exercising executive power and must remain ‘dependent on the President.’”¹¹⁷

Despite penning an opinion full of language on the expansiveness of executive power, the holding is profoundly restrained. The Court does not embrace a general rule that no inferior officer can bind the Executive Branch. Instead, it caveats its rule repeatedly: “many decisions by inferior officers do not bind the Executive Branch to exercise executive power in a particular manner, and *we do not address supervision outside the context of adjudication*”¹¹⁸ and “only an officer properly appointed to a principal office may issue a final decision binding the Executive Branch *in the proceeding before us.*”¹¹⁹ The Court also declines to further delineate the line between a principal and an inferior officer.¹²⁰ The Court even declines to rule as to the constitutionality of other decisions *within* the Patent Office stating that “[w]e do not address the Director’s supervision over other types of adjudications conducted by the PTAB, such as the examination process for which the Director has claimed unilateral authority to issue a patent.”¹²¹ As discussed further below, the plurality carries this restraint into its remedy.

2. Justice Gorsuch Concurring and Raising a Due Process Issue

While Justice Gorsuch concurs with the plurality opinion on the constitutional holding, he takes the plurality’s conclusions a step further. First, Justice Gorsuch points out the separation of powers issue that the plurality opinion dances around.¹²² He specifically cites Calabresi and Prakash and their interpretation of the Vesting and Take Care Clauses.¹²³ However, on the same line of argument, he revives his dissent in *Oil States* to argue that the Appointments Clause issue also creates a Due Process Clause problem.¹²⁴ Because Justice Gorsuch believes that a patent has the predominant character of a vested, private property right, a view that the Court rejected in *Oil States*, he argues that the Due Process Clause requires that an Article III court to hear the issue under expansive view of the “private rights” doctrine.¹²⁵

117. *Arthrex*, 141 S. Ct. at 1982 (quoting James Madison, 1 ANNALS OF CONG. 611–12 (1789)).

118. *Id.* at 1985–86.

119. *Id.* at 1985.

120. *Id.* (“We do not attempt to ‘set forth an exclusive criterion for distinguishing between principal and inferior officers for Appointments Clause purposes.’” (quoting *Edmond*, 520 U.S. at 661)).

121. *Id.* at 1987.

122. *See id.* at 1990 (Gorsuch, J., concurring in part).

123. *Id.* at 1989.

124. *Id.* at 1988.

125. *See id.* at 1994.

3. *Justices Breyer, Kagan, and Sotomayor Dissenting as to the Constitutional Holding*

The second concurrence in part written by Justice Breyer, joined by Justices Kagan and Sotomayor and partially joined by Justice Thomas, argues that the APJs were constitutionally appointed.¹²⁶

First, Justice Breyer, joined by Justices Kagan and Sotomayor, argues that the language of the Appointments Clause affords a degree of deference to Congress by the words “as they think proper.”¹²⁷ The second concurrence in part argues that deference should be given here (1) because the Constitution explicitly grants authority to Congress in the Patent Clause, (2) because the Executive exercises significant supervision, while *Edmond* doesn’t provide a ruling on exactly *how much* supervision is required only that there is some, and (3) because there is clear legislative intent to give APJs independence.¹²⁸

Second, the concurrence offers a functionalist interpretation of the Appointments Clause, which interprets the constitutionality of a law in light of the purposes and consequences of the statutory limitation.¹²⁹ Based on this principle, the opinion identifies several reasonable legislative objectives for the statute including: providing procedural safeguards for the party that had prevailed in the earlier hearing, giving deference to the expertise of the PTAB, and avoiding political interference.¹³⁰ These practical concerns, the concurrence argues, prevail over concerns about limits on the Director’s control of policy, which it deems to be weak.¹³¹

The second concurrence in part also addresses *Arthrex*’s role in the Court’s separation of powers jurisprudence, calling the formalist turn in *Seila Law* and *Free Enterprise Fund* “a mistake.”¹³² Again, from a functionalist perspective, the concurrence argues that the consequences of the constitutional holding impede the function of the PTAB, which “calls for technically correct decisions... that fact calls for greater, not less, independence.”¹³³ Further, administrative adjudication generally calls for expertise without political influence. Justice Breyer’s concurrence also argues that “the Constitution is not a detailed tax code,” and that the Constitution must adapt to the country’s changing needs.¹³⁴ Finally, the concurrence argues that Congress and the

126. *Id.* at 1994 (Breyer, J. concurring in part).

127. *Id.* (quoting U.S. CONST. art. II, § 2, cl. 2).

128. *Id.* at 1994–95.

129. *Id.* at 1995.

130. *See id.* at 1996.

131. *See id.*

132. *Id.*

133. *Id.*

134. *Id.* at 1997.

Executive Branch are the more competent institutions to determine how to implement laws made by Congress and that includes giving individual officers the discretion to do perform their duties.¹³⁵

4. *Justice Thomas Dissenting as to the Constitutional Holding, Joined in Part by Justices Breyer, Kagan, and Sotomayor*

Justice Thomas's dissent also argues that the APJs were properly appointed.¹³⁶ Viewing the question asked of the court narrowly—whether the APJs were properly appointed—Justice Thomas would hold that the APJs are inferior officers, and, therefore, their appointment was proper.¹³⁷

First, Justice Thomas points out that no party has identified a case where the Supreme Court didn't defer to Congress on whether an officer was a principal officer or an inferior officer.¹³⁸ While *Edmond*, *Free Enterprise Fund*, and *Seila Law* each added description as to what constitutes the power of a principal and inferior officer, as a practical matter, the Supreme Court has always deferred to Congress. Further, the majority holding appears to agree that the APJs are inferior officers.¹³⁹

Second, drawing comparison to *Edmond*, Justice Thomas concludes that PTAB APJs are formally and functionally inferior officers like the Judges of the Court of Criminal Appeals.¹⁴⁰ He writes that the APJs are lower on the organizational ladder, and he argues that the APJs have even greater oversight than the Coast Guard Judges in *Edmond*, pointing to the panel stacking and deinstitution powers of the Director.¹⁴¹ Justice Thomas criticizes the rule the plurality gleaned from *Edmond* as “boiling down ‘inferior officer’ status to the way Congress structured a particular agency's process for reviewing decisions.”¹⁴² He points out that the review powers of the C.A.A.F. in *Edmond* gave deference to lower “court” factfinding; therefore, the review powers in *Edmond* were not even as expansive as the majority appears to require.

Third, the dissent criticizes the plurality for “polic[ing] the dispersion of executive power among officers.”¹⁴³ Drawing from text of the Appointments Clause, Justice Thomas points out that there is no discussion of the power of appointees. Justice Thomas criticizes the holding of the majority as creating a form of *intra*-branch separation of powers law by creating doctrines of

135. *Id.*

136. *Id.* at 1998 (Thomas, J. dissenting).

137. *Id.* at 1999.

138. *Id.* at 1999–2000.

139. *Id.* at 2002.

140. *See id.* at 2000–02.

141. *See id.* at 2002.

142. *Id.*

143. *Id.* at 2003.

“principal-officer power” and “inferior-officer power” for which he sees no support for in the text of the Appointments Clause.¹⁴⁴

Finally, Justice Thomas argues that the majority is really making a Vesting Clause argument or at least reading the Appointments Clause in light of the Vesting Clause.¹⁴⁵ He criticizes the effective majority for ruling on an issue that no lower court presented, for remedying a Vesting clause issue by removing *more* power from the President, and for making a decision without historical precedent.¹⁴⁶ Ultimately, the dissent sees no issue with the appointment of APJs and would keep the Appointments Clause to appointments issues and the Vesting Clause to the power of the president and, further, cautions against “star[ing] deeply into the penumbras of the Clauses to identify new structural limitations.”¹⁴⁷

C. THE REMEDY: AGENCY HEAD FINAL REVIEW

1. *Justice Roberts’s Plurality (with Justices Breyer, Kagan, and Sotomayor Joining)—the Director Must Have Final Say*

The effective majority’s opinion on the remedy is quite short.¹⁴⁸ The remedy section of the opinion approaches the Appointments Clause issue by severing the statutory provision with the constitutional flaw, 35 U.S.C. § 6(c), which states “only the Patent Trial and Appeal Board may grant rehearings.”¹⁴⁹ Further, a majority of the Court requires that the Director of the USPTO be given the discretionary ability to rehear final decisions within the PTAB¹⁵⁰ Finally, the Court remands the case to the Director to determine whether he would like to institute a rehearing.¹⁵¹

2. *Justice Gorsuch—Agency Head Final Review isn’t Enough*

Justice Gorsuch argues in his dissent that the remedy was not enough to resolve the constitutional question because significant due process issues remain. Justice Gorsuch’s largest contribution to the *Arthrex* opinion is in this criticism of the remedy. Justice Gorsuch doesn’t disagree with severance in

144. *See id.* at 2004 (“Nowhere does the Constitution acknowledge any such thing as ‘inferior-officer power’ or ‘principal-officer power.’ And it certainly does not distinguish between these sorts of powers in the Appointments Clause.”).

145. *See id.* at 2005.

146. *See id.*

147. *Id.* at 2005–06.

148. *Id.* at 1986–88.

149. *Id.* at 1987.

150. *Id.*

151. *Id.*

principal;¹⁵² however, because there isn't a clear fall back from the language of the statute, he argues that severance absent clear legislative intent is effectively the judiciary absorbing the legislative power of the Congress.¹⁵³ Further, he argues that, if anything, the legislative intent was to make the APJs independent in contrast to the Court's severability analysis.¹⁵⁴ Therefore, the concurrence concludes that severance here amounts to "raw speculation" and does not comport with traditional notions of justice.¹⁵⁵

In the second part of the concurrence, Justice Gorsuch re-raises his dissent in *Oil States*, which argued that patents were a vested private property right and should not be adjudicated outside of an Article III court.¹⁵⁶ Justice Gorsuch argues that the IPR process still raises due process issues, which were acknowledged but not addressed in *Oil States*. Further, it is Justice Gorsuch's view that the Due Process Clauses themselves require adjudication of any vested property right in an Article III court.¹⁵⁷ This goes a step further than the traditional "private rights" doctrine. In particular, Justice Gorsuch cites with approval Nathan Chapman and former Tenth Circuit Judge Michael McConnell who argue that the Due Process Clauses carry with them notions of separation of powers and that they render unconstitutional any legislative action that would remove of the power to adjudicate private rights from Article III courts.¹⁵⁸

Justice Gorsuch goes on to say that "any suggestion that the neutrality and independence the framers guaranteed for courts could be replicated within the Executive Branch was never more than wishful thinking."¹⁵⁹ He then discusses what he sees as abuses by PTAB APJs, including presiding over cases where there are clear conflicts of interest.¹⁶⁰ He also cites panel stacking as a clear due process problem.¹⁶¹ While Justice Gorsuch agrees that the remedy offered by the majority improves the situation, his clear implication is that he believes the Court should have held the IPR process unconstitutional.¹⁶²

152. *Id.* at 1990 (Gorsuch, J. concurring in part) ("I don't question that we might proceed this way in some cases.").

153. *Id.* at 1991 ("[The Court's] severability analysis seemingly confers legislative power to the Judiciary.").

154. *Id.* at 1992.

155. *Id.*

156. *Id.* at 1993 (Gorsuch, J. concurring in part); *see also* 138 S. Ct. 1365, 1374–75 (Gorsuch, J., dissenting).

157. *Arthrex*, 141 S. Ct. at 1993.

158. *Id.*; *see also* Nathan S. Chapman & Michael W. McConnell, *Due Process as Separation of Powers*, 121 YALE L.J. 1672, 1801–04 (2012).

159. *Arthrex*, 141 S. Ct. at 1993.

160. *Id.*

161. *Id.*

162. *Id.* at 1993–94.

3. *Justice Thomas—No Remedy for an Almost Constitutional Violation*

Justice Thomas criticizes the remedy as inappropriate to the constitutional violation identified by the majority. First, if the APJs were principal officers and were improperly appointed, then the appropriate remedy is rehearing before a panel that was properly appointed, not a remand to be reheard by another executive functionary.¹⁶³ Second, if the issue is that Appointments Clause inherently gives the Director power to review, then Arthrex should have asked the Director for review before appealing.¹⁶⁴ There is no suggestion that Arthrex asked for review and was denied, so Justice Thomas argues that no constitutional violation has actually occurred.¹⁶⁵ As such, Justice Thomas argues that no remedy is due because Arthrex is not entitled to “a bounty for . . . almost identifying a constitutional violation.”¹⁶⁶

IV. AFTER *ARTHREX*

At a high level, the *Arthrex* decision reflects a conflict of values between promoting impartiality and expertise on one hand and preserving political accountability to the democratic process on the other. The plurality decides that “preserving political accountability” is the design of the Appointments Clause.¹⁶⁷ In other words, the Appointments Clause ensures that the person making final decisions is elected or confirmed by someone who is elected. However, as alluded to in Justice Breyer’s concurrence, there is also a compelling argument that the Appointments Clause reflects a need for expertise beyond that of a single person, and that executive appointments are no mere “administrative convenience” but a necessity reflecting the human limitations of federal officers—limitations like knowledge, interest, and time.¹⁶⁸

However, by focusing on the philosophical issues underpinning *who* gets to decide, the Court only cursorily addresses the procedural issues underpinning *how* its philosophical project would be implemented in practice. The plurality opinion ignores important due process concerns created by requiring that a political actor be able to reverse an individual arbitration decision. Further, the remedy adds additional procedural hurdles for litigants, does not bear a clear relationship to the substantive issue raised, and undoes a

163. *Id.* at 2006 (Thomas, J., dissenting).

164. *Id.*

165. *Id.*

166. *Id.*

167. *Id.* at 1982.

168. *Id.* at 1996 (“Given the technical nature of patents, the need for expertise, and the importance of avoiding political interference, Congress chose to grant the APJs a degree of independence.”).

Congressionally enacted statute all to protect an interest that may be overwritten on appeal. In response, the Director should take affirmative steps to improve fairness.

Section III.A discusses agency head review as a remedy to the constitutional issues in *Arthrex* and shows why no issue raised in *Arthrex* is actually resolved by its remedy. Section III.B discusses the tension between strong executive oversight and due process protections for litigants. It argues that agency head final review implicates important due process considerations and ultimately weakens the guarantees of fairness afforded to parties. Section III.C argues that greater deference was owed to Congress's statutory scheme. It argues that the Court creates a power that Congress had expressly declined to give, that the original statutory scheme had actually reserved discretionary executive power from the APJs, and that the interest vindicated by agency head final review is not so clearly an executive entitlement. Section III.D turns to the practical realities of the remedy in *Arthrex* and provides suggestions to improve fairness of the IPR process. The Director can regulate their own discretion, and this section argues that to preserve fairness and consistency in the IPR process, they should.

A. THE COURT'S REMEDY DOES NOT RESOLVE THE COURT'S
CONSTITUTIONAL ISSUE

Perhaps the most striking thing about the decision in *Arthrex* is how little its remedy does to ameliorate the issues identified in the case. Because the Justices forming a majority on the remedy are different from those forming a majority on the constitutional holding, the former doesn't truly answer the latter. However, even as to the plurality opinion itself, from the narrowest to the broadest view of the constitutional issue, the remedy does not appear to solve what the plurality might see as the problem.

First, the court's remedial holding effectively ordered final review by an inferior officer to remedy an improper final decision by another inferior officer. This issue was raised before the Court's decision was rendered.¹⁶⁹ From the release of *Arthrex* decision in June 2021 until the Confirmation of Kathi Vidal in April 2022, the Commissioner for Patents, Drew Hirshfeld, was "performing the functions" of the Director.¹⁷⁰ The Commissioner neither claims to be the "interim" nor the "acting" Director for the purposes of the Federal Vacancies Reform Act, rather he was acting under the delegated

169. See, e.g., Appellant New Vision Gaming & Dev., Inc.'s Brief in Response to Order of June 23, 2021 at 8, *New Vision Gaming & Dev., Inc. v. SG Gaming, Inc.*, 996 F.3d 1378 (Fed. Cir. 2021) (No. 20-1399), BL-104 (July 7, 2021).

170. See Executive Biography: Drew Hirshfeld, U.S. PATENT & TRADEMARK OFF., <https://www.uspto.gov/about-us/executive-biographies/drew-hirshfeld> (last visited Apr. 11, 2023).

authority of the vacant seat of the Director.¹⁷¹ The Commissioner for Patents is not confirmed by Congress; rather, the Commissioner is appointed by the Secretary of Commerce, a congressionally confirmed officer.¹⁷² On remand, the Federal Circuit held that the Commissioner, an inferior officer, may exercise the Director's new review power on the basis that the Supreme Court's opinion in *Arthrex* ratifies this exact outcome but also because to do otherwise would seriously hinder administrative agencies.¹⁷³ While the Federal Circuit's decision is certainly correct, the common situation of administrative vacancies only illustrates the practical difficulty of vindicating the principle that final decisions must be made by appointed and confirmed officers.

Second, inferior officers, APJs, are still making final decisions on other patent matters, such as appeals of *ex parte* examination and re-examination decisions. Justice Roberts's Opinion in *Arthrex* states the general principle that "[d]ecisions by APJs must be subject to review by the Director."¹⁷⁴ However, the opinion arguably confined the holding to its facts by stating "[w]e do not address the Director's supervision over other types of adjudications conducted by the PTAB, such as the examination process for which the Director has claimed unilateral authority to issue a patent."¹⁷⁵ The USPTO has taken this statement into account and indicated that Director review will not be available for appeals from examination decisions but that it will be available for other A.I.A. post-grant proceedings such as post grant review and the few remaining covered business method reviews.¹⁷⁶

This incongruity could be explained by the practical distinction between A.I.A. post grant proceedings and appeals from examination decisions. The rights of the patent holder in an appeal from an examination decision have either not yet "vested" into a patent right (in the case of an appeal from an examination decision), or the patent right has been offered for surrender by the patent holder (in the case of *ex parte* reexamination).¹⁷⁷ Whether the Court's principle of agency head review applies to these APJ decisions may well turn on whether the vesting of the patent property right is of importance.

171. See *Notice of Delegation of Functions and Duties at the USPTO*, U.S. PATENT & TRADEMARK OFF., <https://www.uspto.gov/trademarks/trademark-updates-and-announcements/notice-delegation-functions-and-duties-uspto> (last visited Apr. 11, 2023).

172. 35 U.S.C. § 3(b)(2)(a).

173. *Arthrex, Inc. v. Smith & Nephew, Inc.*, 35 F.4th 1328, 1333–35 (2022).

174. *United States v. Arthrex, Inc.*, 141 S. Ct. 1970, 1986 (2021).

175. *Id.* at 1987.

176. U.S. PATENT & TRADEMARK OFFICE, *Boardside Chat: Arthrex and interim Director review process*, U.S. PATENT & TRADEMARK OFF., at 13:40 (July 1, 2021), <https://www.uspto.gov/patents/ptab/procedures/2020-ptab-boardside-chat> [hereinafter *Boardside Chat*]. Derivations are not addressed by the USPTO, and the line here may also be unclear because one party's rights have vested and the other party's rights have not.

177. 37 C.F.R. § 1.178.

If the broad constitutional principle is that all “[d]ecisions by APJs must be subject to review by the Director,”¹⁷⁸ the vesting distinction seems to be a hollow one; however, if the underlying issue dominating the separation of powers inquiry is one of due process as suggested by Justice Gorsuch,¹⁷⁹ then this distinction is crucial because it determines the patent applicant’s claim of entitlement to a property interest.

Finally, if *Arthrex* is to be thought of broadly as an extension of the Court’s separation of powers jurisprudence, it’s unclear how this decision will bind other agencies.¹⁸⁰ First, the Court rejects a general rule that “no inferior officer can bind the Government.” In so doing, it limits the reach of its holding repeatedly: “many decisions by inferior officers do not bind the Executive Branch to exercise executive power in a particular manner, and *we do not address supervision outside the context of adjudication.*”¹⁸¹ It further caveats its rule to just IPRs stating “only an officer properly appointed to a principal office may issue a final decision binding the Executive Branch *in the proceeding before us.*”¹⁸² Taking this statement with the opinion’s explicit exemption of patent examination decisions from agency head review makes it even more unclear how far this rule extends outside the USPTO.

In summary, from the broadest view to the narrowest view of the constitutional interest in *Arthrex*, the remedy doesn’t answer the supposed violation. Taking the broadest view of the issue, though the language of the opinion sounds in separation of powers principles, the plurality opinion declined to use the words “separation of powers,” let alone frame its decision as one about the delineation of powers between the branches. At a slightly narrower level, if the plurality truly believes that no inferior officer can bind the Executive branch, that is pointedly not what it holds. Even narrower, the Court doesn’t seek to affect the decisions of all *agency adjudicators*, and even further, it doesn’t seek to bind the full scope of final decisions of *APJs*. Taking the narrowest view, even on the very issue resolved in the opinion—that *IPR* decisions require final review by a principal officer—an inferior officer can still, in some cases, make final decisions in IPRs.

In view of the strange relationship between the constitutional violation and the ultimate remedy, it’s unclear what the plurality was trying to resolve in the

178. *Arthrex*, 141 S. Ct. at 1986.

179. *Id.* at 1988 (Gorsuch, J., dissenting) (referring to the dissent in *Oil States* and arguing that patents are a private property right that should not be adjudicated outside of Article III under Due Process Clause considerations).

180. *See* Walker, *supra* note 2 (“This constitutional challenge is narrow and only affects administrative adjudication systems where the agency head lacks final decision-making authority—a very small subset of adjudicative systems.”).

181. *Arthrex*, 141 S. Ct. at 1986.

182. *Id.* at 1985.

first place. It is unlikely that this strange relationship results from an inability to get enough votes for a stronger remedy because Justice Gorsuch was largely in agreement and was clearly ready to vote for the unconstitutionality of IPR. Alternatively, a lack of sufficient consensus as to the constitutional issue itself might seem likely. However, there seems to be a strong consensus as to the underlying constitutional principles at least because Chief Justice Roberts, and Justices Alito, Gorsuch, Kavanaugh, and Thomas have each joined or written opinions embracing a strong view of executive powers.¹⁸³ More likely, the Justices see a disconnect between the degree of disruption caused by the remedy that a strong view of executive powers would demand, which would be far reaching, and the real discretionary authority of the administrative patent judges, which is slight. This disconnect is particularly pronounced in light of the silence of the Constitution itself on the *powers* of executive appointees.

B. AGENCY HEAD FINAL REVIEW AND THE TENSION BETWEEN THE DUE PROCESS CLAUSE AND THE APPOINTMENTS CLAUSE

The conflict of values at the center of *Arthrex* is between promoting impartiality and expertise and the preserving political accountability to the democratic process through the oversight of the President. This conflict of values manifests in *Arthrex* as a conflict between the Due Process Clause and an expansive reading of the Appointments Clause read in light of the (Article II) Vesting Clause and the Take Care Clause. By limiting the independence of agency adjudicators, *Arthrex* weakens due process protections in IPR by creating a greater opportunity for biased adjudication used to effectuate the President's political interests. This Section explores the interrelation between strong due process protections and executive control through the removal power and agency head review. It concludes by arguing that agency head final review increases the risk of as-applied due process challenges.

1. *Patents are Protected by a Procedural Due Process Protection Against Biased Adjudication*

As a preliminary matter, it's worth asking to what extent the Due Process Clause case law is relevant to patent invalidation proceedings. In *Oil States*, the majority affirmed that patents have the character of a "public franchise,"¹⁸⁴ however, the majority caveated that "our decision should not be misconstrued as suggesting that patents are not property for the purposes of the Due Process Clause or Takings Clause."¹⁸⁵ While the holding denies a negative, it doesn't affirm that a party is sufficiently entitled to a patent such that its revocation is

183. See *supra* note 78 and accompanying text.

184. *Oil States Energy Servs., LLC v. Greene's Energy Grp.*, 138 S. Ct. 1365, 1374 (2018).

185. *Id.* at 1379.

subject to procedural due process protections.¹⁸⁶ The opinion explicitly left this issue unaddressed because no party had specifically raised a Due Process Clause challenge.¹⁸⁷

However, that at least some due process protections apply to patent post-grant proceedings is a running assumption, if not an explicit statement, in the opinions of Supreme Court Justices and at the Federal Circuit, albeit with some variety as to the extent of due process protections. For example, Justice Gorsuch's concurrence in *Arthrex* reflects a particularly strong—and ultimately rejected—view of patents as a private property right.¹⁸⁸ Under his view, procedural due process protections should be strongly protected and would further demand a hearing in an Article III court and deeming the IPR process unconstitutional.¹⁸⁹ However, such a strong view is not required for at least some due process protections to apply. In concurrence in *Oil States*, Justices Breyer, Kagan, and Sotomayor take care to clarify that private rights may be adjudicated outside of Article III courts when public interests are involved, further implying that private property rights are at least implicated in patent invalidation proceedings.¹⁹⁰ In oral arguments for *Oil States*, Chief Justice Roberts and Justices Kennedy and Ginsburg each connected PTAB “panel stacking” to due process concerns.¹⁹¹ According to these justices, if a procedure can raise due process issues, there must have been a protected interest. Finally, Federal Circuit precedent seems to hold affirmatively that “fair opportunity for judicial review and full respect for due process” are required in patent post-grant proceedings.¹⁹² Further, the Federal Circuit has also considered Due Process Clause challenges to IPR procedures, such as

186. *See* Bd. of Regents v. Roth, 408 U.S. 564, 577 (1972) (“To have a property interest in a benefit, a person clearly must have more than an abstract need or desire for it. He must have more than a unilateral expectation of it. He must, instead, have a legitimate claim of entitlement to it.”).

187. *Oil States*, 138 S. Ct. at 1379.

188. *United States v. Arthrex, Inc.*, 141 S. Ct. 1970, 1993 (2021) (Gorsuch, J. concurring in part); *see also* 138 S. Ct. 1365, 1374–75 (Gorsuch, J., dissenting).

189. *See Arthrex*, 141 S. Ct. at 1993; *see also infra* at II.C.2.

190. *Oil States*, 138 S. Ct. at 1379–80 (Breyer, J., concurring).

191. John M. Golden, *PTO Panel Stacking: Unblessed by the Federal Circuit and Likely Unlawful*, 104 IOWA L.R. 2447, 2460 n.100 (2019) (citing Transcript of Oral Argument at 32–33, 45, *Oil States Energy Servs., LLC v. Greene’s Energy Grp.*, 138 S. Ct. 1365 (2018) (No. 16-712) (remarks of Roberts, C.J.) (asking whether changing panels partway through proceedings violates due process) and further citing *id.* at 34 (remarks of Kennedy, J.) (asking counsel whether his view of the situation would change if panel stacking “were rampant”), *id.* at 36–37 (remarks of Gorsuch, J.) (asking about the constitutionality of adjudicatory proceedings “subject to packing by a director who’s unhappy with the results”), and *id.* at 64–66 (remarks of Ginsburg, J.) (asking with respect to panel stacking, “Wouldn’t that be an obvious due process flaw?”)).

192. *Patlex Corp. v. Mossinghoff*, 758 F.2d 594, 604 (Fed. Cir. 1985).

whether use of the same panel in institution and IPR violated the due process right to an impartial adjudicator.¹⁹³ It has also considered whether adequate notice was given in IPR.¹⁹⁴

Taking as an assumption that an IPR implicates a protectable interest under the Due Process Clause, at least the procedural protections of notice and a hearing are required.¹⁹⁵ However, the same degree of process protections provided in an Article III court are not necessarily required in agency adjudication; instead, due process is flexible.¹⁹⁶ In practice, there is quite a bit of variety as to how both the notice and hearing rights are protected within the context of agency adjudication.¹⁹⁷

Nevertheless, even within agency adjudication, “due process demands impartiality on the part of those who function in judicial or quasi-judicial capacities.”¹⁹⁸ The right to an impartial adjudicator includes a right to an adjudicator without a substantial pecuniary interest,¹⁹⁹ and a right to an adjudicator that has not prejudged the case,²⁰⁰ which includes a consideration of whether the adjudicator has been exposed to “extrajudicial” sources of

193. *See, e.g.,* *Ethicon Endo-Surgery, Inc. v. Covidien LP*, 812 F.3d 1023, 1029 (Fed. Cir. 2016) (holding the challenge did not raise risk of actual bias but acknowledging that there is a protection against bias); *see also, In re Alappat*, 33 F.3d 1526, 1531–32 (Fed. Cir. 1994) (en banc) (dismissing the due process argument for lack of standing).

194. *See* *Genzyme Therapeutic Prods. LP v. Biomarin Pharm., Inc.*, 825 F.3d 1360, 1367 (2016) (considering whether Genzyme received adequate notice of the issues to be considered in IPR).

195. *Mullane v. Central Hanover Bank & Trust*, 339 U.S. 306, 313 (1950) (“There can be no doubt that at a minimum [Due Process] require[s] that deprivation of life, liberty or property by adjudication be preceded by notice and opportunity for hearing.”); *see also In re Murchison*, 349 U.S. 133, 136 (1955) (“A fair trial in a fair tribunal is a basic requirement of due process. Fairness of course requires an absence of actual bias in the trial of cases.”).

196. *Mathews v. Eldridge*, 424 U.S. 319, 334 (1976) (“Due process, unlike some legal rules, is not a technical conception with a fixed content unrelated to time, place and circumstances. Due process is flexible and calls for such procedural protections as the particular situation demands. Accordingly, resolution of the issue whether the administrative procedures provided here are constitutionally sufficient requires analysis of the governmental and private interests that are affected.” (citations and quotations omitted)).

197. *See* ADMIN. CONF. U.S., FEDERAL ADMINISTRATIVE ADJUDICATION DATABASE, <https://www.acus.gov/research-projects/federal-administrativeadjudication> (last visited Apr. 11, 2023) (providing a public database of administrative procedures).

198. *Schweiker v. McClure*, 456 U.S. 188, 195 (1982).

199. *Tumey v. Ohio*, 273 U.S. 510, 523 (1927) (barring a “direct, personal, substantial, pecuniary interest”); *see also Ward v. Village of Monroeville*, 409 U.S. 57, 60 (1972); *Gibson v. Berryhill*, 411 U.S. 564, 579 (1973) (holding that the requirements of *Tumey* and *Ward* apply “with equal force” to agency adjudicators under the standard of “substantial pecuniary interest”).

200. *Withrow v. Larkin*, 421 U.S. 35, 47 (1975).

information.²⁰¹ The standard has been described as “endanger[ing] the appearance of neutrality”²⁰² and as an intolerable probability of actual bias.²⁰³

However, the standard for finding a Due Process Clause violation based on prejudgment in the adjudicatory context is fairly high because agency adjudicators enjoy “a presumption of honesty and integrity.”²⁰⁴ Further, the Supreme Court has repeatedly found that a mixed role as investigator and adjudicator does not per se raise issues of unconstitutional bias.²⁰⁵ Indeed one commentator has observed that “due process impartiality principles must have some kind of exception or slack for administrative adjudication or else they would cease to exist in their current form.”²⁰⁶ Another commentator has noted the Supreme Court’s hesitance to use the Due Process Clause to regulate impartiality except in extreme cases out of a preference for legislative deference and constitutional avoidance.²⁰⁷

2. *Executive Control Through the Appointments Clauses Implied Removal Power as and the Adjudicator’s Personal Pecuniary Interest*

The tension between the Due Process Clause’s protection against a biased adjudicator and strong executive removal powers should be apparent.²⁰⁸ An agency adjudicator has a pecuniary interest in their own job. If they reasonably believed, for example, by an explicit statement that they would be fired if they rule a certain way, the outcome of the proceeding would depend on the direct, personal, substantial, pecuniary interest of the agency adjudicator whose job was threatened, under the standard in *Tumey*.²⁰⁹ If an agency adjudicator can be fired or awarded a bonus for failure to rule in the manner that the head of the Agency or the President desires, then there is a risk of bias created by internal pressures.²¹⁰ This fear of bias motivates removal protections for agency adjudicators.

However, removal protections appear to have implied constitutional limits from the Appointments Clause. Under the precedent in 2020’s *Seila Law*, when

201. *Liteky v. United States*, 510 U.S. 540, 551 (1994).

202. *Williams v. Pennsylvania*, 579 U.S. 1, 14 (2016).

203. *See Caperton v. A.T. Massy Coal Co.*, 556 U.S. 868, 872 (2009) (citing *Withrow*, 421 U.S. at 47).

204. *Withrow*, 421 U.S. at 47.

205. *See, e.g., id.* at 46; *Richardson v. Perales*, 402 U.S. 389, 410 (1971); *Sims v. Apfel*, 530 U.S. 103 (2000).

206. Kent Barnett, *Regulating Impartiality in Agency Adjudication*, 69 DUKE L.J. 1695, 1705 (2020).

207. *See* Louis J. Virelli, III, *An Ethical Gap in Agency Adjudication*, 69 BUFF. L. REV. 1329, 1349–50 (2021).

208. *See* Barnett, *supra* note 206, at 1704 (calling it “obvious”).

209. *Tumey v. Ohio*, 273 U.S. 510, 523 (1927).

210. *See* Barnett, *supra* note 206, at 1704.

the final reviewing authority is the single-member head of an agency, that adjudicator as the final authority is *required* to be removable without cause by the President.²¹¹ Similarly, if the head of the agency is a multi-member board whose members are insulated from removal, inferior adjudicators within the agency cannot also have protections from removal under 2010's *Free Enterprise Fund*'s prohibition on double insulation from removal.²¹²

After these two cases, there seemed to be a remaining opening for agency adjudicators with tenure protections within agencies led by a single member head. The PTAB has such a structure.²¹³ At the intermediate appellate court stage in *Arthrex*, the Federal Circuit attempted to address the Appointments Clause issue by severing the APJs' removal protection,²¹⁴ an effort rejected by the Supreme Court.²¹⁵ The Supreme Court's decision in *Arthrex* leaves unresolved whether adjudicators in agencies led by a single-member agency head can be constitutionally protected from removal. While this issue was argued on remand, the Federal Circuit found no need to reach the issue.²¹⁶ The sum of *Seila Law*, *Free Enterprise*, and *Arthrex* leave little room of independent adjudication.

3. *Executive Control Through Agency Head Final Review as a Vector for "Extrajudicial" Information and Prejudgment*

Like executive removal, executive control through final review by the agency head creates a new source of tension with the Due Process Clause by weakening due process protections against a biased adjudicator. Existing critiques of "panel stacking" illustrate this tension between executive control and fair adjudication. While agency head review does remove the incentive for the Director as a non-party to manipulate the proceedings, agency head final review arguably poses the same risks to due process as panel stacking. If the

211. *See Seila Law LLC v. Consumer Fin. Prot. Bureau*, 140 S. Ct. 2183, 2197–98 (2020) (“[T]o hold otherwise would make it impossible for the President . . . to take care that the laws be faithfully executed.”).

212. *See Free Enter. Fund v. Pub. Co. Acct. Oversight Bd.*, 561 U.S. 477, 492 (2010).

213. 35 U.S.C. § 3(a)(1) (vesting the power of the USPTO in a single Director who is appointed with advice and consent); *see also* 35 U.S.C. § 3(c) (making 5 U.S.C. § 7513's cause removal provisions—“only for such cause as will promote the efficiency of the service”—applicable to APJs).

214. *See Arthrex, Inc. v. Smith & Nephew, Inc.* 941 F.3d 1320, 1337 (2019) (attempting to cure the constitutional violation in the same manner as *Free Enter. Fund v. Pub. Co. Acct. Oversight Bd.*, 561 U.S. 477 (2010)).

215. *See United States v. Arthrex, Inc.*, 141 S. Ct. 1970, 1987–88 (2021) (vacating the lower court judgment and instead severing the last sentence of 35 U.S.C. § 6(c)).

216. *See Arthrex, Inc. v. Smith & Nephew, Inc.*, 35 F.4th 1328, 1333–40 (2022) (“Although the President must have cause to remove the Commissioner from [the Director's] position, he needs no cause to remove the Commissioner from his role as the Director's temporary stand-in”).

concern with panel stacking is that executive control could raise issues of unconstitutional bias due to prejudgment or extrajudicial influence, then agency head final review increases that control.

Briefly, “panel stacking” is used with criticism to denote the discretionary power of the Director to choose which APJs sit on a panel either initially or during rehearing.²¹⁷ For example, the Director could handpick favorable APJs for a rehearing after an initial PTAB decision that was unfavorable to their views.²¹⁸ The Director could even put himself on the three-member panel in rehearing in an effort to cement a majority.²¹⁹

The concern with panel stacking derives from a concern over a due process protection for a meaningful hearing before an impartial adjudicator. In an article discussing due process issues caused by panel stacking, John Golden puts forward two arguments for a Due Process Clause violation. First, he argues that panel stacking might violate the due process right to an impartial adjudicator in a “strong form,” i.e., an instance where the panel was stacked specifically to achieve a result.²²⁰ As a second argument, he suggests that “strong form” panel stacking may violate the right to a meaningful hearing under the principle that “the one who decides must hear.”²²¹

By way of context, panel stacking is uncommon enough that it’s typical to discuss the problems of panel stacking by first positing that that it happens more often.²²² However, panel stacking has occurred.²²³ This practice has been criticized. For example, within the judiciary, between *Arthrex* and *Oil States*, Chief Justice Roberts and Justices Ginsburg, Gorsuch, Kennedy, and Thomas

217. See *Arthrex*, 141 S. Ct. at 1981; see also *In re Alappat*, 33 F.3d 1526, 1531–32 (Fed. Cir. 1994) (en banc) (partially abrogated on other grounds) (“We hold that § 7 grants the Commissioner the authority to designate the members of a panel to consider a request for reconsideration of a Board decision. This includes, as in this case, the Commissioner designating an expanded panel made up of the members of an original panel, other members of the Board, and himself as such, to consider a request for reconsideration of a decision rendered by that original panel.”).

218. See *Arthrex*, 141 S. Ct. at 1981.

219. *Id.*

220. Golden, *supra* note 191, at 2461.

221. *Id.* at 2468 (citing *Morgan v. United States*, 298 U.S. 468, 481 (1936)).

222. *Id.* at 2460 n.100 (citing Transcript of Oral Argument at 34, *Oil States Energy Servs., LLC v. Greene’s Energy Grp.*, 138 S. Ct. 1365 (2018) (No. 16-712) (remarks of Kennedy, J.) (asking counsel whether his view of the situation would change if panel stacking “were rampant”)).

223. See, e.g., *In re Alappat*, 33 F.3d 1526, 1531–32 (Fed. Cir. 1994) (en banc); Oral Argument at 47:20, *Yissum Rsch. Dev. Co. v. Sony Corp.*, 626 F. App’x. 1006, 1007 (Fed. Cir. 2015), reproduced in Saurabh Vishnubhakat, *Disguised Patent Policymaking*, 76 WASH. & LEE L. REV. 1667, 1678–80 (2019); *Nidec Motor Corp. v. Zhongshan Broad Ocean Motor Co.*, 868 F.3d 1013, 1019 (Fed. Cir. 2017) (Dyk, C.J., concurring).

have all cited panel stacking as a possible Due Process Clause issue.²²⁴ This concern is also present in the academic literature.²²⁵ Given the due process concerns, it is odd that panel stacking by the Director is discussed as if it is a *good* thing in the opinion of the plurality and the opinions written by Justice Breyer and Justice Thomas.²²⁶

Panel stacking is also a means of indirectly maintaining executive control. In an article by Christopher J. Walker and Melissa F. Wasserman which was cited in both Chief Justice Roberts's opinion and Justice Gorsuch's opinion in *Arthrex*, agency head review was advocated as a means of harmonizing the USPTO with formal adjudication procedures under the APA.²²⁷ Their article specifically addresses and questions the due process argument against panel stacking by pointing to the presence of statutory avenues for executive control as a foil to the argument that such strong process protections would be required. For example, they argue that because agency head review is the "standard federal model" and because the APA expressly contemplates *de novo* agency head review in 5 U.S.C. § 557(b) that it would be "counterintuitive to conclude that it offends constitutional due process for the head of an agency to impose her policy preference."²²⁸ They further argue that the USPTO's lack of a broad grant of substantive rulemaking authority creates a particular need for agency head review as an avenue for patent policymaking.²²⁹

Professors Walker & Wasserman's argument is not necessarily inconsistent with Professor Golden's. While Professor Walker & Wasserman argue for the facial allowability of agency head review on statutory grounds, Professor Golden's argument can be viewed as an *as-applied* violation on Constitutional grounds. Without factual context, neither argument is exclusive of the other.

In its own "strong form," agency head final review arguably raises the same risks of bias as panel stacking by obviating the need for the Director to stack a panel. Agency head final review gives the Director the power to review the findings of the APJ *de novo* and thereby, if desired, undo a decision in an agency adjudication based on their policy preference. After *Arthrex*, why would a "rogue" Director, with a desire to achieve a particular result, even bother to stack a panel if they can just redo the decision themselves by instituting review *sua sponte*? By removing the need to act indirectly through panel stacking,

224. See, e.g., *id.*; see also Vishnubhakat, *supra* note 223, at 1678–80.

225. Golden, *supra* note 191, at 2460 n.100 and accompanying text.

226. United States v. Arthrex, Inc., 141 S. Ct. 1940, 1995 (2021) (Breyer, J., concurring) (citing panel stacking as evidence of "considerable control"); see also *id.* at 2002 (Thomas, J., dissenting) (also citing panel stacking as evidence of control).

227. See Walker & Wasserman, *supra* note 39, at 184–87.

228. *Id.* at 185.

229. *Id.* at 176.

agency head final review increases executive control over patent policy, but it also increases the opportunity for bias against the politically disfavored.

The constitutional line between due process and executive control depends on what “policy” means. Sometimes policymaking is, in fact, rulemaking. Sometimes it’s a preferred interpretation. Other times, it’s a statement of values. In still other instances, it is a choice to act or not. A policy doesn’t necessarily favor one side over another. For example, it would be counterintuitive to conclude that it offends constitutional due process for the head of an agency to correct an issue of fact or law, to remedy a procedural deficiency, or take another facially neutral action. However, on another extreme, if “policy” means “the outcome has to be X, regardless of the facts, otherwise my boss will fire me for jeopardizing their election,” that denies the parties a meaningful hearing in violation of the Constitution.

Using an adjudication as a vehicle for rulemaking or to articulate a new policy as to all is allowable and, indeed, common in administrative adjudication,²³⁰ but it can raise issues of fairness to the parties in the adjudication in which rule or policy changed.²³¹ While using adjudication to affect policy mixes quasi-judicial and traditionally executive roles, a combination of functions is not a problem per se.²³² It does, however, create an opportunity for bias if not necessarily an unconstitutional risk of bias.²³³ *Withrow* and its progeny tolerate a combination of functions by noting that “special facts and circumstances” may raise due process concerns but nonetheless allowing that combination of functions in deference to congressional intent and executive necessity.²³⁴ Despite the need to effectuate executive policy, the requirements of the Due Process Clause define the constitutional limits.

The *Arthrex* opinion continues a trend of increasing restrictions on adjudicator independence within Article II. Without independence, the risk of bias increases. While agency head review is likely not facially problematic, a set of facts which overcomes the “presumption of honesty and integrity” would

230. *See* *SEC v. Chenery Corp.*, 332 U.S. 194, 203 (1947) (“The choice made between proceeding by general rule or by individual, ad hoc litigation is one that lies primarily in the informed discretion of the administrative agency.”) *followed by*, *NLRB v. Bell Aerospace Co.*, 416 U.S. 267, 294 (1974).

231. *See id.* (considering whether applying a rule retroactively would cause “mischief”).

232. *See Withrow v. Larkin*, 421 U.S. 35, 58 (1975) (pointing to investigative and adjudicative functions).

233. *See id.* at 47.

234. *See id.* at 58; *see also* *N.L.R.B. v. Bell Aerospace Co.*, 416 U.S. 267, 292–94 (1974) (analogizing to *SEC v. Chenery Corp.*, 332 U.S. 194 (1947) in finding statutory authority to make rules and noting that rulemaking outside of the adjudication would “would make the administrative process inflexible and incapable of dealing with many of the specialized problems”).

support a finding that agency head review was unconstitutional as applied. If the Director's policy preference in an individual adjudication amounts to a prejudgment to the benefit of one side or another, i.e., "strong form" panel stacking, that would violate due process. Any opinion in Director Review that appears to take sides is, therefore, vulnerable to an as-applied due process challenge, though the burden of proof to show that unconstitutional bias had occurred would be heavy under current law.

C. "AS THEY THINK PROPER": *ARTHREX* AS A LIMIT TO CONGRESS'S STATUTORY CONTROLS

The plurality takes the view that the power of the President to "see that the laws be faithfully executed" encompasses a requirement that the agency head have final review in an IPR²³⁵ However, the Constitution also grants to Congress the power to vest the appointment power "as they think proper" and, of course, the power to grant patents themselves.²³⁶ Under the latter authority, Congress granted the power to review patents post-grant to the executive under statutory provisions designed to minimize the use of IPRs in patent policy making.²³⁷ In view of this limited statutory delegation and because that statutory delegation defines the law that the President is to faithfully execute, a greater deference to Congressional intent should have been owed.

As to the provisions of the APA, these rules are defaults and were allowably displaced by the governing statute.²³⁸ While the APA default rules in formal adjudication provide for agency head final review, indeed this is referred to in the Plurality opinion in *Arthrex* the "standard way," *requiring* agency head final review distinct from prior case law in that it *creates* additional powers for the Director where Congress had intended to limit them. The Plurality erred in *creating* authority resembling a statutory provision that Congress had superseded.

As to the statutory grant of authority in the governing statute of the USPTO, the IPR process lacks a clear executive interest because it was designed to be responsive and non-prosecutorial, seemingly to exclude the use of IPR as an executive enforcement action.²³⁹ Further, as to rulemaking through adjudication, an individual APJ never had discretionary authority to

235. *United States v. Arthrex, Inc.*, 141 S. Ct. 1970, 1983 (2021) (citing *Myers v. United States*, 272 U.S. 52, 135 (1926)).

236. U.S. CONST. art. II, § 2, cl. 2; *see also* U.S. CONST. art. I, § 8, cl. 8.

237. *See Arthrex*, 141 S. Ct. at 1992 (Gorsuch, J., concurring) (describing amicus briefs which attest to the independence of APJs as statutory design).

238. *See infra* Section III.C.1 and associated discussion.

239. *See infra* notes 261 and 262 and associated discussion.

make new rules because their decisions aren't precedential by default.²⁴⁰ Director review, by contrast, may well be precedential. As to the issues considered within the adjudication itself, the APJs consider only whether contents of the claim was already available to the public and whether a person of skill in the art would have understood the claim to be obvious.²⁴¹ APJs are charged with no broad consideration of public policy or economic analysis.

Finally, absent a statutory grant, the President's power to see that the laws be faithfully executed does not admit a grant of inherent power to vindicate a policy interest in the outcome of an *individual* agency adjudication. The Plurality's view of executive discretion finds no precedent even in case on which it relies and, further, fails to comport with traditional notions of justice.²⁴²

1. *The A.I.A. Allowably Displaced the Administrative Procedure Act Default for Agency Head Review*

While the Plurality opinion in *Arthrex* calls "higher level agency reconsideration" the "standard way,"²⁴³ the APA's framework for adjudication is flexible. While § 557(b) contemplates the availability of *de novo* review by the agency in formal adjudication,²⁴⁴ the APA nowhere requires it from all agencies at all times; instead, Congress can supersede provisions of the APA by statute so long as it does so expressly.²⁴⁵ As to adjudication, Congress is allowed by statute to require additional procedures, so long as they meet or exceed the requirements of the Due Process Clause.

The Plurality recasts the purpose of § 557(b) from procedural protection to a means of "maintaining political accountability and effective oversight."²⁴⁶ This interpretation of the statute is wrong at least because § 557 does not apply to all agency adjudication, just formal adjudication.²⁴⁷ Further, § 557(d)(1)(A) also provides a ban on *ex parte* communication, which would seem to limit this same oversight.²⁴⁸ Indeed, the Ninth Circuit has explicitly read this provision to preclude strong executive control.²⁴⁹ Instead, the review provision of § 557(b) is *procedural* protection for parties to administrative adjudication

240. See SOP 2, *supra* note 44, at 1–2.

241. See 35 U.S.C. § 311(a)–(b).

242. See *infra* Section III.C.3 and associated discussion.

243. *United States v. Arthrex, Inc.*, 141 S. Ct. 1970, 1984 (2021).

244. 5 U.S.C. § 557(b).

245. 5 U.S.C. § 559; see also *Dickenson v. Zurko*, 527 U.S. 150, 154–55 (1999) (interpreting § 559 as requiring a clear "statutory intent").

246. See *Arthrex*, 141 S. Ct. at 1984.

247. 5 U.S.C. § 557(a).

248. 5 U.S.C. § 557(d)(1)(A).

249. See *Portland Audubon Soc. v. Endangered Species Comm'n*, 984 F.2d 1534, 1543–48 (1993) (citing *Myers v. United States*, 272 U.S. 52, 135 (1926)).

assuring that they receive a fair level of process in agency proceedings. Not every agency adjudication is entitled to judicial review;²⁵⁰ therefore, § 557(b) assures that there is something like an appeal within the agency in formal, but not informal, proceedings.

The pre-*Arthrex* provisions of 35 U.S.C. § 6(c) expressly supersede 5 U.S.C. § 557(b)'s agency head review procedure. Section 6(c) reads "each . . . *inter partes* review shall be heard by at least three members of the Patent Trial and Appeal Board," and the now-severed portion of the statute reads "[o]nly the Patent Trial and Appeal Board may grant rehearings."²⁵¹ This is quite clearly in conflict with § 557(b)'s text: "[w]hen the presiding employee makes an initial decision, that decision then becomes the decision of the agency without further proceedings unless there is an appeal to, or review on motion of, the agency within time provided by rule."²⁵² The plain language of both statutes cannot be followed. Because Congress could not have intended both statutes to be controlling, there is clear statutory intent to displace review by "the agency" for final review by the PTAB Agency head final review, as imposed by the *Arthrex* decision, creates authority that Congress had statutorily excluded.

2. *The Limited Statutory Authority Granted to PTAB APJs Lacks a Clear Executive Interest*

The view of the majority on the constitutional issue frames the separation of powers ruling in rigidly formalist terms. It holds that the power wielded by the PTAB to cancel a patent is executive power because of the PTAB's location within the Executive Branch;²⁵³ however, viewed through the lens of the governing statute, the discretionary authority of APJs is not so clearly an executive entitlement. While adjudicators within Article II occupy a variety of roles, some of which take on legislative or executive character in addition to adjudicatory functions, a PTAB APJ by its governing statute does not have a mixed role. As to rulemaking, APJs have little power to shape office procedures let alone substantive patent law. As to traditionally executive functions, APJs have no prosecutorial or investigative role in the IPR proceeding itself. Further, APJs have limited enforcement power. APJs exercise discretion that is singularly adjudicatory and entirely overseen by the CAFC. None of this is to say that patents or the USPTO is divorced from politics, only that the powers of APJs themselves lack a clear executive interest beyond a general interest in the application of a particular set of facts to law.

250. 5 U.S.C. § 701.

251. 35 U.S.C. § 6(c).

252. 5 U.S.C. § 557(b).

253. *See* United States v. Arthrex, Inc., 141 S. Ct. 1970, 1982 (2021).

APJs don't have rulemaking authority, but agency-wide, the USPTO has some rulemaking authority. The USPTO has two separate sources of rulemaking authority: the general provisions under § 2(b)(2) and rulemaking specific to IPRs in § 316.²⁵⁴ The Supreme Court has held that § 316 rulemaking authority includes the ability to set the claim construction standard in IPR consistent with a broader public policy interest in seeing that patents have legitimate scope.²⁵⁵ Section 2(b)(2) refers to "proceedings" and has never been interpreted to grant a broad substantive rulemaking authority.²⁵⁶ Much of the substantive patent law is judge-made.

While adjudication can be used as a venue for rulemaking in agencies in general, an IPR reserves rulemaking power from the APJs. A decision from the panel of APJs in IPR does not by default have the force of precedent within the agency.²⁵⁷ Instead, consistent with the statutory grant of rulemaking to "the Director," the Director has the power to designate particular opinions of the PTAB to have the force of precedent within the USPTO, and any other opinion is only persuasive authority.²⁵⁸ In practice, the Precedential Opinion Panel (POP), a group of senior APJs and the Director, recommends that certain decisions have the force of precedent within the USPTO, which the Director may then approve.²⁵⁹ There are, as of this writing, 101 PTAB opinions which have achieved this designation.²⁶⁰ Chances are that any individual proceeding won't be deemed precedential and, when they are, it is with the Director's oversight. APJs, therefore, do not have discretion to set standards that determine the relationship between the agency and parties outside the particular IPR that they preside over.

APJs don't have investigative or prosecutorial power. Starting at the level of the USPTO itself, the agency's enforcement power in IPR is limited. USPTO has no power to affirmatively investigate and cancel bad patents. Instead, an IPR is requested by a person who is not the owner, rather than being instigated by the agency.²⁶¹ And once a request is filed, an administrative hearing within the USPTO is not guaranteed. Instead, institution decisions in

254. 35 U.S.C. §§ 2(b)(2), 316.

255. *See* *Cuozzo Speed Techs., LLC v. Lee*, 579 U.S. 261, 279–81 (2016) (explaining that "[i]nter partes review helps protect the public's paramount interest in seeing that patent monopolies . . . are kept within their legitimate scope") (citation omitted).

256. *See id.* at 277 (citing as an example *Cooper Techs. Co. v. Dudas*, 536 F.3d 1330, 1335 (Fed. Cir. 2008)).

257. SOP 2, *supra* note 44, at 3.

258. *Id.* at 2–3, 11.

259. *Id.* at 4.

260. *Alphabetical Listing of Precedential Decisions*, U.S. PATENT & TRADEMARK OFF., <https://www.uspto.gov/patents/ptab/decisions-and-opinions/precedential> (last visited May 1, 2023).

261. 35 U.S.C. §§ 311–12; *see also* *Uniloc 2017 LLC v. Facebook Inc.*, 989 F.3d 1018, 1027–28 (Fed. Cir. 2021); *supra* note 20 and accompanying text.

IPR are within the discretion of the Director.²⁶² Once the adjudication commences, the USPTO does not take the role of “prosecutor” in an IPR; instead, the action is an adversarial action between the petitioner and the patent owner. Because enforcement is fundamentally responsive and non-prosecutorial, the USPTO has limited power to “target” patents that it believes are invalid.

Within the agency, APJs do play a role in the institution of IPRs, but the Federal Circuit has specifically held that institution decisions do not mix adjudicative and executive functions.²⁶³ The Director’s power to institute IPRs is delegated to the PTAB which institutes an IPR on behalf of the Director.²⁶⁴ In practice, the decisions to institute and ultimately hear the IPR are given to the same panel of three APJs.²⁶⁵ The Federal Circuit has held that “the decision to institute and the final decision are adjudicatory decisions and do not involve combining investigative and/or prosecutorial functions with an adjudicatory function,” likening the institution decision to a district court determination of likelihood of success on the merits and then deciding the merits.²⁶⁶ In the same case, the Federal Circuit also upheld the Director’s authority to delegate these decisions.²⁶⁷

As to the enforcement of judgments, the USPTO has no power to award or collect fines or fees in response to a decision in IPR. If a patent is deemed invalid, the only available remedy is a loss of the ability of the former patent owner to enforce the rights that the agency itself created in error.²⁶⁸ Further, invalidity only takes effect after the owner’s opportunity for judicial review has ended.²⁶⁹ In the Federal Circuit’s view, the remedy in an IPR releases to the public the content of a patent that was void ab initio.²⁷⁰ The USPTO does not order injunctions. No damages are awarded or penalties collected; no property is impounded. Neither the USPTO nor the APJs exercise discretion in the size or character of a judgment or whether or how it should be collected.

Regarding the specific legal standards considered in IPR—the application of statutory standards of novelty and obviousness to the claims based on prior

262. 35 U.S.C. § 314.

263. *Ethicon Endo-Surgery, Inc. v. Covidien LP*, 812 F.3d 1023, 1030 (Fed. Cir. 2016).

264. 37 C.F.R. § 42.4.

265. *Ethicon Endo-Surgery*, 812 F.3d at 1028 (“The PTO has determined that, in the interest of efficiency, the decision to institute and the final decision should be made by the same Board panel.”).

266. *Id.* at 1030.

267. *Id.* at 1032–33.

268. 35 U.S.C. § 318(b).

269. *Id.*

270. *Fresenius USA, Inc. v. Baxter Int’l Inc.*, 721 F.3d 1288, 1346 (Fed. Cir. 2009).

patents and printed publications²⁷¹—neither § 102 nor § 103 of Title 35 includes an explicit consideration of a broader patent policy interest.

Much of what is considered in an IPR is strictly factual, which would seem to preclude consideration of a broader patent policy. For example, novelty is considered to be a question of fact rather than law. It would seem odd to consider whether it was good “policy” that something was found to be new. Similarly, obviousness is a legal determination based on a set of factual predicates. A determination of obviousness requires: consideration of the scope and content of the prior art, the differences between the prior art and the claims at issue, and the level of ordinary skill in the pertinent art. Further, so long as there is an adequate “nexus” with the claimed invention, the office may also consider secondary factual showings of non-obviousness including: commercial success of the invention, long felt but unsolved need for the invention, failure of others, licensing and copying by others, praise for invention, unexpected results created by the claimed invention, unexpected properties of the claimed invention, and skepticism of skilled artisans before the invention.²⁷² None of these factual showings support an articulation or consideration of a public policy interest.²⁷³ Insofar as there is a public interest in proper patent scope, that is fully aired by increasing the likelihood of a proper factual determination, something the Director is, at least for most art-spaces, worse at achieving.

Even if questions of fact aren’t a clear vehicle for policymaking, patent validity still involves legal determinations. Obviousness involves a legal determination, as does claim construction. If there is a broader policy interest to be vindicated in an IPR, this is where it would be found. Nevertheless, as discussed above, the USPTO’s power to change substantive legal standards is limited and APJs do not exercise it.

Insofar as the Director has rulemaking authority, the Director is free to promulgate rules before or after an IPR. Further, if the Board makes a decision that the Director particularly approves, that decision may be designated as precedential after the fact. If the panel makes a decision that the Director doesn’t approve, that decision does not bind anyone else. The Director may respond by directly designating a standard. While rulemaking through adjudication is common within agencies, there is nothing in the APA that *requires* “hybrid” rulemaking or even a particular set of procedures for hybrid rulemaking. Instead, by giving rulemaking power to the Director but not giving

271. 35 U.S.C. § 311(a)–(b).

272. *Power Integrations, Inc. v. Fairchild Semiconductor Int’l, Inc.*, 711 F.3d 1348, 1368 (Fed. Cir. 2013).

273. *See id.* at 1356 (describing these as “objective evidence” and “factual showings”).

the Director final review of IPR, it would seem that the statute does not allow an IPR to be used as a rulemaking *except* by later designation by the Director.

In summary, the discretion of APJs in an IPR is not discretion in determining how the agency's rules will apply to the public at large, nor is it discretion in determining who the U.S.P.T.O believes is worthy of its attention and resources. Instead, the discretion inherent in determining whether a particular claim is unpatentable is the discretion in applying the law to the parties' individual interests. While patents are certainly not divorced from politics, the discretionary power wielded by APJs in an IPR is far less clearly an executive entitlement because of the absence of traditionally executive functions.

3. *A General Public Policy Interest in the Application of Law to Facts is Not an Executive Interest*

Though declining to explicitly frame its view through the lens of the Article II Vesting Clause, the majority on the constitutional holding in *Arthrex* suggests that the vesting of Executive power should include a President's discretionary policy interest in the outcome of an *individual* agency adjudication. Both as to agency adjudication in general and particularly with respect to issues considered in IPR, this expansive view of executive discretion finds no precedent even in the case on which the Plurality relies. Further, this expansive view of executive discretion fails to comport with traditional notions of justice.

As to agency adjudication in general, even the Supreme Court's most expansive views of executive power appear to reserve an interest in the outcome of an individual adjudication from executive discretion. Citing *Myers v. United States*, Chief Justice Roberts's Opinion criticizes the dissent for its lack of "any concern for the President's ability to 'discharge his own constitutional duty of seeing that the laws be faithfully executed.'"²⁷⁴ It seems that the duty to be discharged is that the President can see that the laws are faithfully executed in an individual agency adjudication. However, though notable for its view of the expansive powers of the executive, the *Myers* opinion itself in dicta rejects what Chief Justice Roberts's Opinion cites it for and reads "there may be duties of a quasi-judicial character imposed on executive officers and *members of executive tribunals* whose decisions after hearing affect interests of individuals, the discharge of which the President *cannot in a particular case properly influence or control*."²⁷⁵

274. *United States v. Arthrex, Inc.*, 141 S. Ct. 1970, 1983 (2021) (citing *Myers v. United States*, 272 U.S. 52, 135 (1926)).

275. *Myers*, 272 U.S. at 135 (further suggesting that later removal after adjudication *would allow* the President to "see that the laws be faithfully executed" (emphasis added)).

The *Myers* decision, once regarded as the “apex of constitutional doctrine favoring presidential power,”²⁷⁶ reserves power over adjudication from the President because the outcome of a single adjudicatory proceeding is not something conventionally thought of as a political power. This principle is not absent from the foundations of administrative law.²⁷⁷ The *Londoner* and *Bi-Metallic* distinction between rulemaking and adjudication creates a division, though not always a clear one, between controversies that affect broad groups and discrete claims affecting individuals.²⁷⁸ The former are the domain of rulemaking, whose fairness is overseen by notice, comment, and the presidential vote rather than individual procedural protections. The latter affect individual interests and have greater due process protections because they rely on the participation of distinct parties.²⁷⁹ As a result, an adjudication is focused on individual, and there is less room to affect policy. Despite being a former President and one of the Supreme Court’s great advocates of Presidential power, even Justice Taft found limits to the President’s ability to try to influence or control an adjudication.

The discretion in applying facts to law in an individual case is the discretion given generally to adjudicators. If this were in the Article III context, it would be called judicial discretion. This discretion is the same discretion that is passed to the CAFC if either party appeals and is overwritten by their opinion. As discussed in the preceding section, agency head final review upsets the statutory scheme of the A.I.A.—which limited the access of APJs to rulemaking and to functions associated with the executive. By creating a new executive power, the *Arthrex* remedy seems to imply that an adjudicative proceeding in Article II has a due process ceiling, because the decision maker is entitled to only so much independence and, implicitly, impartiality.

Further, requiring executive oversight in IPR upsets the internal separation of functions within the USPTO. The remedy in *Arthrex* seems to require an opportunity to make policy, implying that a combination of functions in agency adjudication is a *requirement* of the Appointments Clause. After *Arthrex*, Congress is effectively forbidden from creating a form of intra-agency separation of powers which segregates adjudication from the policy interests of the Director. This seems to run counter to the very separation of powers principles that the Court had intended to vindicate.

276. Kagan, *supra* note 66, at 2363.

277. *Id.* (citing *Londoner v. Denver*, 210 U.S. 373 (1908) and *Bi-Metallic Inv. Co. v. State Bd. of Equalization*, 239 U.S. 441 (1915)).

278. *Id.*

279. *See id.*

D. PRESCRIPTIONS REGARDING AGENCY HEAD FINAL REVIEW

Agency head final review strains constitutional fairness in IPR, lacks a clear relationship to the supposed constitutional violation, directly contradicts the agency's governing statute, inefficiently adds a new hurdle to appeal, and protects a weak executive interest that is overwritten entirely on judicial review. The Court, however, does not require the Director to use their new power. In fact, it places squarely within the Director's power the ability to decide to what degree they will allow independent adjudication and what procedures will be used. This Section proposes various measures that the Director can take to improve fairness and efficiency in the new Director Review process.

Section III.D.1 summarizes the interim procedures for Director Review released by the USPTO in response to *Arthrex*. The Supreme Court's opinion instructed the USPTO that it must provide a route to request review of the Director, but it left exactly how to implement that directive to the USPTO. Since Director review is unlikely to go away, the USPTO can take affirmative measures to improve process protections within the agency. Section III.D.2 discusses the issues caused or left open by the interim guidance and offers some suggestions.

1. *The USPTO's Interim Guidance*

Filing a request for *Arthrex* review is available following a final decision in an IPR, post grant review (PGR), covered business method review (CBM), or following a final decision after a panel rehearing by the Board.²⁸⁰ The USPTO has indicated that requests will be subject to the requirements of 37 C.F.R. § 42.71(d).²⁸¹ After an unfavorable final written decision in an IPR or P.G.R., a party has the 30 days to request either Director review or a rehearing by the board.²⁸² A party may not request both Director review and rehearing by the board.²⁸³ Only a party to the proceeding may file a request; however, the Director may authorize a third-party briefing similar to other proceedings before PTAB.²⁸⁴ The filing of the request resets the timeline to appeal to the Federal Circuit.²⁸⁵

Institution of a Director review is a discretionary decision of the Director, and the Commissioner for Patents has indicated that a review may be instituted

280. *Arthrex Q&A's*, U.S. PATENT & TRADEMARK OFF., Question A9 (Dec. 4, 2021) [hereinafter *Arthrex Q & A's*] <https://www.uspto.gov/patents/patent-trial-and-appeal-board/procedures/arthrex-qas>; see also Boardside Chat, *supra* note 176, at 31:40.

281. *Arthrex Q & A's*, *supra* note 280, at Question A2; see also 37 C.F.R. § 42.71(d).

282. *Arthrex Q & A's*, *supra* note 280, at Question A2, A3.

283. *Id.* at Question A3.

284. *Id.* at Question B4, B5.

285. *Id.* at Question A2; see also 37 C.F.R. § 90.3(b).

sua sponte even without prior filing of a request.²⁸⁶ If the burden of reviewing requests becomes significant, the Office has indicated that review of requests may be aided by an advisory board similar to the existing POP; however, ultimate decision-making power would rest with the Director.²⁸⁷ POP members include the Director, the Commissioner for Patents, the Chief Judge, and operational Chief Judges.²⁸⁸

Once instituted, the Director will review the request *de novo* on the existing record, and no new evidence or argument will be considered.²⁸⁹ There may be an opportunity for briefing and oral arguments, but no briefing or oral arguments will be given as a matter of right.²⁹⁰ Consistent with the requirements of *Arthrex*, after a decision is rendered, it is considered the final decision of the agency, and no further requests for review within the agency will be heard.

2. Prescriptions for the Agency Head Review Process

The preliminary guidance leaves a number of issues open. The USPTO is currently taking comments from the public on updates and changes to the Director review procedure, and no formal rulemaking has yet been announced.²⁹¹ Further, there has been some discussion of updating the law in response to *Arthrex*.²⁹² A brief summary of open questions and proposed changes are summarized below. The takeaway from these suggestions is that the Office in implementing Director reviews has—at least normatively—an obligation to be clear, consistent, quick, and ethically sound.

What are the Director's obligations in terms of a written opinion? The USPTO has made no commitments on this issue.²⁹³ Further, the PTAB has in the past received criticism from the Federal Circuit for opinions that are too short or are insufficiently comprehensive.²⁹⁴ In the first review taken, rather

286. *Arthrex Q & A's*, *supra* note 280 at Question A1, A6.

287. Boardside Chat, *supra* note 176, at 39:41 and 53:50.

288. SOP 2, *supra* note 44, at 1–2.

289. *Arthrex Q & A's*, *supra* note 280, at Question A1, A7.

290. *Id.*

291. *Id.* at Question C4 (calling informally for feedback); *see also*, Request for Comments on Director Review, Precedential Opinion Panel Review, and Internal Circulation and Review of Patent Trial and Appeal Board Decisions, 87 Fed. Reg. 43249 (July 20, 2022) (calling formally for comments which closed September 19, 2022).

292. Restoring the America Invents Act, S.2891, 117th Cong. (as introduced to the Senate, Sept. 29, 2021) (taking a position on Director review among other proposals).

293. Boardside Chat, *supra* note 176, at 48:05.

294. *See, e.g.*, Pers. Web Techs., LLC v. Apple, Inc., 848 F.3d 987, 993 (Fed. Cir. 2017) (“The Board’s decision here is inadequate. The Board did not sufficiently explain and support the conclusions . . .”); *Arista Networks, Inc. v. Cisco Sys., Inc.*, 726 F. App’x 787, 788 (Fed. Cir. 2018) (“Because the Board did not adequately explain its reasoning on a point that was central to its analysis, we vacate the Board’s determination.”).

than dismissed, by the Director in November 2021, the substantive analysis spanned one paragraph but was directed to a relatively simple issue.²⁹⁵ While Director Vidal's opinions since taking office have once reached over sixty pages, only four of fifteen have crossed the ten page mark.²⁹⁶ However, page counts alone are a poor measure of quality. Of fifteen opinions since the transition, more than half of director reviews related to the board's institution decision, which is already committed to the Director's discretion by statute, and several others relate to procedural defects.²⁹⁷ Neither issue merits a marathon opinion. Thus far, only one decision has involved modifications to the board's final written decision, which decision was among the longer written opinions.²⁹⁸ In summary, the quality of the written record has not been an issue.

Nevertheless, the Office should acknowledge a requirement of a written record supported by substantial evidence and accompanied by its reasoning in Director review orders, as required under the reviewability provisions for formal adjudications under the APA.²⁹⁹ This requirement is equivalent to that required by other final decisions of the PTAB.³⁰⁰ Further, this requirement is motivated by traditional principles of administrative law and judicial review. The written record reviewed by the Federal Circuit should be complete. Without a full articulation of the Director's reasoning, it will be unnecessarily difficult to reconstruct the line of the reasoning that motivated the Director's decision. This is particularly true if the Director is overturning some aspect of the PTAB's decision. While the USPTO should proactively provide full and complete reasoning for any decision made using different reasoning than the PTAB, acknowledgement of the statutory mandate of the APA or, alternatively, a similar or higher statutory mandate in Title 35 would improve these protections.

How long will a Director Review take? While the USPTO has acknowledged that there is a need to resolve issues quickly, the agency has indicated that resolution will be complete within 18 months by agency *policy*,

295. Decision in Response to Request for Director Review, Ascend Performance Materials Operations LLC v. Samsung SDI Co., No. IPR2020-00349 (PTAB, Paper No. 57, Nov. 1, 2021).

296. *Status of Director Review Requests*, U.S. PATENT & TRADEMARK OFF., <https://www.uspto.gov/patents/patent-trial-and-appeal-board/status-director-review-requests> (last visited May 1, 2023).

297. 35 U.S.C. § 314; *see also* 37 C.F.R. § 42.4 (delegating the institution decision to the PTAB).

298. Status of Director Review Requests, *supra* note 296; *see also* Decision granting rehearing and modifying the Final Written Decision, Nested Bean, Inc. v. Big Beings Pty Ltd, No. IPR2020-01234 (PTAB, Paper No. 42, Feb. 24, 2023).

299. *See* 5 U.S.C. § 706.

300. *See Pers. Web Techs.* 848 F.3d at 992.

though not by statutory mandate.³⁰¹ In its discussion of the statutory 18-month rule, the USPTO appears to have interpreted that the deadline applies to the final written decision by the Board, not inclusive of any rehearing or Director review.³⁰² Director review adds another procedural hurdle for parties, and there is a risk that Director review could be used as a delaying tactic depending on the state of parallel District Court proceedings. Further, because the predicted speed of administrative proceedings is a factor in whether a District Court grants a stay,³⁰³ it is crucial to set expectations. While the USPTO's policy is a good one, to avoid delaying tactics and provide predictability for all parties, the statute should be amended to clarify that 18-month rule is inclusive of completion of Director review.

What are the ethical obligations of the Director and PTAB judges? While the scathing criticism of PTAB judges regarding conflicts of interest from Justice Gorsuch will likely motivate the Office to proactively strengthen and enforce its current ethical standards, Title 35 should be amended to statutorily require a basic set of ethical standards for PTAB judges mirrored on those the USPTO has already adopted. Senators Leahy and Cornyn propose amending the language of Title 35 to restrict *ex parte* communication between the Director and the empaneled PTAB judges during post-grant reviews;³⁰⁴ however, a more comprehensive ethical rules should be implemented. While the PTAB has voluntarily adopted recusal rules,³⁰⁵ there is a statutory gap because the federal recusal statute does not apply to administrative adjudicators.³⁰⁶ Codification of recusal and ethical rules could also be modeled on the A.B.A.'s Model Code of Judicial Conduct for Federal Administrative Law Judges, which is modeled on the Model Code of Conduct for United States Judges.³⁰⁷ These standards should also extend to the Director when acting the capacity of a PTAB judge. While the ethical issues raised by Justice Gorsuch are rare, codification of ethical standards is a good idea regardless of the frequency of issues.

301. Boardside Chat, *supra* note 176, at 49:25; *see also* 35 U.S.C. § 316(a)(11) (providing a requirement for a final determination within 18 months).

302. Boardside Chat, *supra* note 176, at 49:25.

303. *Universal Elecs., Inc. v. Universal Remote Control, Inc.*, 943 F. Supp. 2d 1028, 1030–31 (C.D. Cal. 2013) (considering the state of parallel administrative proceedings in each of the three significant factors in deciding whether to stay an action: (1) whether discovery is complete and whether a trial date has been set; (2) whether a stay will simplify the issues in question and trial of the case; and (3) whether a stay would unduly prejudice or present a clear tactical disadvantage to the nonmoving party) (quotations omitted).

304. Restoring the America Invents Act, S.2891, 117th Cong., p.13 ln. 4–14 (as introduced to the Senate, Sept. 29, 2021).

305. SOP 1, *supra* note 47, at 3–4, 13–14.

306. Virelli, *supra* note 207, at 1355.

307. *Id.* at 1359.

On what grounds should the Director institute review? A request for a panel rehearing is available on a “misapprehension of fact or law.”³⁰⁸ The USPTO has indicated that Director review is available on a wider variety of issues, and it has given no indication that the misapprehension of fact or law standard will apply to Director reviews.³⁰⁹ The decision in *Arthrex* appears to grant the Director extensive discretion, so statutorily limiting the Director’s review to a misapprehension of fact or law may be impossible. However, the Director should hold to such a standard proactively. First, this will improve efficiency by limiting the scope of the Director’s burden to produce a written opinion only to the issue on review. Second, when the Director allows briefing by the parties, narrowing the scope of review will reduce the cost of producing briefing and improve the focus of the arguments. Third, it will make it easier for the Director to choose which cases to review if the Director requires the parties to articulate the issue they want reviewed. Therefore, the Director should proactively maintain the “misapprehension of fact or law” standard.

What is the validity of the POP or, put another way, to what extent are the Director’s powers non-delegable? The validity of the POP arguably re-raises the issue that the *Arthrex* decision meant to stop, and at least one litigant has argued as much.³¹⁰ The USPTO has indicated that the POP will continue, that precedential opinions will not bind the Director,³¹¹ and that at least to some extent the Director may use a body like the POP to filter cases for review should a backlog of requests develop.³¹² In my opinion, the POP is generally a good thing. It provides notice as to what rules the PTAB will apply, and it provides a structured avenue for decision-making. Further, it does not appear to violate *Arthrex*’s mandate for Director discretion because the Director has final authority. The POP should continue, but the standard operating procedures for the POP require updating to clarify how the POP will be adapted for Director reviews.

How often should the Director take reviews? Admittedly, predictions are difficult this early on; however, it seems like review by the Director won’t affect many patent cases. In the first year of Director Vidal’s tenure, she granted director review in 15 cases, 13 of which were taken *sua sponte*.³¹³ For context, of the relatively small number of Requests for Rehearing by the board that are

308. 37 C.F.R. § 41.52(a)(1).

309. Boardside Chat, *supra* note 176, at 44:25.

310. Brief of Appellant Cellspin Soft, Inc. Regarding How This Case Should Proceed in Light of *Arthrex* at 6–7, *Cellspin Soft, Inc. v. Canon U.S.A., Inc.*, No. 20-1947 (Fed. Cir July 7, 2021), BL-70.

311. Boardside Chat, *supra* note 176, at 45:38.

312. *Id.* at 39:41, 53:50.

313. Status of Director Review Requests, *supra* note 296.

asked for about 5% are heard.³¹⁴ This amounts to about a dozen per year.³¹⁵ It is interesting that, at least initially, the review power is being used most often *without* prior request.

V. CONCLUSION

Justice Breyer's concurrence asks the most important lingering question after *Arthrex*: "Are the President and Congress, through judicial insistence upon certain mechanisms for removal or review, to be denied the ability to create independent adjudicators?" At least Justice Gorsuch's opinion on this issue is clear. Viewing the issue through a lens strict separation of powers and expansive executive authority, his opinion suggests that due process demands adjudication of any proceeding even implicating a private property right in an Article III court. Justices Breyer's opinion provides a different resolution. He would hold that proceedings implicating private property rights can be arbitrated in Article II by independent adjudicators but under a less expansive view of executive authority. However, the opinions of the remaining Justices are less clear. The *Arthrex* Plurality declines to explain how its view of strict separation of powers comports with independent adjudication in Article II if it even does at all.

While agency head final review puts the final decisions of the USPTO under the direct review of the Director, increasing political control has the potential to weaken the quality of process afforded in IPR and to increase the potential for bias in the name of "policy." The Director should not get final review over individual PTAB decisions, not because individual PTAB decisions are somehow menial or trivial or because individual PTAB decisions are entirely lacking in political salience, but because issues of fact and law predominate in an individual IPR, overshadowing issues of policy. Moreover, Congress should be able to set limits on what "policy" interests can be furthered by an agency in an adjudication. The A.I.A.'s internal division of powers, protections of APJs from political interference, and provisions for direct judicial review explicitly center process and minimize policy. Accordingly, validating the policy interest underlying an individual arbitral proceeding with agency head review at the expense of independent adjudication is unwarranted.

314. Mock & Houston, *supra* note 33.

315. *Id.*

THERE'S NO UNDERSTANDING STANDING FOR PRIVACY: AN ANALYSIS OF *TRANSUNION V. RAMIREZ*

Summer Elliot[†]

I. INTRODUCTION

What happens when enforcing privacy rights becomes entirely subject to Supreme Court beliefs about harm? *TransUnion LLC v. Ramirez*¹ ensures we will soon find out. Litigation of modern privacy rights faces two challenges: (1) privacy rights are difficult to define, and (2) the Supreme Court has narrowed the doctrine of standing, keeping privacy cases from entering a court room. Both of these issues make it difficult for privacy law to evolve, either by statute or common law, and make it difficult to advance the protection of privacy rights. The *TransUnion* Court has implicated and worsened both issues.

Privacy rights and harms are challenging to define for courts in the United States, even outside of *TransUnion*'s confused ruling. First, common law privacy harms were ossified in the 1960s when William Prosser, a giant of torts law, created his four "privacy torts."² Modern privacy law tries to fill the gaps in the common law by relying heavily on statutes and legislation.³ This means privacy law must constantly evolve and adapt to an ever-changing technology landscape by defining new privacy harms and creating new statutes. Defining these harms is difficult as privacy encompasses many types of abstract harms that are often disaggregated across many individuals.

Second, the Supreme Court's narrowed standing doctrine also limits effective protection of privacy rights. In the last 50 years, the Supreme Court has shifted its standing doctrine from a determination of whether a plaintiff has a connection to a harm to an inquiry of whether the harm itself suffices

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1. *TransUnion LLC v. Ramirez*, 141 S.Ct. 2190 (2021).

2. Neil M. Richards & Daniel J. Solove, *Prosser's Privacy Law: A Mixed Legacy*, 98 CALIF. L. REV. 1889-90 (2010) In the early 1960s, Prosser collected all cases that related to upholding privacy law and retrospectively categorized these cases into four torts: Intrusion Upon Seclusion, Public Disclosure of Private Facts, Appropriation of Name or Likeness, and False Light.

3. See e.g., The Fair Credit Reporting Act, 15 U.S.C. § 1681 (attempting to protect individuals' information that is collected and stored by credit reporting agencies, and which the four Prosser Torts do not specifically address).

for standing. The Court has narrowed its definition of harm for standing to such an extent that it can run explicitly counter to a Congressional statute.

The *TransUnion* decision continues to arbitrarily restrict standing by defining an intangible injury, which unlike harm to property or a person is a more abstract injury, as those harms only with a “traditional common law analogue.” Because violations of privacy rights create nearly exclusively intangible harms, and are often new rights that do not have a traditional common law anchor, the Court’s ruling substantively limits current privacy statutes that purposefully go beyond the common law. Further, more than any other standing case or contemporary Supreme Court decision, *TransUnion* questions and places limits on Congress’s abilities to create new rights and define new privacy harms that would be recognized under Article III. This limitation will severely hamper the ability for privacy rights not just to be enforced now, but to evolve in a rapidly changing digital landscape.

The Court couches its decision in judicial restraint and postures a policy agenda of keeping frivolous lawsuits out of federal courts. However, the Court’s decision usurps power from the legislature with a bootstrapped Constitutional analysis that has no clear place in privacy law. In doing so, the *TransUnion* Court prevents plaintiffs with real injuries from reaching the court, lets bad actors evade punishment, and hinders privacy law from becoming more equitable and effective.

Part II of this Note moves through a brief history of the flawed modern standing jurisprudence. Then it summarizes the origin of privacy law (as well as the limitations of privacy law) and provides an overview of why privacy harms are difficult for courts to manage even without a restrictive standing doctrine. Part III summarizes the *TransUnion* decision and its key problems. Part IV will analyze how the *TransUnion* decision narrows standing and the ability to define privacy harms, thereby encouraging the rigidity of privacy law and limiting recourse for violations.

II. BACKGROUND: STANDING, PRIVACY LAW, AND DEFINING PRIVACY HARMS

Even before the *TransUnion* decision, both the history of standing jurisprudence and the origins and development of privacy law created a difficult landscape to litigate privacy rights. Access to federal courts under Article III standing has been narrowed over the last 50 years. Common law privacy was ossified into four distinct torts in the 1960s, which are difficult to apply common law privacy to modern technology.⁴ But even as privacy

4. See *supra* note 2 (Williams Prosser’s four privacy torts).

statutes filled these gaps in the common law, privacy harms remain challenging for legislatures to define and courts to navigate.

A. A BRIEF HISTORY OF STANDING

Standing is defined as the required connection a plaintiff has to the harm they allege in court.⁵ In *Marbury v. Madison*, the Court held for the first time that Article III of the Constitution gave the Supreme Court its judicial power to review and rule on “cases and controversies.”⁶ Chief Justice John Marshall stated “for every legal right there is a remedy.”⁷ Therefore, the Court would review allegation of harms to legal rights provided that Article III would deem the alleged harm proper for federal court.⁸ Deeming what was “proper” for federal court is understood as “justiciability” analysis, and part of that analysis is the doctrine of standing. During World War II and up and through the 1960s, plaintiffs were broadly able to demonstrate a connection to an alleged harm in court even if they were alleging harms for community interests rather than their own individual injuries.⁹ But in the last 50 years, the legal doctrine of standing has been used by the Court to constrict the ability for plaintiffs to enter federal courtrooms. *TransUnion v. Ramirez* is a continuation of this trend, as the Court again heightened the standing requirement to a restricted form of harm rather than restricting who has a connection to that harm.

1. *Standing for the Public Evolves into Requiring an Individualized Injury*

During World War II, standing jurisprudence was broad enough to allow a legal practice called the “Right to Stand for the Public.”¹⁰ In cases such as *FCC v. Sander Brother Radio Station*¹¹ and *Scripps Howard Radio v. FCC*,¹² the Court expanded access to the courts by allowing plaintiffs to assert rights for general public interests, even if they were merely an indirect party to the harm asserted, and seek remedies for those rights. During this era, the Court held that unless Congress had explicitly limited court access via statute, the reviewing power of the federal courts to save the public interest from injury or destruction should remain intact.¹³ The ability to stand for public interests

5. *Lujan v. Defs. of Wildlife*, 504 U.S. 555, 560 n.1 (1992).

6. *Marbury v. Madison* 5 U.S. 137, 147 (1803).

7. *Id.*

8. *Id.*

9. *Id.*

10. Elizabeth Magill, *Standing for the Public: A Lost History*, 95 VA. L. REV. 1131, 1131 (2009).

11. *FCC v. Sanders Bros. Radio Station*, 309 U.S. 470, 477 (1940).

12. *Scripps-Howard Radio, Inc. v. FCC*, 316 U.S. 4, 8 (1942).

13. *Sanders Brothers*, 309 U.S. at 477.

continued through the 1960s Warren Court, especially as applied to cases of racial discrimination.¹⁴

However, in 1970, the ability for a plaintiff to stand for the interests of the public, particularly under a private right of action from a statute, became much more limited. In *Association of Data Processing Service Organizations v. Camp*,¹⁵ the Court determined that even when the plaintiff was in court based on statutory authorization from Congress, they must still assert that they themselves have been injured. The Court held that this injury must be to one of the plaintiff's interests, and these interests must arguably be "within the zone of interests" that were sought to be protected or regulated by the statute or constitutional guarantee in question.¹⁶ The Court called this requirement an "injury in fact."¹⁷ In other words, an "injury at law," which was a community interest stemming from a statute, could not suffice by itself to allow a plaintiff with no personal "injury in fact" to have standing. However, the Court later clarified in a separate case that if Congress, by statute, had specifically provided for a private right to judicial review, rather than a generalized community legal interest, standing could be fulfilled by the violation of the rights created in that Congressional statute.¹⁸ So long as an individual person had suffered a "legal wrong" within the meaning of the private right of action statute, they had standing in federal court.¹⁹

Only five years after *Association of Data Processing Service Organizations*, the Court decided a pair of cases, *Warth v. Seldin*²⁰ and *Simon v. Eastern Kentucky*.²¹ The Court held that the injury in fact test not only applied to cases and controversies from Congressional statutes, but was required by Article III for all Constitutional cases.²² However, even though plaintiffs were now required to allege a personal injury for all cases and controversies, the Court during this era meant for the injury in fact test to broaden the "categories of injuries that may be alleged in support of standing,"²³ by allowing plaintiffs to allege a personal injury outside of a Congressional statute or Constitutional challenge.

14. Elizabeth Magill, *Standing for the Public: A Lost History*, 95 VA. L. REV. 1131, 1131 (2009).

15. *Ass'n of Data Processing Serv. Orgs. v. Camp* 397 U.S. 150 (1970).

16. *Id.* at 153.

17. *Id.* at 152 (emphasis added).

18. *Sierra Club v. Morton*, 405 U.S. 727, 732 (1972).

19. *Ass'n of Data Processing*, 397 U.S. at 152 (emphasis added).

20. *Warth v. Seldin*, 422 U.S. 490, 501 (1975).

21. *Simon v. E. Ky. Welfare Rights Org.* 426 U.S. 26, 28 (1976).

22. *Warth*, 422 U.S. at 501 ("Of course, Art. III's requirement remains: the plaintiff still must allege a distinct and palpable injury to himself, even if it is an injury shared by a large class of other possible litigants.").

23. *Simon*, 426 U.S. at 39.

The injury in fact test was therefore supposed to expand plaintiffs' access to federal courts by expanding standing for new types of personal injuries.

2. *Lujan's Definition of Injury in Fact, Clapper's Avoidance of Risk of Harm*

Despite the Court's wishes to expand categories of injuries, in 1976, it held in *Lujan v. Defenders of Wildlife*²⁴ that "injury in fact" was a minimum high bar for Article III standing, particularly for public interest suits.²⁵ The *Lujan* Court took the injury in fact analysis and broke it up into two components. An injury in fact must first be "concrete and particularized," and second, be an "actual or imminent harm" rather than a hypothetical or abstract harm.²⁶ This was a significant step in the jurisprudence of standing because the Court decided not only whether the plaintiffs had a connection to an alleged harm, but also whether the Court was willing to recognize the harm itself.

The Court then applied the *Lujan* definition of injury in fact in *Clapper v. Amnesty International USA*.²⁷ In 2008, Congress passed the FISA Amendments Act (FAA). The Amendment revised the procedures for foreign government surveillance to allow surveillance of persons outside of the United States without requiring specific descriptions of those persons. U.S. citizens of human rights organizations filed an action as soon as the amendment was enacted, claiming it was unconstitutional. The plaintiffs alleged that because they worked with clients overseas which the United States "believed to be associated with terrorist organizations," they were likely to be imminently harmed by the government monitoring their communications."²⁸

The Court held that imminent harm could not be "speculative," but instead must be "certainly impending" to constitute an injury in fact.²⁹ The Court further held that the law of Article III standing was built on separation of powers principles, preventing the judicial process from usurping the powers

24. *Lujan v. Defs. of Wildlife*, 504 U.S. 555, 560 (1992). In *Lujan*, a group of plaintiffs from conservation organizations wanted to sue the Secretary of the Interior for a change to the Endangered Species Act. The Court held the plaintiffs could not allege a real, individualized current harm or imminent injury to their or the public's interests simply because some citizens might want to visit foreign countries with endangered species.

25. *Id.* at 560–61.

26. *Id.* at 560. Standing would further require the injury to be "fairly traceable to the defendant's conduct" and redressed by the remedies requested.

27. *Clapper v. Amnesty Int'l USA*, 568 U.S. 398, 408–09 (2013).

28. *Id.*

29. *Id.* Only 5 years after *Clapper*, Edward Snowden's revelations about the NSA's spying tactics went public and confirmed the NSA was gathering information on non-U.S. persons outside the United States.

of the political branches, like the Executive Branch conducting surveillance.³⁰ The Court decided the human rights associations' alleged harms were not imminent and were based on mere speculation that they might be surveilled sometime in the future.

To summarize, the Court went from allowing plaintiffs to stand for community rights with only an indirect connection to an injury, to requiring plaintiffs in court under a statutory right of action to show a personal "injury in fact." The Court then grafted the injury in fact/personal injury requirement onto all Constitutional Article III standing, not just cases arising under federal statute. Then, the Court narrowly defined what an injury in fact is and what harms would meet its test. Lastly, the Court limited ability for plaintiffs to assert significant risk of harm as an "imminent harm" under the injury in fact test.

3. *Spokeo's Privacy Surgery*

The next and most significant step before *TransUnion v. Ramirez* in standing's evolution occurred in *Spokeo v. Robbins*.³¹ *Spokeo* involved statutory violations of the Fair Credit Reporting Act, a privacy statute. Robbins, the named plaintiff, found his information on *Spokeo's* "people search" website, but the information was extremely inaccurate. Robbins alleged that because potential employers used *Spokeo* for background checks, this inaccurate information made it difficult for him to gain employment because the site's information made him appear overqualified. He brought a class action with other plaintiffs who also had inaccuracies in their reports. In assessing his complaint, the Court re-emphasized the definition given in *Lujan* for "injury in fact"—that in order to have standing, the harm asserted had to be "concrete and particularized." However, they emphasized that while the lower courts had adequately determined the injury alleged was "particular" to Robbins, they had not assessed whether it was "concrete," and that the two requirements were separate.³²

The Court held that a concrete harm now required a "close relationship to a harm traditionally recognized as providing a basis for a lawsuit in American Courts."³³ This requirement of concreteness would further be applied to the entire class in a class action.³⁴ The only other guidance the Court provided was that a "bare procedural violation divorced from any concrete harm" could not

30. *Id.*

31. *Spokeo, Inc. v. Robbins*, 578 U. S. 330, 340 (2016).

32. *Id.* at 340.

33. *Id.* at 341.

34. *Id.* at 342.

satisfy the injury in fact test.³⁵ The case was remanded to the Ninth Circuit to determine if the alleged harm met the Court's requirements for a "concrete harm."

Spokeo therefore left unclear what might specifically constitute a "concrete harm" in the Court's injury in fact analysis. Courts in some Circuits assumed that an alleged federal statutory violation itself constituted a concrete injury sufficient for Article III standing.³⁶ Other courts treated the concrete injury test as a separate requirement from a statutory violation.³⁷

4. *Evolution of the Deference to Congress's Authority*

Before Spokeo, despite narrowing the injury test that plaintiffs must meet, the Court went to great lengths in standing cases to acknowledge Congress's power to create rights via statute. After *Association Data Processing* created the injury in fact test, the Court held that Congress could create standing by statute through a private right of action.³⁸ In *Lujan*, the Court reaffirmed that "Congress has the power to define injuries and articulate chain of causation that will give rise to a case or controversy were none existed before."³⁹ The Court in Spokeo, however, took a small step away from this previous Congressional deference. The Spokeo Court held that Congress is "well positioned to identify intangible harms that meet minimum Article III requirements," and that Congress's judgment is instructive and important.⁴⁰ However, according to the Spokeo Court, Congressionally defined harm via statute does not automatically satisfy the injury in fact requirement, because Article III standing still requires a concrete injury.⁴¹ *TransUnion v. Ramirez* is a continuation of Spokeo's limited deference to Congress's abilities to create standing through statute.

B. ORIGINS OF PRIVACY LAW: FROM RIGHTS TO OSSIFICATION

The idea of privacy as a legal right grew out of Samuel Warren and Louis Brandeis's famous 1890 article entitled *The Right to Privacy*.⁴² They argued that individuals' ability to keep their "inviolable personalities" free from "unwanted interference" should be deemed a right. Brandeis and Warren saw

35. *Id.*

36. *See* *Rosenbach v. Six Flags Ent. Corp.*, 129 N.E.3d 1197, 1204 (Ill. 2019).

37. *See* *Braitberg v. Charter Commc'ns, Inc.*, 836 F.3d 925, 930 (8th Cir. 2016).

38. *Sierra Club v. Morton*, 405 U.S. 727, 732 (1972).

39. *Spokeo*, 578 U.S. at 340 (quoting *Lujan*).

40. *Id.* at 342.

41. *Id.*

42. Samuel D. Warren & Louis D. Brandeis, *The Right to Privacy*, 4 HARV. L. REV. 193, 193 (1890).

privacy law as a “right to be let alone.”⁴³ Their article was published in reaction to the proliferation of the “instant” photograph, and the media’s focus on selling publications using gossip.⁴⁴ Brandeis and Warren’s article led to state courts adopting generalized privacy torts in the common law.⁴⁵

1. *Prosser Limits Privacy to a Compensatory Structure, and Limits Recognized Harms in Privacy Law*

In the early 1960s, William Prosser took privacy law in a different direction. Prosser looked back at all the common law cases that had stemmed from Warren and Brandeis’s article and distilled them down into four types of torts: “(1) unreasonable intrusion upon a person’s seclusion, (2) appropriation of someone’s name or likeness, (3) unreasonably giving publicity to a person’s private life, and (4) publicizing someone in a false light.”⁴⁶ But by doing so, Prosser inevitably made privacy law a harms-focused tort system, because each tort was directly related to the injury it addressed, rather than the simple right to be left alone and violations of that right.⁴⁷ By creating a harms-focused mode of law, Prosser created a mode of privacy law that focused on the compensatory function of addressing torts rather than the rights function of addressing a violation of a privacy right. As leading privacy legal scholar Danielle Citron argues, a compensatory approach to privacy law forces a focus only on those harms that can be redressed monetarily, and privacy is notoriously difficult to measure in monetary value.⁴⁸

Further, Prosser ossified privacy law so that only a narrow range of harms that fell within his four distinct categories would be recognized.⁴⁹ These categories do not account for the different ways privacy can be violated in the modern world. Hence, Prosser’s engineered categories limited the ability to flesh “out the contours of ‘the right to be let alone’ protected by tort privacy.”⁵⁰

43. *Id.*

44. *Id.* at 196.

45. See Danielle Keats Citron, *Mainstreaming Privacy Torts*, 98 CALIF. LAW. REV. 1805, 1821 (2010) (noting a prominent example of state adoption of privacy as a right occurred in a 1905 Georgia case which found that a nonconsensual use of a plaintiff’s picture in a newspaper was a “direct invasion” of the legal right to privacy).

46. *Id.* at 1823.

47. *Id.* at 1821; see also Richards & Solove, *supra* note 2 at 1888 (stating that for all the legitimacy Prosser gave privacy law, he stunted its development and limited its ability to adapt to the current digital information age. Prosser stripped privacy law of “any guiding concept to shape its future development”).

48. *Id.* at 1823 (citing Craig Joyce, *Keepers of the Flame: Prosser and Keeton on the Law of Torts (Fifth Edition) and the Prosser Legacy*, 39 VAND. L. REV. 851, 892 (1986)).

49. Citron, *supra* note 45, at 1821.

50. *Id.* at 1825.

In other words: “Prosser conceived of torts to redress harms, Brandeis and Warren cared about creating privacy rights.”⁵¹

2. *Legislatures Have Attempted to Evolve or Clarify Privacy Law Outside of the Prosser Torts*

Due to the limits of Prosser’s common law privacy torts to account for contemporary privacy harms, legislatures have instead created modern privacy statutes. However, statutory privacy law in the United States is based on a sectorial model, meaning different and separate privacy statutes relate to different specific economic sectors like education, video production, telecommunications, and other industries. Unlike the European Union, the United States does not have an all-encompassing, or “omnibus,” privacy statute.

To give a non-exhaustive list of the United States sectoral privacy statutes, besides the Fair Credit Reporting Act (FCRA),⁵² Congress has passed the following:⁵³ Fair and Accurate Credit Transactions Act (FACTA),⁵⁴ Cable Communications Policy Act (Cable CPA),⁵⁵ Video Privacy Protection Act (VPPA),⁵⁶ Telephone Consumer Protection Act (TCPA),⁵⁷ Privacy Act of 1974 (amended by the Computer Matching and Privacy Protection Act of 1988),⁵⁸ Right to Financial Privacy Act,⁵⁹ and the Electronic Communications Privacy Act of 1986 (ECPA).⁶⁰ Statutes like these address: (1) who can collect data or information; (2) what purposes the data can be used for; and (3) the procedural processes for using said data. Some of the statutes also grant a private right of action if the provisions of the statute are violated. But each statute only addresses a limited range of industry-specific privacy harms, and liability often hinges on whether a party has violated the express statutory language.⁶¹

51. *Id.* at 1823.

52. Fair Credit Reporting Act, 15 U.S.C. § 1681.

53. Brief for Electronic Privacy Information Center as Amici Curiae Supporting Respondents, *TransUnion LLC, v. Ramirez* 141 S.Ct. 2190, 4 (2021) (No. 20-297) [hereinafter EPIC Amicus Brief].

54. 15 U.S.C. § 1601.

55. 47 U.S.C. § 551.

56. 18 U.S.C. § 2710.

57. 47 U.S.C. § 227.

58. 5 U.S.C. § 552(a).

59. 12 U.S.C. §§ 3401–22.

60. 18 U.S.C. §§ 2510–23.

61. Mathew S. DeLuca, *The Hunt for Privacy Harms after Spokeo*, 86 FORDHAM L. REV. 2493, 2448 (2018); *see also* Facebook v. Duguid, 141 S.Ct. 1163 (2021) (holding that Facebook

The United States' sectoral approach to privacy laws underscores the need for U.S. privacy statutes to continually update as new technologies and industries emerge. In the last two years alone, Congressional representatives proposed multiple privacy bills to address privacy concerns with social media and Big Data collection.⁶² Though none have been enacted, the many types of bills are a signal that privacy protection is a crucial topic of legislative concern.

C. WHY PRIVACY HARMS ARE DIFFICULT FOR COURTS, EVEN WITHOUT A CONFUSED STANDING DOCTRINE

Even without a narrowed standing doctrine or an ossified privacy common law, privacy harms are inherently difficult for courts to address. First and foremost, privacy harms are often intangible which makes them difficult to quantify for compensatory purposes. Moreover, privacy harms often comprise of many small, disaggregated instances of undetectable violations which only appear harmful in aggregation. Finally, privacy harms do not affect all populations equally, with marginalized populations more likely than the general population to have their privacy violated. Each of these aspects of privacy harms make it difficult for courts to match the harm with an appropriate compensatory remedy.

1. *Privacy Harms are Intangible and Difficult to Conceptualize and Compensate*

Privacy harms are inherently intangible. Some privacy harms can be emotional, like the anxiety that stems from identity theft, some might be categorized as reputational harms, and others involve risk of future harm created by an initial privacy violation.⁶³ With these varied categories, courts have particularly struggled to identify harms they can compensate, and have

could not be held liable for violation the Telephone Consumer Protection Act because it did not use an “automated dialing system” within the meaning of the statute.).

62. In 2020 alone, legislators have proposed multiple privacy bills such as the Data Protection Act by Sen. Kirsten Gillibrand (D-N.Y.), the Data Accountability and Transparency Act from Sen. Sherrod Brown (D-Ohio), the Consumer Online Privacy Rights Act from Sen. Maria Cantwell (D-Wash.), and the SAFE DATA Act and the House Energy and Commerce “bipartisan staff draft” from Sen. Roger Wicker (R-Miss.). Camerson F. Kerry & John B. Moris, *Framing a Privacy Right Legislative Findings for Federal Privacy Legislation*, BROOKINGS (Dec. 8, 2020), <https://www.brookings.edu/research/framing-a-privacy-right-legislative-findings-for-federal-privacy-legislation/>.

63. Danielle Keats Citron & Daniel J. Solove, *Privacy Harms*, 102 B.U. L. REV. 793, 810 (2022) [hereinafter Citron & Solove, *Privacy Harms*]; see also Daniel Solove & Danielle Citron, *Risk and Anxiety: A Theory of Data-Breach Harms*, 96 TEX. L. REV. 737 (2018) [hereinafter Citron & Solove, *Risk and Anxiety*].

either dismissed cases prematurely, or focused on harms that are not at the heart of a controversy, leading to “absurd results.”⁶⁴

The intangibility of privacy harms has not only baffled the courts, but also led to disagreements among privacy experts on how to classify privacy harms. Warren and Brandeis have stated the easiest way to capture privacy harms is to say that a subjective violation of privacy alone is the harm.⁶⁵ Other scholars, like Ryan Calo, view privacy harms as requiring two tests: a subjective inquiry, and an objective one.⁶⁶ In their latest article, Daniel Solove and Danielle Citron have created an entire typology of privacy harms, with fourteen distinct categories, including: reputational harms, control harms, emotional harms, and risk harms.⁶⁷ Each of Solove and Citron’s harms can pose difficulties in litigation, particularly when courts try to apply a compensatory function to them.⁶⁸ For example, how should one be compensated for a loss of control over their data? Ignacio Cofone and Adriana Robertson, view privacy harms not as distinct categories, but as a spectrum of harms determined by how much other people know about a person.⁶⁹ However, even this approach has its own flaws as it only captures reputational interests in privacy, and even their model notes that privacy and reputation can be mutually exclusive at times.⁷⁰

The intangibility of privacy harms has led to confusion among courts not just in how to frame the privacy right, but how or when to recognize a privacy harm.⁷¹ For example, some courts have concluded that certain privacy violations, such as thwarted expectations, improper uses of data, and the wrongful transfer of data to other organizations are not recognized as harms.⁷² Other courts have focused on downstream consequences, or the risk of future harms to plaintiffs from an original violation.⁷³ In other cases, courts have focused on narrow meanings of plain text in statutes, to the point where they have missed the key privacy rights that are at issue.⁷⁴ Courts also tend to focus on harms they are comfortable compensating, which forces plaintiffs to allege

64. EPIC Amicus Brief, *supra* note 53, at 6.

65. *See generally* ALAN F. WESTIN, *PRIVACY & FREEDOM* (1967).

66. Ryan Calo, *The Boundaries of Privacy Harm*, 86 IND. L.J. 1131 (2011).

67. Citron & Solove, *Privacy Harms*, *supra* note 63, at 18.

68. *Id.* at 4.

69. Ignacio N. Cofone & Adriana Z. Robertson, *Privacy Harms*, 69 HASTINGS L.J. 1039, 1039 (2018).

70. *Id.* at 1056.

71. EPIC Amicus Brief, *supra* note 53 at 7.

72. Daniel Solove, *Privacy Harms, Privacy and Security Blog*, TEACH PRIV. (Feb. 9, 2021), <https://teachprivacy.com/privacy-harms/>.

73. *Id.*

74. EPIC Amicus Brief, *supra* note 53, at 11.

compensatory or judicially cognizable harms, even if they do not go to the heart of the controversy.⁷⁵

Given the abstractness of and courts' varying approaches to privacy rights and harms, it is not surprising that courts have struggled. This is what makes Congressional statutes necessary: they provide guidance to the courts.

2. *Privacy Harms are Typically Disaggregated*

Another issue with privacy litigation is that privacy harms are often disaggregated, or small harms that occur to many people or multiple times against one person.⁷⁶ The disaggregated nature of privacy harms can make them difficult to detect, even while they are profitable for bad actors to perpetuate. Disaggregation also makes designing a compensatory structure to remedy plaintiffs' individual claims more challenging.

Despite individual privacy harms being mostly small, these harms can add up to more than just minor inconveniences.⁷⁷ Citron and Solove argue that spread out over millions of people, disaggregated harms become aggregated harm from the standpoint of society.⁷⁸ Further, it can be difficult for individuals to find out about violations to their own privacy, and even "if they do, third parties ignore requests to correct them without real risk of litigation costs."⁷⁹

One significant way that the disaggregation is addressed is by aggregating harms via class actions. However, class actions can create other problems, like putting companies with data of millions of people out of business for violations.⁸⁰ Courts are left trying to thread a needle. On the one hand, courts want to acknowledge and prevent companies from profiting off privacy violations; on the other hand, courts want to avoid causing company shakedowns or complete bankruptcy.⁸¹

75. Citron & Solove, *Privacy Harms*, *supra* note 63, at 43.

76. Daniel Solove, *Introduction: Privacy Self Management and the Consent Dilemma* 126 HARV. L. REV. 1880, 1881 (2013). For example, when many people receive the same unwanted email or one person receives hundreds of unwanted emails. "[M]any privacy harms are the result of an aggregation of pieces of data over a period of time by different entities. It is virtually impossible for people to weigh the costs and benefits of revealing information or permitting its use or transfer."

77. Citron & Solove, *Privacy Harms*, *supra* note 63, at 44.

78. *Id.*

79. Daniel J. Solove & Danielle Keats Citron, *Standing and Privacy Harms: A Critique of TransUnion v. Ramirez*, 101 B.U. L. REV. ONLINE 62 (2021).

80. Eric Goldman, *The Irony of Class Action Privacy Litigation*, 10 J. TELECOMM. & HIGH TECH. L. 309, 314 (2012).

81. *Id.*

3. *Privacy Harms Affect Marginalized Populations More, but Less Visibly*

Finally, and not least importantly, privacy violations do not affect all populations equally. Privacy rights of those at the margins of society are most often violated. Harms committed against these populations are often neglected and unseen.⁸²

The discriminatory effects of privacy harms are well documented. From over policing of black and brown neighborhoods and bodies (dating back to slavery)⁸³ to “the color of surveillance”⁸⁴ that uses national security as a preface to target privacy in Islamic communities,⁸⁵ racial and religious minorities’ privacy rights are violated by the state at disproportionate levels. Policing also targets those of minority gender identities. In many states trans-people are constantly required to present private medical documentation about their transgender status when their gender markers do not match their government identification.⁸⁶ Welfare and government services also perpetuate disproportionate privacy harms by requiring low-income mothers to give up their privacy rights to receive Medicaid benefits and other state aid.⁸⁷

These privacy impacts are not only propagated by the state, but also by individuals and companies. Women and minorities are subjected to online harassment, doxing, and other internet mob harms at disproportionate rates.⁸⁸ These are difficult cases to litigate because the harm is perpetuated by

82. Citron & Solove, *Privacy Harms*, *supra* note 63, at 29.

83. Mary Anne Franks, *Democratic Surveillance*, 30 HARV. J.L. & TECH. 425, 442 (2017).

84. Alvaro M. Bedoya, *Privacy as Civil Right*, 50 N.M. L. REV. 301, 306 (2020); *see also* Alvaro M. Bedoya, *The Color of Surveillance*, SLATE (Jan. 21, 2016), <https://slate.com/technology/2016/01/what-the-fbis-surveillance-of-martin-luther-king-says-about-modern-spying.html>.

85. Saher Khan & Vignesh Ramachandra, *Post 9/11 surveillance has left a generation of Muslim Americans in a shadow of distrust and Fear*, PBS NEWSHOUR (Sept. 16, 2021), <https://www.pbs.org/newshour/nation/post-9-11-surveillance-has-left-a-generation-of-muslim-americans-in-a-shadow-of-distrust-and-fear>; *see also* *Fazaga v. FBI*, 916 F. 3d. 1202 (9th Cir. 2019) (describing a mass dragnet surveillance effort by the FBI targeting multiple Southern California Islamic communities).

86. Scott Skinner-Thompson, *Performative Privacy*, 50 U.C. DAVIS L. REV. 1673, 1710 (2017).

87. Khiara M. Bridges, *Privacy Rights and Public Families*, 34 HARV. J.L. & GENDER 113, 168 (2011); *see also* Hareem Mannan, *Data Privacy is a Human Right*, MODUS (May 16, 2019), <https://modus.medium.com/data-privacy-is-a-human-right-cf36e1b45859> stating “Today, states subject single mothers who draw public assistance to drug tests, DNA testing of children, fingerprinting, extreme verification requirements, and intrusive questioning about intimate relationships.”

88. Citron & Solove, *Privacy Harms*, at 28; *see also* DANIELLE KEATS CITRON, *HATE CRIMES IN CYBERSPACE* (2014); Danielle Keats Citron, *Sexual Privacy*, 128 YALE L.J. 1870, 1870 (2019).

members or individuals who are “unable to pay enough in monetary damages to incentivize lawyers to litigate.”⁸⁹ Further, companies using biased algorithms sell and use women and minority personal information that violates privacy and perpetuates stereotypes.⁹⁰ Moreover, marginalized communities are less likely to have access to “tech equity” than higher-income families, and are therefore less likely to be notified of privacy violations and take preventative or restorative measures.⁹¹

Addressing privacy violations is difficult enough without also having to also prove that algorithms are discriminatory and perpetuating biased harms.⁹² Prosser’s common law privacy torts do not address these disparate impacts. Marginalized communities instead must rely on evolving privacy statutes to increase their privacy equity.⁹³

III. *TRANSUNION V. RAMIREZ*: A SUMMARY

This Section argues that *TransUnion v. Ramirez* worsens both the already problematic application of standing in federal courts, and the difficulties in addressing privacy harms.

Spokeo left an open question of what qualifies as a “concrete harm”, in federal standing, but *TransUnion* only further confused the concrete harm definition. *Spokeo* also held that standing requires an intangible right to be a “traditionally recognized” right, but *TransUnion* specifically stated that “traditionally recognized rights” are only those rights with a common law analogue. Further, although *Spokeo* did not emphatically defer to Congress’ judgement, *TransUnion* more clearly called into question whether Congress can create private rights of action or define new injuries at all in privacy.⁹⁴ Each of these holdings will limit the protection of privacy rights.

A. THE FACTS

Like *Spokeo*, *TransUnion v. Ramirez* involved a question of standing for a class action under the Fair Credit Reporting Act (FCRA).⁹⁵ The FCRA grants

89. Citron & Solove, *Privacy Harms*, *supra* note 63, at 29.

90. *Id.* at 30.

91. Mannan, *supra* note 87.

92. Citron & Solove, *Privacy Harms*, *supra* note 63, at 30. For a topical application of this problem, see also Theodore F. Claypoole, *COVID – 19 Privacy Protection and Persecuted Minorities*, X NAT’L L. REV. 142 (2020), <https://www.natlawreview.com/article/covid-19-privacy-protection-and-persecuted-minorities>.

93. Citron & Solove, *Privacy Harms*, *supra* note 63, at 30.

94. See Erwin Chemerinsky, *What’s Standing After TransUnion LLC v. Ramirez*, 26 N.Y.U. L. REV. ONLINE 269, 279 (2021).

95. Fair Credit Reporting Act, 15 U.S.C. § 1681 (1970).

plaintiffs a right of action to sue for violations.⁹⁶ TransUnion, as a credit reporting agency, is strictly regulated by the FCRA.⁹⁷

In 2002, TransUnion created an add-on product called the OFAC Name Screen Alert. OFAC stands for Office of Foreign Assets Control. The OFAC is a subdivision of the U.S. Treasury Department that maintains a list of suspected terrorists, drug traffickers, and other serious criminals. TransUnion utilized a third-party software to search this OFAC list and placed an “OFAC alert” on any individual’s credit report whose name was found on the list.⁹⁸ TransUnion did not use any other verification (such as birthdays or social security numbers) besides cross checking names.

Sergio Ramirez, the named plaintiff in *TransUnion*, attempted to buy a car when he was told by the dealership that they couldn’t complete the transaction because he was on a suspected “terrorist list.”⁹⁹ Ramirez immediately requested a copy of his credit file from TransUnion. However, the file TransUnion sent did not mention either the OFAC alert, or lay out his rights and the process to fix the faulty information.¹⁰⁰ The OFAC information eventually came in a separate standalone mailing.¹⁰¹ Ramirez sued TransUnion and alleged three violations of the Fair Credit Reporting Act: (1) TransUnion did not follow reasonable procedures to ensure the accuracy of information in his file; (2) they failed to provide him with all the information in his file upon request; and (3) they violated their obligation to provide him with a summary of his rights.¹⁰²

After learning that TransUnion had been previously sued for their OFAC product and hadn’t altered their business practices, Ramirez brought a class action suit against the company. Each plaintiff had an inaccurate OFAC alert on their report and had not received any notice of this alert from TransUnion mailings. Before the trial, the parties stipulated that the class contained 8,185 members, and that 1,853 of those members had their credit reports disseminated to creditors during the seven-month stipulated time.¹⁰³

A district court jury found that TransUnion had willfully violated the FCRA and awarded each class member \$984 in compensatory damages and

96. *Id.* at § 1681n(a) (“Any person who willfully fails to comply with any requirement imposed under this subchapter with respect to any consumer is liable to that consumer.”).

97. *TransUnion LLC v. Ramirez*, 141 S.Ct. 2190, 2201 (2021).

98. *Id.*

99. *Id.* at 2202.

100. *Id.*

101. *Id.* at 2201.

102. *Id.*

103. *Id.*

\$6,353 in punitive damages.¹⁰⁴ TransUnion appealed, stating the plaintiffs did not have standing. The Ninth Circuit, which decided *Spokeo* four years previously, affirmed the jury verdict and found that the class had Article III standing. The Supreme Court granted certiorari to address whether the entire class had standing.

B. THE HOLDINGS

The Supreme Court ultimately ruled that only those plaintiffs in the class that had their information sent to third parties had suffered a “concrete harm” sufficient for Article III standing.¹⁰⁵ The Court also explicitly held that Congress is limited in its ability to create new rights.¹⁰⁶

1. “A Nonconcrete ‘Concrete Harm’ Definition”

The Court attempted to address the open question from *Spokeo*—to define what makes an injury “concrete.”

The Court first stated that concreteness is a separate inquiry from whether a statute has been violated because “an injury in law is not an injury in fact.”¹⁰⁷ The Court then reiterated its holding in *Spokeo* that both intangible and tangible injuries could be deemed concrete. However, for intangible harms to be “concrete,” they had to bear a “close relationship with the harm traditionally recognized at common law.”¹⁰⁸ The Court then used Prosser’s four privacy torts as examples of “traditionally recognized” intangible harms.¹⁰⁹ Finally, the Court reiterated its holding in *Spokeo* that a “bare procedural violation” would not alone satisfy the definition of concrete harm, even if it was attached to a statute.¹¹⁰

2. *Risk of Harm is Limited to Injunctive Relief*

The *Spokeo* Court had held that the “risk of real harm” can sometimes “satisfy the requirement of concreteness.”¹¹¹ However, allegation of risk of harm may only provide standing for injunctive relief, rather than for damages.¹¹² This is true even if Congress has directly prescribed statutory damages for procedural privacy violations that increase the risk of privacy

104. *Id.*

105. *Id.* at 2203.

106. *Id.* at 2205.

107. *Id.*

108. *Id.*

109. *Id.* This is despite the fact that Prosser had only created the categories in the 1960’s and trickled into state common law in the following decades.

110. *Id.*

111. *Id.* at 2210.

112. *Id.*

harm.¹¹³ The Court used an example of a woman getting safely home after being nearly hit by a reckless driver, stating that the near miss would be a cause for celebration, not a suit, because the harm did not occur.¹¹⁴

3. *Usurpation of Powers vs. Separation of Powers*

In an even more concerning turn, the *TransUnion* opinion placed direct limits on Congress's power to create new rights and injuries, contrary to nearly every other previous standing case. The *TransUnion* Court reasoned that though Congress may elevate injuries that exist in the "real world" to actionable legal status, Congress could simply enact an injury into existence, transforming something "that is not remotely harmful into something that is" using lawmaking power.¹¹⁵ In other words, even if Congress had defined a harm in a statute, a plaintiff who alleges that harm would not have standing unless the harm still meet the Court's definition of concreteness.¹¹⁶ The Court couched this statement in the idea that federal courts should only redress real harms rather than hold defendants accountable for "legal infractions."¹¹⁷

The opinion continued to state that allowing Congress the power to grant private citizens standing to enforce their privacy rights would infringe on the Executive Branch's Article II authority.¹¹⁸ According to the Court, only the Executive Branch can choose how to prioritize and how aggressively to pursue legal actions against defendants who violate federal statutes.¹¹⁹ Private plaintiffs, the court reasoned, are not accountable to the public and are not charged with pursuing the public interest in enforcing compliance with regulatory law.¹²⁰

Even defining minimum statutory damages would not make a statutory violation a recognizable harm by the Court.¹²¹ The court explained that if a

113. *Id.*

114. *Id.* at 2211.

115. *Id.* at 2205.

116. *Id.*

117. *Id.*

118. *Id.* at 2207.

119. *Id.*

120. *Id.*

121. Molly McGinnis Stine, Tara L. Trifon & Lindsey E. Kress, *Facts Matter- TransUnion's Impact on Privacy Cybersecurity Litigation*, BLOOMBERG L. (July 19, 2021), <https://news.bloomberglaw.com/us-law-week/facts-matter-transunions-impact-on-privacy-cybersecurity-litigation>. This Note does not address here the other jurisdictional impacts of this standing law (standing is in essence a jurisdictional decision) "[m]oreover, as Justice Clarence Thomas points out in his dissent, the court has "ensured that state courts will exercise exclusive jurisdiction over these sorts of class actions" by finding that the federal courts lack jurisdiction."

private plaintiff were permitted to rely solely on statutory damages, the holding could authorize “virtually any citizen to bring a statutory damages suit against virtually any defendant who violated virtually any federal law.”¹²² Arguably, however, this is exactly what Congress has always had the power to do.

4. *Applying the Holdings to the Case*

The Court assumed the plaintiffs were correct and that TransUnion did violate its obligations under the Fair Credit Reporting Act.¹²³ However, the Court stated that despite these violations, only the plaintiffs who had their faulty information sent to third parties had suffered a concrete harm.¹²⁴

Because the Court’s previous definition of standing in *Spokeo* required intangible harms to be analogous to a traditionally recognized harm, the plaintiffs had alleged that their harms were analogous to defamation.¹²⁵ Defamation, however, requires false information to be published to a third party, and only 1,853 plaintiffs’ information was distributed outside of TransUnion.¹²⁶ According to the Court, “the mere presence of an inaccuracy in an internal credit file, if not disclosed, causes no concrete harm.”¹²⁷

Lastly, the Court ruled that only Ramirez had standing for the failure of TransUnion to provide the OFAC alert on his credit report with his credit report summary and a summary of his rights.¹²⁸ The other plaintiffs did not adequately prove that they either had not received the OFAC alert or that it came separately from their full credit report, both of which would have violated the procedural requirements of the FCRA.¹²⁹ The United States, as amicus curiae, asserted that the plaintiffs suffered a concrete “informational injury.” But the Court held that these were “bare procedural violations” divorced from any concrete harm.¹³⁰

Even if the other plaintiffs had proven the existence of these procedural violations, the Court reasoned that having “information disseminated in the improper format” was not a harm traditionally recognized at common law and that the plaintiffs did not demonstrate how the improperly-formatted information hindered correcting their files.¹³¹ Plaintiffs understandably argued

122. *TransUnion*, 141 S.Ct. at 2207.

123. *Id.* at 2208.

124. *Id.* at 2209.

125. *Id.* at 2208.

126. *Id.* at 2209.

127. *Id.* at 2209.

128. *Id.* at 2213.

129. *Id.*

130. *Id.*

131. *Id.* at 2214.

these “formatting violations” created a risk of harm that their inaccurate information would be disseminated, because they would have had no way to correct the faulty OFAC alert if they had not received information that it was attached to their report.¹³² However, the Court countered, reasoning that the plaintiffs did not prove they would have tried to correct their files even if they had received the information.¹³³ Lastly, even if each plaintiff had sufficiently alleged a risk of harm, this risk only constituted an injunctive claim and not one for damages.¹³⁴

C. JUSTICE THOMAS’S DISSENT

Justice Thomas wrote a particularly sharp dissent against the majority opinion.¹³⁵ The liberal Justices Sotomayor, Kagan, and Breyer wrote a separate dissent while joining Justice Thomas in most of his.

Justice Thomas first pointed to the odd evolution of the Court’s standing doctrine, and its application in this case to individual rights. He acknowledged the history of standing, and that “injury in fact” was coined by the Court in *Association of Data Processing*.¹³⁶ He stated that even after the injury in fact requirement was grafted onto a Constitutional analysis in *Warth v. Seldin*, the test was still an additional way to get into federal court when the plaintiff could not point to a violation of a statutorily created personal right or constitutional right.¹³⁷ The injury in fact test instead broadened the different types of harms plaintiffs could allege to achieve standing as long as they still alleged personal harm.¹³⁸

Justice Thomas then distinguished *Lujan* as a public interest case rather than a case about individual rights. He reasoned that historically, when an individual sought redress for a private right, a violation of that right alone would suffice for standing. Trespass, for example, requires no proof that an individual’s property is harmed. The act of trespass itself constitutes a sufficient violation of a right.¹³⁹ Copyright provides another example where individuals could sue for infringement of their rights without proving monetary loss.¹⁴⁰ On the other hand, if a plaintiff sued based on the violation of a duty owed to a community, then the courts required a legal injury AND

132. *Id.* at 2212.

133. *Id.*

134. *Id.*

135. *Id.* at 2215 (Thomas, J., dissenting).

136. *Id.* at 2219.

137. *Id.*

138. *Id.* at 2215.

139. *Id.*

140. *Id.*

provable damages, which has come to be known as an “injury in fact.” This distinction mattered for both common law public rights and new statutory rights.¹⁴¹ The majority opinion rejected standing’s history of Congressional deference. Justice Thomas then suggested that the test should be clear: for an individual harm “so long as a statute fixes a minimum recovery there would seem to be no doubt of the right of one who establishes a technical ground of action to recover this minimum sum without any specific showing of loss.”¹⁴² Here, all three duties in the FCRA were owed to individuals, not communities, and Congress fixed a minimum sum of statutory damages.¹⁴³

Justice Thomas then reprimanded the majority for its treatment of separations of powers. He cautioned that if the majority opinion were taken to its logical conclusion:

[n]o matter if the right is personal or if the legislature deems the right worthy of legal protection, legislatures are [now] constitutionally unable to offer the protection of the federal courts for anything other than money, bodily integrity, and anything else that this Court thinks looks close enough to rights existing at common law. The 1970s injury-in-fact theory has now displaced the traditional gateway into federal courts.¹⁴⁴

The Court had never before declared that a legal injury is inherently insufficient, or that legislatures are constitutionally precluded from creating legal rights if they deviate too far from their common law roots.¹⁴⁵ “In the name of protecting the separation of powers, . . . [the] Court has relieved the legislature of its power to create and define rights.”¹⁴⁶ Justice Thomas then reasoned that by applying their rule to the facts of this case, the majority skipped over much of its own precedent on what constituted an injury.¹⁴⁷

IV. ANALYSIS: HOW TRANSUNION WORSENS THE PROBLEMS WITH PRIVACY RIGHTS AND LITIGATION.

TransUnion v. Ramirez made the Supreme Court’s narrowing of standing and the enforcement of privacy rights more difficult, more extreme, and more permanent. The decision will both limit privacy rights now and make it less likely that privacy rights can be adequately protected in the future.

141. *Id.*

142. *Id.*

143. *Id.* at 2218 (quoting FCRA).

144. *Id.* at 2221 (citations omitted).

145. *Id.*

146. *Id.*

147. *Id.*

First, by holding that “the right kind of harm” for intangible injuries are only those with a common law analogue, the Court blatantly overstepped its boundaries as the judiciary and limited the legislative powers of Congress to create new rights by statute. Second, the Court did not provide an adequate definition of “concrete harm.” This inadequacy will alter the purpose of privacy law and will continue to confuse lower courts in privacy cases. Third, the decision disincentivizes enforcement of privacy rights by allowing privacy violators to “pay to play” and by disregarding risk as a harm. Finally, the *TransUnion* decision limits privacy rights from evolving to regulate new technologies and recognize new harms.

A. TRANSUNION RESTRICTS CONGRESS’S POWER TO DEFINE PRIVACY HARMS AND REMEDIES IN A SEPARATION OF POWERS FAKEOUT

If *Spokeo* danced around a limitation of legislative powers,¹⁴⁸ the Court in *TransUnion* went further and held that Congress cannot enact an injury that, according to the Court, did not already “exist in the real-world.”¹⁴⁹ But this is a usurpation of Congress’s powers. As Erwin Chemerinsky contends, “[i]f one starts with the premise that Congress has the constitutional power to create legally enforceable rights—which seems unassailable—then the Supreme Court’s refusing to enforce them greatly undermines, not advances, separation of powers.”¹⁵⁰ The *TransUnion* decision prevents Congress from using their constitutional power to define harms and remedies. The Court questions Congress’s ability to (1) define substantive rights; (2) promote the importance of procedural rights to mitigate future risk of harm; and (3) outline remedies for hard to compensate harms.

In *TransUnion*, the Court first questioned Congress’s ability to define substantive harms, and in the process, usurped that power for itself. The Court held that the inaccurate OFAC alerts on reports that *TransUnion* recklessly created were not substantive harms, and would only become substantive if disseminated to third parties.¹⁵¹ Yet, when Congress created the FCRA, they specifically looked to *discourage* dissemination of inaccurate data, not just redress dissemination after it occurred. As Felix Wu argues, “[w]hen courts deny standing . . . on the basis of the injuries being “insufficiently concrete they . . . are deciding the substantive content of those rights. Far from supporting an appropriate separation of powers, this move amounts to a

148. *Id.*

149. *Id.*

150. Chemerinsky, *supra* note 94, at 123.

151. *TransUnion*, 141 S.Ct. at 2212.

usurpation of legislative power by the federal judiciary.”¹⁵² The Court usurped Congress’s ability to define a substantive injury under the FCRA, thereby “shift[ing] locus of control over development of the law.”¹⁵³

Second, the Court limited Congress’s ability to define procedural harms, through its holding that *TransUnion*’s failure to send proper notice of a consumer’s OFAC alert or their summary of rights was a “bare procedural violation” and not a concrete harm.¹⁵⁴ The FCRA requires consumer reporting agencies to (1) provide consumers with information in their file; (2) give consumers access to their rights and a process to fix mistakes; and (3) provide the methods they use to maintain reports’ accuracy. These procedural provisions ensure better protection against the more substantive harm of a company disseminating a consumer’s inaccurate information. They also give consumers information about how their data is used, something that is often unknowable for data privacy violations.¹⁵⁵ Without procedural rights, plaintiffs are not informed, and their risk of substantive harm increases, counter to Congress’s goals.

Finally, Congress often defines remedies in statutes, including how remedies can be sought and by whom. This can include statutory damages and private rights of action. The *TransUnion* Court explicitly limited Congress’s choices by holding that statutory damages are not enough to allow plaintiffs standing because that could authorize “virtually any citizen to bring a statutory damages suit against virtually any defendant.”¹⁵⁶ Yet, for cases that do not involve statutes “with statutory damages, harm can become quite a speculative matter.”¹⁵⁷ Judges sometimes refuse to recognize harms in a statute when compensation is uncertain for fear of bankrupting a company.¹⁵⁸ Statutory damages allow Congress to provide guidance to courts where, like privacy violations, the harms are hard to quantify. Statutory damages can also encourage risk reduction by violators but also cap damages to avoid potential bankruptcy. Statutory damages also help courts account for risk of future harms¹⁵⁹ Instead of recognizing Congress’s choice to use statutory damages

152. Felix T. Wu, *How Privacy Distorted Standing Law*, 66 DE PAUL L. REV. 439, 458 (2017); see also Daniel Townsend, *Who Should Define Injuries for Article III Standing?*, 68 STAN. L. REV. ONLINE 76, 81 (2015).

153. Wu, *supra* note 152, at 451.

154. *Id.* at 2211.

155. Citron & Solove, *supra* note 79.

156. *TransUnion*, 141 S.Ct. at 2212.

157. Citron & Solove, *Privacy Harms*, *supra* note 63, at 45.

158. *Id.* at 44.

159. *Id.* at 47.

provisions to allow plaintiffs better redress and access to “forcing tired old judicial concepts of harm into the enforcement of . . . statutes.”¹⁶⁰

B. TRANSUNION DISINCENTIVIZES ENFORCEMENT OF PRIVACY RIGHTS

A law is only good if it is enforced.¹⁶¹ Society has a stake in protecting privacy and personal information. These protections promote rules of civility, guard individuals and communities in their ability to be creative, and are essential to democracy and free expression.¹⁶² The *TransUnion* decision limits enforcement of privacy rights and therefore limits the effectiveness of privacy law. First, the Court limits plaintiffs’ use of private rights of action as an enforcement tool. Second, the Court limits the recognition of risk of future harm as a prophylactic enforcement mechanism against future privacy risks, particularly in the world of Big Data.¹⁶³ These limitations make it more likely that bad actors will find it more profitable to commit privacy violations than be punished for said violations.

1. *TransUnion* Binds Congress’s Use of Private Rights of Action as an Enforcement Mechanism

The Court’s decision limits the ability for plaintiffs to be their own enforcers against companies, aggregating their harms together and holding entities accountable through private rights of action.

Private rights of action are used by Congress as an enforcement mechanism for privacy statutes.¹⁶⁴ Private rights of action also alleviate reliance on regulatory agencies, which is often necessary as “[n]early all regulatory agencies are significantly . . . under-resourced, and they cannot enforce in every case.”¹⁶⁵ The bounty created by private right of actions, in the form of statutory damages, further disincentivizes harm by entities and provide redress for consumer rights. Congress also carefully considers the impacts of private rights

160. *Id.* at 45.

161. EPIC Amicus Brief, *supra* note 53, at 5 (“Privacy rights and their corresponding obligations are only effective if they are enforceable.”).

162. Citron & Solove, *Privacy Harms*, *supra* note 63, at 46.

163. Big Data is defined as data that has more “volume,” “velocity,” and “variety,” than normal data sets, allowing for greater value, visualization of data, and more information that can be pulled and analyzed in greater accuracy. *See* U. WIS. EXTENDED CAMPUS, WHAT IS BIG DATA? (2015), <https://uwex.wisconsin.edu/stories-news/what-is-big-data/>.

164. EPIC Amicus Brief, *supra* note 53, at 8; *see also* Citron & Solove, *supra* note 79, at 35 (citing Spencer Weber Waller, Daniel B. Heidtke & Jessica Stewart, The Telephone Consumer Protection Act of 1991: Adapting Consumer Protection to Changing Technology, 26 *LOY. CONSUMER L. REV.* 343, 375 (2014)).

165. *Id.*

of action before placing them in a statute.¹⁶⁶ Private actions are often the most hotly contested part of any statute—that is, they are seldom granted and only after serious debate.¹⁶⁷ This care and deliberate decision-making by Congress deserves more judicial deference.¹⁶⁸

Instead of relying on how common private rights of actions are for privacy rights, the benefits they create for enforcement, or the care Congress takes in granting them, the Court in *TransUnion* held that only plaintiffs who had their faulty information disseminated could allege a private action.¹⁶⁹ To provide an example of their policy concerns, the Court reasoned that they did not want a person in Hawaii filing a federal lawsuit against a company for damaging someone else's property in Maine.¹⁷⁰ However, this example is particularly illogical in the context of privacy rights, because privacy rights are individualized.¹⁷¹ Unlike environmental suits, in which the harm against one part of the planet may cause downstream harm in another part of the planet, most people are unlikely to sue on behalf of another's violated privacy rights. Justice Thomas's dissent noted that historically, when plaintiffs seek enforcement of an individual right, the violation of that right alone was enough for standing.¹⁷² Further, the example given by the Court could still be resolved by analyzing whether a plaintiff has a connection to a harm, rather than whether the Court wants to recognize the harm itself.

Finally, given that privacy harms are often small harms disaggregated across many individuals, it is more likely that privacy violators will be held to account if a larger group of plaintiffs is able to bring small claims together in one suit. Otherwise, bad actors will do exactly what *TransUnion* did when it

166. Citron & Solove, *Privacy Harms*, *supra* note 63, at 49. Elucidating an example of a “professional plaintiff” enforcing TCPA actions in *Stoops v. Wells Fargo Bank* “Stoops may have been opportunistic, but her motives does not negate the harm-inflicted upon her. Trying to catch a wrongdoer does not mean that one is unharmed by the wrongdoer's actions in the process. Ultimately, however, harm should not be relevant to the Stoops case. Congress wrote the private right of action under the TCPA without a requirement of harm. Deterrence is the goal, not compensation.”

167. *Id.* at 51.

168. *Id.*

169. *TransUnion LLC v. Ramirez*, 141 S.Ct. 2190, 2207 (2021).

170. *Id.* at 2205.

171. *See* Wu, *supra* note 152, at 458 (“The vast majority of privacy and security cases, though, are indeed ones involving individual rights, not merely broad questions of public interest. Almost invariably, privacy plaintiffs are specific individuals who claim that their own personal information has been mishandled in some way. That mishandling then provides the factual basis for their legal claims under statutory or common law.”).

172. *TransUnion*, 141 S.Ct. at 2217 (Thomas J., dissenting) (comparing public and community interest suits versus suits over individual rights).

was originally sued for its OFAC alerts in 2005; pay off individual lawsuits rather than change business practices because it's more profitable.

The Court's decision keeps plaintiffs that Congress specifically sought to protect out of the federal court system. This limits the ability for plaintiffs to be their own enforcement mechanism against privacy violators.

2. *The TransUnion Court Severely Restricts Risk of Harm as a Harm, Limiting Prophylactic Privacy Enforcement*

Another inherent challenge with enforcing privacy rights is that an initial privacy violation creates a significant risk of future harms. Such risk is particularly present for privacy violations that qualify as “data breach harms” and “data quality harms.”¹⁷³ This is because the full scope of the harm stemming from a data breach depends on how the data is used and with whom the data is shared.¹⁷⁴ Privacy statutes like the FCRA try to mitigate this risk by discouraging wrongful dissemination of data before it happens.

Despite holding in *Spokeo* that the risk of harm could meet the definitional test of a “concrete harm,”¹⁷⁵ the Court in *TransUnion* limited using the risk of harm to enforce privacy rights. At any given point, TransUnion could have sold the credit report of a consumer with a mistaken OFAC alert.¹⁷⁶ As Justice Thomas said in his dissent, 25% of the plaintiffs in the TransUnion class already had their information disseminated in only the seven-month time period stipulated for the case.¹⁷⁷ The Court still held that there was not a sufficient risk that TransUnion was likely to release plaintiffs' inaccurate information intentionally or accidentally.¹⁷⁸ The Court did not clarify what would constitute enough risk for standing.¹⁷⁹

Even before *TransUnion's* lack of a conception of risk, cases dealing with risk as a privacy harm have been decided arbitrarily with different plaintiffs receiving different decisions about their ability to litigate the same claims.¹⁸⁰

173. Citron & Solove, *Risk and Anxiety*, *supra* note 63, at 744.

174. Citron & Solove, *Privacy Harms*, *supra* note 63, at 45. Company A may sell stolen or inaccurate data to Company B, who might sell pieces of that data to Companies C and D (and so on).

175. *Spokeo, Inc. v. Robins*, 578 U. S. 330, 341–42 (2016).

176. *TransUnion*, 141 S.Ct. at 2210.

177. *Id.* at 2214.

178. *Id.* at 2212 (stating “no evidence establishes a serious likelihood of disclosure”).

179. *Id.* at 2210.

180. DeLuca, *supra* note 61, at 2453, n.111. Compare *Katz v. Pershing, LLC*, 672 F.3d 64, 80 (1st Cir. 2012) (concluding that the plaintiffs had not established standing), with *Remises v. Neiman Marcus Grp., LLC*, 794 F.3d 688, 696–97 (7th Cir. 2015) (holding that standing had been properly established regarding future risk of identity theft); see also Citron & Solove, *supra*

This arbitrariness between cases will likely only increase after the Court limited the use of risk without defining how much risk of future data harm would constitute standing. At worst, plaintiffs may be unlikely to allege risk of harm as a cognizable harm at all, preventing their ability to halt privacy harms before they happen.

Not only did the Court not clarify what would be enough risk, but they also did not specify what would be enough proof of this risk, only holding that the plaintiffs had not provided enough evidence.¹⁸¹ Plaintiffs claimed that TransUnion's failure to provide all information about their credit reports or a summary of their rights increased their risk that their inaccurate data would be disseminated.¹⁸² However, the Court reasoned that plaintiffs provided no proof that plaintiffs had even opened mailings about their credit reports, or would have acted on the information.¹⁸³ The Court did not explain how plaintiffs could have proven they would have read mailings that had never been sent to them. Unnecessary assumptions aside, requiring proof to some non-specified standard before plaintiffs can enter the courtroom will simply keep many plaintiffs outside of it.

The Court's misconception also disregarded the fact that risk can be a privacy harm on its own. The Court wanted plaintiffs to show that the harms are "visceral" or easy to see, measured, and "vested" in the here and now.¹⁸⁴ Because of the disaggregated and often undetectable nature of data harms, showing that future harms are "easy to see" is inherently difficult. Plaintiffs are unlikely to know or be able to control what happens with their information until it is too late.¹⁸⁵ The Court's very odd example of an averted car crash as cause for celebration misapprehends how law holds people accountable for reckless driving and other risk creating behaviors. Privacy law should not be any different.

C. THE TRANSUNION COURT LIMITS THE EVOLUTION OF PRIVACY RIGHTS

The Court's decision also matters because privacy needs to be able to evolve. For decades, the Supreme Court had upheld Congress's ability to create

note 79 (stating that Courts recognized many types of privacy harm but have consistently struggled in privacy and data breach context over other types of harms).

181. *Id.*

182. *Id.*

183. *Id.*

184. Citron & Solove, *Risk and Anxiety*, *supra* note 63, at 754 (quoting *Reilly v. Ceridian Corp.*, 664 F.3d 38, 45 (3d Cir. 2011)) (emphasizing that a quantifiable [rather than speculative] risk of damage" is necessary to establish data harm).

185. Citron & Solove, *supra* note 79, at 32.

new rights via statute.¹⁸⁶ That ability to create new rights is especially important for privacy because, as stated previously in this Note,¹⁸⁷ the common law does not accommodate modern privacy harms.

1. *The Court's Focus on Concrete Harms and Common Law Analogues Further Confuses and Ossifies Privacy Law*

The Court in *TransUnion* reiterated that to have standing, a plaintiff must have been “concretely harmed.” Then, the Court stated that intangible concrete harms, as oxymoronic as that phrase is, will only create standing if they have a traditionally recognized common law analogue. However, modern privacy issues, such as for biometric privacy, data breaches, and others, all lead to intangible harms, and none have a common law analogue.¹⁸⁸ The Court’s definition of harm is illogical, unnecessary, and stunts privacy law’s evolution, instead ossifying privacy law.

First, even though the Court held that both tangible and intangible harms could meet the Court’s concreteness standard,¹⁸⁹ there is an “obvious linguistic contradiction” with this definition of harm.¹⁹⁰ As an amicus brief filed by the Electronic Privacy Information Center (EPIC) pointed out, any cursory glance in a dictionary would note that intangibility is the opposite of concrete.¹⁹¹ The majority tried to work around this contradiction by saying that intangible harms could be concrete if they closely matched a traditional harm at common law.¹⁹² However, even this definition of “traditionally recognized harm” is inappropriately limited. Harms outside of the common law such as Constitutional rights violations, statutory rights, and inherent natural rights have all been previously traditionally recognized in American courts, and these rights are necessary to compliment or gap-fill common law.

While the Court specifically points to Prosser’s four privacy torts as examples of concrete intangible harms at common law, the Court does not give any reason why something created in the 1960’s is old enough to be “traditionally recognized.” Nor does the court even recognize that these four common law privacy torts, and many others, are state law torts, with differing

186. Chemerinsky, *supra* note 94 at 101.

187. *See supra* Part II.C.1.

188. Kerry & John B. Moris, *Framing a Privacy Right Legislative Findings for Federal Privacy Legislation*, BROOKINGS (Dec. 8, 2020). <https://www.brookings.edu/research/framing-a-privacy-right-legislative-findings-for-federal-privacy-legislation/> Brookings.

189. *Spokeo*, 578 U.S. at 340.

190. *See In re Horizon Healthcare Servs. Inc. Data Breach Litig.*, 846 F.3d 625, 637 (3d Cir. 2017).

191. EPIC Amicus Brief, *supra* note 53, at 6.

192. *TransUnion*, 141 S.Ct. at 2204.

interpretations in any given state. The Court cannot and did not explain which states' version of Prosser's torts Congress would be allowed to legislate under. Further, Congress has designed many modern privacy statutes to specifically meet needs not addressed by Prosser's four torts – a fact that was made more stark when the Court itself did not apply one of Prosser's torts to the harm alleged by Ramirez and the class, and instead looked to defamation as a rough fit.¹⁹³

The Court further does not address the fact that the common law is supposed to change and evolve.¹⁹⁴ When Warren and Brandeis wrote their original article on the right to privacy, they aimed to generate new causes of action, viewing the common law as “progressive, not regressive”¹⁹⁵ The *TransUnion* decision does not account for Warren and Brandeis's view of privacy or at what point evolutions of the common law will become “traditionally recognized.” By keeping privacy law as it was conceived sixty years ago, the Court all but ensures privacy will remain ossified, creates broad confusion in future litigation and disservices the public whose privacy rights will be violated in new and changing ways.¹⁹⁶

2. *TransUnion's Holdings are Functionally Inapposite to Modern Privacy Needs*

Privacy law in the United States is already limited in its ability to address future privacy threats because privacy is regulated by specific statutes connected to specific economic sectors.¹⁹⁷ It is unknown what privacy issues will exist in the future. Yet, the Court in *TransUnion* said that Congress cannot “simply enact an injury into existence.”¹⁹⁸ This language limits Congress's ability to regulate new industries or potential privacy harms that have yet to be conceived.¹⁹⁹ It also prevents Congress from better defining privacy harms and making privacy protection more equitable.

Privacy is a salient issue for Congress. In the last few years, multiple members of Congress have proposed a wide variety of privacy bills to address

193. EPIC Amicus, *supra* note 53, at 11.

194. Citron & Solove, *supra* note 79.

195. Citron & Solove, *Privacy Harms*, *supra* note 63, at 51.

196. Citron & Solove, *supra* note 79; *see also* DeLuca, *supra* note 61, at 2452; Solove & Citron *Risk and Anxiety*, *supra* note 63, at 744 (referring to data breach harms as “akin to attempting to tap dance on quicksand”).

197. Citron, *supra* note 45, at 1825.

198. *TransUnion*, 141 S.Ct. at 2215.

199. *See supra* Part IV.A (discussing the Court's overstep of Congress's legislative powers).

modern privacy issues such as biometrics, Big Data, and deep fakes and other misinformation stemming from privacy harms.²⁰⁰

These issues are not theoretical. For example, scholars like Kate Crawford have posited that Big Data harms resulting from inaccurate aggregation of data evade current privacy regulations and “may create additional harms by rendering inaccurate profiles that nonetheless impact an individual’s life and livelihood.”²⁰¹ Privacy laws need to be able to adapt to these harms as data collection becomes more sophisticated. Attitudes and legislation aimed on biometric privacy are also currently nuanced and evolving.²⁰² State courts have already confronted procedural issues with biometric privacy such as notice and consent under state biometric privacy statutes²⁰³ Federal legislation needs to evolve to provide clear guidance and avoid inconsistent litigation between state and federal courts.

Finally, privacy needs to be able to evolve to better protect those that are most likely to be impacted. Right now, there is no common law analog for privacy protection under a federal cyber-harassment law. There is no current protection for the bias in using surveillance and facial recognition against people of color and religious minorities. The law is not yet evolved to mitigate the disproportionate impact of privacy harms, and it needs to be able to do so if privacy is to be equitable.

The *TransUnion* decision prevents privacy law from making necessary changes right when it most needs to evolve to regulate new industries and violations, as well as to better protect vulnerable communities.

D. LOWER COURTS NEED GUIDANCE IN PRIVACY CASES BUT *TRANSUNION* DOES NOT PROVIDE THAT GUIDANCE

After *Spokeo*, lower courts have already struggled to determine which intangible injuries would be concrete, leading to inconsistent and absurd results.²⁰⁴ The *TransUnion* decision does not provide any more clarity for lower courts in their privacy standing analysis, and might have even made the analysis more confused.

200. See Kerry & Morris, *supra* note 62.

201. Kate Crawford & Jason Schultz, *Big Data and Due Process: Towards a Framework to Redress Predictive Privacy Harms*, 55 B.C. L. REV. 93 (2014).

202. Matthew B. Kugler, *From Identification to Identity Theft: Public Perceptions of Biometric Privacy Harms*, 10 U.C. IRVINE L. REV. 107 (2019).

203. *Id.* at 143; see also *Rosenbach v. Six Flags Entm’t Corp.*, 2019 IL 123186 (holding there had been no sufficient harm alleged because harm needed to be more than a violation of the statute). *But see Patel v. Facebook, Inc.*, 932 F.3d 1264 (9th Cir. 2019) (holding that the violation of the statute alone was enough to constitute harm).

204. EPIC Amicus Brief, *supra* note 53, at 6.

1. *Because TransUnion Did Not Clarify Specific Definitions of Harm, Privacy Cases in Lower Courts Will Continue to be Inconsistent*

After *Spokeo*, the Court's lack of guidance for what counts as a traditionally recognized harm "led some courts to shift the goalposts for concreteness away from the violation of the data protection right and toward a consequential harm standard."²⁰⁵ A consequential harm standard requires either proof of specific damages from the violation of privacy or proof of a separate tangible injury outside of the privacy violation. But this has led to courts focusing on issues that are not at the heart of the privacy matter.

To illustrate, after *Spokeo*, in *In re iPhone Application Litigation*,²⁰⁶ plaintiffs alleged that Apple breached its privacy policy by engaging in unauthorized transmission of information. The Court held that the plaintiffs had sufficiently alleged a harm by stating that the unauthorized data transmission taxed their phone's battery and used up phone storage.²⁰⁷ A taxed battery is a very separate harm from unauthorized data transmission. In another case, *Mey v. Got Warranty Inc.*,²⁰⁸ the Court held that unwanted calls violating the Telephone Consumer Protection Act caused concrete injury by depleting consumer's cell phone limits and battery life.²⁰⁹ Again, this had nothing to do with the heart of the privacy violations.

In even other post-*Spokeo* cases, lower courts questioned whether the extent of the violation alleged was enough to merit standing and concluded with different answers.²¹⁰ For example, the Eleventh Circuit held in *Salcedo v. Hanna* that the receipt of a single text was not enough to constitute harm,²¹¹ but the Eighth Circuit, in *Golan v. FreeEats.com, Inc.*²¹² held that "it does not matter that the harm from an unsolicited call was minimal; in the standing analysis, we consider the type of the harm, not its extent."²¹³

Lower courts are in the same position they were after *Spokeo*, with no clear guidance. *TransUnion* did not clarify what makes an intangible harm concrete. It did not clarify how much intangible harm is concrete. The only definitional information lower courts have now that they didn't have before *TransUnion* is that "traditional harms" are harms recognized at common law. The Court did

205. *Id.* at 8; *see also* Chemerinsky, *supra* note 94, at 279.

206. Citron & Solove, *Privacy Harms*, *supra* note 63, at 43.

207. *Id.*

208. *Mey v. Got Warranty, Inc.*, 193 F. Supp. 3d 641 (N.D.W. Va. 2016); *see also* Citron & Solove, *Privacy Harms*, *supra* note 63, at 43.

209. Citron & Solove, *Privacy Harms*, *supra* note 63, at 43.

210. EPIC Amicus Brief, *supra* note 53, at 4.

211. *Salcedo v. Hanna*, 936 F.3d 1162, 1172 (11th Cir. 2019).

212. *Golan v. FreeEats.com, Inc.*, 930 F.3d 950, 959 (8th Cir. 2019).

213. EPIC Amicus Brief, *supra* note 53, at 7.

not explain what is enough of an analogy between a privacy harm and the common law to constitute standing, or whether intangible harms can be compensated. The only example the Court gave was Prosser four common law torts, which modern privacy statutes do not fit neatly under. Therefore, inconsistencies in privacy cases, and lower courts' focus on the wrong harms are only likely to continue.

2. *TransUnion Puts Courts in an Untenable Tug of War to Override the Court or Override Congress's Judgment*

Even if Congress had explicitly granted a private right of action, defined the harms that allow for that action, and provided express minimum statutory damages, the *TransUnion* decision could still require a lower federal court to override Congress.²¹⁴ The Court believes it is its duty to make sure that federal courts mind their own business.²¹⁵ But as Erwin Chemerinsky notes, this “requires defining what their business is.”²¹⁶ The Court seems to forget that “the federal courts are not [entirely] common law courts. Under the Constitution, Congress gets to decide whether to flood the federal courts. For the federal courts to make this decision is to upend the constitutional order.”²¹⁷

Because the Court has questioned Congress's powers under Article III standing, which is a jurisdictional question entirely under the purview of the Court, the decision means Congressionally defined harms that do not meet the Court's definition fail on constitutional grounds rather than the merits of case.²¹⁸ Plaintiffs would therefore be unable to change a decision through the federal legislature. Lower federal courts would have to determine whether the constitutional power of Article III as defined by the Supreme Court triumphs over Congress's Article II powers. This battle removes the proper focus on a case or controversy, placing lower courts in an untenable position and hindering any ability to allow case law to progress privacy law.

V. CONCLUSION

The original policy goal of the Supreme Court in the evolution of its standing doctrine was to require plaintiffs to assert an actual harm that they themselves had suffered, rather than harms that only applied to a

214. Wu, *supra* note 152, at 440.

215. *TransUnion LLC v. Ramirez*, 141 S.Ct. 2190, 2203 (2021).

216. Chemerinsky, *supra* note 94, at 123.

217. Wu, *supra* note 152, at 459 (citing Toby J. Stern, *Federal Judges and Fearing the “Floodgates of Litigation,”* 6 U. PA. J. CONST. L. 377, 399 (2003)).

218. *Id.* at 451.

community.²¹⁹ The Supreme Court took this analysis of standing—one that was supposed to only apply to claims that asserted public statutory rights—and slowly grafted that analysis onto all constitutional Article III standing analyses.²²⁰ In *Spokeo*, the Court took this bootstrapped constitutional definition to an illogical extreme by applying it to an individual privacy right under the FCRA.²²¹

TransUnion was a strange case for the Court to enact an even more narrowed definition of standing. The company was previously sued in 2005 for the exact same harm, and yet, it had not changed any of its business practices, finding it more profitable to continue selling the faulty OFAC reports.²²² The case also contained a class of people who, under the definition of the FCRA, were unambiguously individually harmed.²²³ Finally, the Court had a unanimous jury verdict, and the very rare jury note admonishing *TransUnion* directly.²²⁴

Nonetheless, *TransUnion* accelerated the Court's illogical evolution of standing by holding that intangible harms must be concrete and relate to a common law analogue, and Congress cannot enact new harms outside of this definition. This Note argues that this narrow definition of harm and unsound limitation on Congress's powers cements power within the Court to refuse to recognize any harms it does not deem worthy of being in court.²²⁵

The Court's use of this bootstrapped constitutional test in a privacy case matters. Not only does the test usurp Congressional powers, but it will limit privacy law enforcement and evolution, and continue to confuse lower courts. Privacy harms that are recognized at common law came to a standstill in the mid-twentieth century under Prosser's torts. Much of modern privacy law depends on statutes to fill in the common law gaps that cannot cover modern privacy harms. *TransUnion* disregards the gap filling needs of new privacy statutes, instead holding that Congress cannot legislate injuries into existence.

Because the Court essentially will not recognize new privacy harms in current statutes, and limits Congress's ability to create new statutes for future privacy harms, the *TransUnion* decision has stunted the progress privacy law has made and needs to make in the future. The Court's restrictive definition of harm prevents current enforcement of privacy rights, as bad actors can skirt

219. *Lujan v. Defs. of Wildlife*, 504 U.S. 555, 560 (1992).

220. *See Lujan*, 504 U.S. at 560.

221. Fair Credit Reporting Act 15 U.S.C. § 1681 (1970).

222. *TransUnion LLC v. Ramirez*, 141 S.Ct. 2190, 2215 (2021) (Thomas J., dissenting).

223. *Id.*

224. *Id.*

225. *See generally* Chemerinsky, *supra* note 94.

privacy provisions by resting assured plaintiffs won't be able to meet standing requirements to sue. The Court's limitation on Congress's abilities will keep privacy from evolving right at the time it needs to the most. New and more challenging privacy questions are coming, and U.S. citizens deserve a legal framework to protect themselves and enforce their rights. Finally, the *TransUnion* Court did nothing to aid lower courts in navigating complicated privacy issues, guidance lower courts desperately needed after *Spokeo*. Instead, privacy litigation, if it occurs at all will continue to be arbitrarily and inconsistently decided. The impacts of the Court's arbitrary limitations will likely be felt for years to come.

JACK DANIEL'S VS. BAD SPANIELS— DOES A DOG TOY GET HEIGHTENED FIRST AMENDMENT PROTECTION?

Jelena Laketić[†]

I. INTRODUCTION

A profound tension lies at the core of trademark law. Traditionally, a trademark's primary function was to identify the source of a product, thus protecting against deceptive uses of trademarks in commerce by enabling trademark owners to create reliable identifiers for their goods or services and reduce search costs for consumers.¹ When trademark law served primarily to prevent consumer confusion regarding the commercial origin of the goods or services, the possibility of conflicts with freedom of expression was limited.² However, as mass marketing and advertising techniques became ubiquitous in the commercial marketplace, legal scholars became more receptive to the notion that the primary goal of trademark laws also includes protecting the mark's reputation.³ Consequently, conceptions regarding the scope and

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1. See, e.g., *G. & C. Merriam Co. v. Saalfield*, 198 F. 369, 373 (6th Cir. 1912) (“The entire substantive law of trade-marks . . . is a branch of the broader law of unfair competition. The ultimate offense always is that defendant has passed off his goods as and for those of the complainant.”); see also *Moseley v. V Secret Catalogue, Inc.*, 537 U.S. 418, 428 (2003) (“Traditional trademark infringement law is part of the broader law of unfair competition . . . That law broadly prohibits uses of trademarks . . . that are likely to cause confusion about the source of a product or service.”).

2. See Ann Bartow, *Likelihood of Confusion*, 41 SAN DIEGO L. REV. 721, 797–98 (2004) (“Traditional federal trademark law doctrinally averted collision with free speech interests by authorizing judicial intervention only in contexts in which consumers were likely to be confused. Anti-dilution statutes, however, protect trademarks from the “likelihood of injury to business reputation or of dilution of the distinctive quality of a mark” absent even arguable or pretextual confusion as to the source of goods or services.”).

3. See David S. Welkowitz, *Reexamining Trademark Dilution*, 44 VAND. L. REV. 531, 532 (1991) (noting how the protection of a trademark has evolved over the years); cf. Note, *Harnessing Madison Avenue: Advertising and Products Liability Theory*, 107 HARV. L. REV. 895, 904–06 (citing cases recognizing the impact advertising has on consumer expectations). See generally Mark Bartholomew, *Advertising and the Transformation of Trademark Law*, 38 N.M. L. REV. 1 (2008).

purpose of trademark protection have shifted in a way that threatens freedom of expression.⁴ This focus shift is most evident in the doctrine of trademark dilution.⁵

In other words, when the concept of trademark dilution arose, trademark rights have expanded drastically from consumer-oriented protections to protect brand identities of famous marks. The Lanham Act,⁶ which establishes the foundation for United States trademark law, provides mark protection against the use of similar marks if the use would likely create consumer confusion or if the dilution of a famous trademark is likely to occur.⁷ What matters is not only whether there is consumer confusion about a product or service's origin, but also whether there is consumer distraction.⁸ Trademark dilution thus pushes in a separate normative direction, creating a policy that often conflicts with First Amendment rights. While trademark infringement focuses on consumers and aims to prevent misleading representations, trademark dilution focuses on the seller's reputation.

Moreover, famous trademarks frequently become cultural landmarks and an integral part of expressive works. Courts have recognized that some trademarks “enter public discourse and become an integral part of our vocabulary” or “transcend their identifying purpose.”⁹ Not surprisingly, many of the products people want to parody are from famous brands.

Imagine entering the store intending to pick up some liquor before your party when you come across Silly Squeakers Liquor Bottles toys adorned with brands such as Doggie Walker,¹⁰ Crispaw,¹¹ and Bad Spaniels.¹² Beyond their

4. See, e.g., Mark A. Lemley, *Romantic Authorship and the Rhetoric of Property*, 75 TEX. L. REV. 873, 900 (1997) (book review) (arguing that trademark owners “are well on their way to owning the exclusive right to pun”).

5. See Michael K. Cantwell, *Confusion, Dilution, and Speech: First Amendment Limitations on the Trademark Estate*, 87 TRADEMARK REP. 48, 52 (1997) (noting that antidilution provisions directly conflict with the free speech guarantees incorporated in the First Amendment).

6. Pub. L. No. 79-489, 60 Stat. 427 (codified as amended in scattered sections of 15 U.S.C.).

7. See 15 U.S.C. §§ 1125(a), 1125(c).

8. See, e.g., *Lever Bros. Co. v. Am. Bakeries Co.*, 693 F.2d 251, 259 (2d Cir. 1982) (explaining that “the bustling, self-service atmosphere of a typical supermarket makes careful examination of products unlikely”).

9. *Mattel v. Walking Mountain Prods.*, 353 F.3d 792, 807 (9th Cir. 2003); *Twentieth Century Fox Television v. Empire Distr.*, 875 F.3d 1192, 1197–98 (9th Cir. 2017).

10. *Silly Squeakers Liquor Bottles: Doggie Walker*, MYDOGTOY.COM, <https://mydotoy.com/p/Silly-Squeaker-Liquor-Bottle-Doggie-Walker> (last visited Sept. 21, 2022).

11. *Silly Squeakers Wine Bottles: Crispaw*, MYDOGTOY.COM, <https://mydogtoy.com/p/Silly-Squeaker-Wine-Bottle-Crispaw> (last visited Sept. 21, 2022).

12. *Silly Squeakers Liquor Bottles: Bad Spaniels*, MYDOGTOY.COM, <https://mydogtoy.com/p/Silly-Squeaker-Liquor-Bottle-Bad-Spaniels> (last visited Sept. 21, 2022).

parodic features, it is unlikely that you ever considered the intersection of trademark law and the First Amendment. Well, trademark owners do. They often see these products as a threat to their economic interests and seek to use the trademark law as a medium to bring these forms of cultural expression under their control.

But the question is, what sorts of parodic activity fall on the side of the protected expression as opposed to trademark rights? How can courts distinguish lawful from unlawful parodies? Should speech, both commercial and non-commercial, be allowed in trademark law? What happens when the parodies sell something other than speech itself? How can trademark law be balanced with freedom of expression?

As Ninth Circuit Judge Alex Kozinski sums up, it is when “Speech-Zilla meets Trademark Kong.”¹³ In assessing these battles, courts apply the *Rogers* test, named for a 1989 case involving the actress Ginger Rogers.¹⁴ There was a need to introduce such a test because trademark law protects consumers’ interest in being free from confusion about affiliations and endorsements. Still, this protection is limited by the First Amendment, especially if the product or service involved is expressive work. Aware of the necessity to balance the public’s First Amendment interest in free expression against the public’s interest in not being confused about affiliation and endorsement of certain products, the Second Circuit created the *Rogers* test. Under the *Rogers* test, § 43(a)¹⁵ of the Lanham Act does not apply to expressive works “unless the [use of the trademark] has no artistic relevance to the underlying work whatsoever, or, if it has some artistic relevance, unless the [use of trademark] explicitly misleads as to the source or the content of the work.”¹⁶

This Note analyzes the development of the *Rogers* test in the Ninth Circuit’s decision in *VIP Products LLC v. Jack Daniel’s Properties, Inc.*, in which the court held that a squeaking dog toy resembling a bottle of Jack Daniel’s whiskey is an expressive work entitled to First Amendment protection.¹⁷

13. *Mattel, Inc. v. MCA Recs., Inc.*, 296 F.3d 894, 898 (9th Cir. 2002), *cert. denied*, 537 U.S. 1171 (2003).

14. *Rogers v. Grimaldi*, 875 F.2d 994, 999 (2d Cir. 1989).

15. 15 U.S.C. § 1125(a)(1) (prohibiting, *inter alia*, “any . . . false or misleading representation of fact . . . likely to cause confusion, or to cause mistake, or to deceive as to the affiliation, connection or association of such person with another person, or as to the origin, sponsorship, or approval of his or her goods, services, or commercial activities by another person.”).

16. *Rogers*, 875 F.2d at 999.

17. *VIP Prods. LLC v. Jack Daniel’s Props., Inc.*, 953 F.3d 1170, 1172 (9th Cir. 2020), *cert. denied*, 141 S.Ct. 1054 (2021).

Part II explains what a trademark is and summarizes policy arguments of trademark law. Moreover, it provides an overview of the development of dilution law and addresses the relationship between trademark infringement, dilution, and parody. Part III first summarizes *Rogers v. Grimaldi* and then sets forth the Ninth Circuit's application of the *Rogers* test. Part IV explores *Jack Daniel's v. VIP Products*, both at the district level and on appeal, and considers the consequences of the Ninth Circuit's decision. This Note argues that courts have applied the *Rogers* test in cases involving a wide range of expressive works, and that was a reasonable approach here. As the Ninth Circuit once stated, the *Rogers* test is not only dependent on the identifying material appearing in the title but "also appl[ies] to the use of a trademark in the body of the work."¹⁸ Therefore, the Ninth Circuit correctly concluded that VIP's speech is inseparable from the medium in conveying that speech. Furthermore, it lays out the Supreme Court opinions which recently sided with Jack Daniel's and strengthened trademark holders' ability to protect their trademarks against alleged parodies.¹⁹

This Note will argue that the Ninth Circuit was correct in its holding and, therefore, struck the right balance between trademark rights and freedom of expression. In doing so, it facilitates the application of the *Rogers* test to less conventional parodies. Moreover, it also argues that the Supreme Court decision that traditional trademark use does not receive special First Amendment protection, even when it has an expressive message, is inappropriate, and doesn't end ongoing debates regarding First Amendment protection in the context of parodies in trademark disputes.

II. OVERVIEW OF TRADEMARK POLICY AND DOCTRINE

As a springboard for this Note's analysis, Part II recounts fundamental aspects of trademark law, starting with an explanation of what a trademark is and how it works linguistically. Thus, this Part analyzes the internal structure of a trademark and how understanding the structure of a trademark helps distinguish it from other forms of intellectual property. Understanding the distinctive character of trademark law also raises the fundamental question of: What are the justifications for trademark law? This Part then discusses economic policy arguments undergirding trademark law doctrine to answer this question. In particular, these arguments focus on consumer protection and producer protection.

18. E.S.S. Ent. 2000, Inc. v. Rock Star Videos, Inc., 547 F.3d 1095, 1099 (9th Cir. 2008).

19. Jack Daniel's Props., Inc., v. VIP Prods. LLC, 953 F.3d 1170, No. 22-148, 2023 WL 3872519 (U.S. June 8, 2023).

A. THE MEANING OF A TRADEMARK

Trademark law has evolved and expanded beyond its traditional scope. That evolution is central to *VIP Products LLC v. Jack Daniel's Properties, Inc.*, making it crucial to understand the development of trademarks and trademark law for our future analysis.

A trademark is any word, name, symbol, or device, or any combination thereof, used in commerce to identify and distinguish the goods of one manufacturer or seller from those of another and to indicate the source of the goods.²⁰ In simple words, a trademark is a source identifier, that is to say, a designation symbol used to denote a single seller of goods or services and distinguish it from other sellers.²¹ The essence of a trademark is to accomplish a communicative task.

Starting from the linguistic meaning of the trademark, this Part's structural analysis clarifies the nature of trademark distinctiveness amongst other forms of intellectual property. Also, it sets the groundwork necessary for the study of trademark dilution to follow in later Parts. As Professor Barton Beebe has observed, a trademark is triadic in structure, consisting of three sub-sign elements. First, the trademark must take the form of a "tangible symbol," indicating that "the 'word, name, symbol or device, or any combination thereof' constitutes the trademark's signifier."²² Second, the trademark holder must use the mark in commerce to refer to goods or services, which means that these goods or services constitute the brand's referent.²³ Third, the trademark is required to "identify and distinguish" its referent, which is generally achieved by identifying the referent with a specific source and its goodwill.²⁴ "Thus, in the case of a trademark such as NIKE, the signifier is the word 'nike,' the signified is the goodwill of Nike, Inc., and the referent is the shoes or other athletic gear to which the 'nike' signifier is attached."²⁵

20. See 15 U.S.C. § 1127.

21. See Robert G. Bone, *Enforcement Costs and Trademark Puzzles*, 90 VA. L. REV. 2099, 2104 (2004); see also J. THOMAS MCCARTHY, MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION § 3:1 (5th ed. 2019) ("Under the modern definition of the term 'trademark,' both state common law and federal law follow the definition set forth in the federal Lanham Act: a trademark is a designation used 'to identify and distinguish' the source of goods and services of a person or company. The role that a designation must play to become a 'trademark' is to identify the source of one seller's goods and distinguish that source from other sources. If the designation performs that role, then the law deems it to be 'distinctive' and legally protectable.").

22. Barton Beebe, *The Semiotic Analysis of Trademark Law*, 51 UCLA L. REV. 621, 646 (2004).

23. *Id.*

24. *Id.*

25. *Id.*

If there is no linkage between the signifier and the goodwill to which it refers, there is no trademark protection. It occurs because “trade name or mark is merely a symbol of goodwill; it has no independent significance apart from the goodwill it symbolizes.”²⁶

Since the primary purpose of the trademark is to serve as a designation of its origin, *stricto sensu*, the trademarks say almost nothing about the composition or characteristics of the product or services.²⁷ For a designation to fulfill the function of identifying and distinguishing the source of the goods or services, it must impact the minds of the consumers.²⁸ “Only where the product configuration has an established meaning as a brand in the minds of consumers is it entitled to protection.”²⁹

Accordingly, the structure of trademark law is not like other forms of intellectual property. Conceptually, a trademark is a type of intellectual property. Theoretically, though, trademark law only regulates the marketplace in a way that enhances consumer welfare. Courts have also historically held that the lack of absolute ownership in a trademark differentiates it from other intellectual property rights, such as patents and copyrights.³⁰

Modern commentators have maintained this critical conceptual insight, which is needed to assess the nature and justification of trademark law. For instance, McKenna argues that “courts did not view trademarks as separable from a producer’s underlying business.”³¹ Hence, the genuine legal interest secured by trademark law is not in the signifier itself. Because trademarks are neither creative nor intellectual creations in the way that patents and copyrights

26. *Marshak v. Green*, 746 F.2d 927, 929 (2d Cir. 1984).

27. See Nicholas S. Economides, *The Economics of Trademarks*, 78 TRADEMARK REP. 523, 526–27 (1988) (explaining how the information of the trademarked product is not provided to the consumers in an analytic form, but rather in summary form, through a symbol).

28. See William P. Kratzke, *Normative Economic Analysis of Trademark Law*, 21 MEMPHIS ST. U. L. REV. 199, 205 (1991) (“Until a word, name, symbol or device plays some informational or identificatory role with respect to a product, it has no value.”).

29. Stacey L. Dogan & Mark A. Lemley, *Trademarks and Consumer Search Costs on the Internet*, 41 HOUS. L. REV. 777, 792 (2004) (citing *Wal-Mart Stores, Inc. v. Samara Bros.* 529 U.S. 205, 212–214 (2000)).

30. See, e.g., *Del. & Hudson Canal Co. v. Clark*, 80 U.S. 311, 322 (1871) (“Property in a trade-mark, or rather in the use of a trade-mark or name, has very little analogy to that which exists in copyrights, or in patents for inventions.”); *Prestonettes, Inc. v. Coty*, 264 U.S. 359, 368 (1924) (“[W]hat new rights do the trade mark confer? It does not confer a right to prohibit the use of the word or words. It is not a copyright.”); cf., *Clorox Co. v. Sterling Winthrop, Inc.*, 117 F.3d 50, 56 (2d Cir. 1997) (“A trademark, unlike other intellectual property rights, does not confer a legal monopoly on any good or idea.”).

31. Mark P. McKenna, *The Normative Foundations of Trademark Law*, 82 NOTRE DAME L. REV. 1839, 1884 (2007).

are, most scholars reject the notion that trademark rights should serve as an incentive or reward for creating source-identifier-value.³²

If the main objective of intellectual property law is to encourage the creation of new works or improvements to existing ones, whether of a technical or expressive nature,³³ the question that naturally arises is the following: What are the justifications for the existence of trademark law?

B. TRADEMARK POLICY ARGUMENTS

As we have mentioned, prominent legal scholars argue that a trademark is primarily a regulatory entitlement that prevents unfair competition and advances consumer welfare. Consequently, it is not surprising that economic analyses are common in the contemporary trademark law doctrine.³⁴ These justifications consider intellectual property as a system of rules that promote information efficiency.³⁵

It is worth mentioning that other economic justifications for trademark law are sometimes offered. Some authors have argued that trademark law promotes the role of marks in increasing efficiency and attracting quality personnel to companies.³⁶ Others speak of the role of marks to facilitate franchising, brand differentiation, and national expansion of companies in

32. See Roger E. Meiners & Robert J. Staaf, *Patents, Copyrights and Trademarks: Property or Monopoly?* 13 HARV. J.L. & PUB. POL'Y 911, 931 (1990) ("A trademark would have zero value in a world of perfect information because consumers could determine variations in quality and performance among products at no cost."); Deven R. Desai, *From Trademarks to Brands*, 64 FLA. L. REV. 981, 1011–12 (2012) ("Trademarks do not have property rights in gross with the same strong exclusionary and temporary monopoly power that patent and copyright law enjoy."); see also *United Drug Co. v. Theodore Rectanus Co.*, 248 U.S. 90, 98 (1918) ("In truth, a trade-mark confers no monopoly whatever in a proper sense, but is merely a convenient means for facilitating the protection of one's good-will in trade by placing a distinguishing mark or symbol—a commercial signature—upon the merchandise or package in which it is sold."); accord *Beanstalk Grp. v. AM Gen. Corp.*, 283 F.3d 856, 861 (7th Cir. 2002) ("A trademark is an identifier, not a freestanding piece of intellectual property"); *ETW Corp. v. Jireh Publ'g, Inc.*, 332 F.3d 915, 922 (6th Cir. 2003) (differentiating between trademarks and patents because the patents confer a property right in gross rather than a limited interest).

33. See, e.g., Peter S. Menell & Suzanne Scotchmer, *Intellectual Property Law*, in 2 HANDBOOK OF LAW AND ECONOMICS (A. Mitchell Polinsky & Steven Shavell eds., 2007).

34. See Beebe, *supra* note 22 at 646 ("The Chicago School of law and economics has long offered a totalizing and, for many, quite definitive theory of American trademark law.")

35. See McKenna, *supra* note 31 at 1844 ("It would be difficult to overstate the level of consensus among commentators that the goal of trademark law is and always has been to improve the quality of information in the marketplace and thereby reduce consumer search costs.")

36. See Mira Wilkins, *The Neglected Intangible Asset: The Influence of the Trademark on the Rise of the Modern Corporation*, 34 BUS. HIST. 66, 87–88 (1992).

different markets.³⁷ Non-economic justifications for trademark law exist as well.³⁸ Nonetheless, these less common alternative justifications should not distract the reader from the centrality of the concept of information efficiency in a market.

Professor Economides, in his well-known treatise on trademark law, states that the main reasons for the existence and protection of trademarks are that “(1) trademarks facilitate and improve consumer decisions, and (2) they encourage companies to produce products of preferable qualities even when they are not observable before purchase.”³⁹ From an economic perspective, trademark law plays a twofold role. It facilitates the transmission of accurate information to the market and enhances incentives for firms to invest in the quality of their activities. While it is true that the minimization of consumer search costs and the promotion of investment represents “a critical intermediate objective of the trademark system, neither of these goals is an end in itself.”⁴⁰ The legally protectable economic value of marks lies in their potential to generate more competitive markets.⁴¹

1. *Consumer Protection*

A trademark is a designation, or sign, that resolves an information asymmetry problem. Asymmetric information is a type of market failure where one of the agents has considerably better information about the unobservable features of a commodity for sale than the other one.⁴² In the trademark context, there is a problem of uncertainty about the quality of the products. This problem becomes more complex when the consumers face more alternatives of similar perceived quality. In deciding on one product without

37. See ROBERT P. MERGES, Peter S. Menell, Mark A. Lemley, *INTELLECTUAL PROPERTY IN THE NEW TECHNOLOGICAL AGE* 645–46 (3d ed. 2003) (cited in Dogan & Lemley, *supra* note 29 at 800).

38. See Bone, *supra* note 21, at 2108–13 (summarizing several non-economic justifications for trademark law and describing the limitations of each).

39. Economides, *supra* note 27, at 526.

40. Stacey L. Dogan & Mark A. Lemley, *The Merchandising Right: Fragile Theory or Fait Accompli*, 54 EMORY L.J. 461, 467 (2005).

41. Glynn S. Lunney, Jr., *Trademark Monopolies*, 48 EMORY L.J. 367, 370 (1999) (“[T]he only sensible conclusion, and the one eventually reached, was that trademark protection can both advance and disserve the development of an efficient and desirably competitive market.”).

42. Economides, *supra* note 27, at 526 (“In many markets, sellers have much better information as to the unobservable features of a commodity for sale than the buyers. This is known as information asymmetry.”); see also George A. Akerlof, *A Market for Lemons: Quality Uncertainty and the Market Mechanism*, 84 Q. J. ECON. 448, 490–91 (1970) (explaining how information affects economic decisions).

complete certainty, the most reliable signal for the consumers is the one that commits the seller to fulfill quality promises, which is the trademark.

Trademarks minimize information and transaction costs in the market by allowing customers to evaluate the nature and quality of products before purchasing or using,⁴³ and sometimes even after use.⁴⁴ The more difficult it is to quickly and inexpensively inspect a product to determine its quality, the more consumers rely on trademarks.⁴⁵

2. *Producer Protection*

As this Note has already discussed, the second main objective of trademark law from an economic perspective is to provide incentives to maintain and even increase the quality of the products or services. Companies have the motivation to invest resources in developing and maintaining strong trademarks. In turn, however, the value of the trademarks depends on their ability to maintain consistent quality.⁴⁶

For this system to function correctly, legal norms are necessary. Imagine for a moment a world without trademark protection. Consumers would have struggle greatly to distinguish between products that appear very similar on the surface. Moreover, trademarks would be copied freely by competitors. The

43. See William Landes & Richard Posner, *THE ECONOMIC STRUCTURE OF INTELLECTUAL PROPERTY LAW* 167–68 (2003); Economides, *supra* note 27, at 525–27 (analyzing economic benefits of marks that inform consumers of unobservable product characteristics); Kratzke, *supra* note 28, at 214–17 (explaining how trademarks are highly efficient means of communicating product information); see also *Qualitex Co. v. Jacobsen Prods. Co.*, 514 U.S. 159, 163–64 (1995) (trademark law “reduce[s] the customer’s cost of shopping and making purchasing decisions,” and “helps assure a producer that it (and not an imitating competitor) will reap the financial, reputation-related rewards associated with a desirable product”); *Ty Inc. v. Perryman*, 306 F.3d 509, 510 (7th Cir. 2002) (“The fundamental purpose of a trademark is to reduce consumer search costs by providing a concise and unequivocal identifier of a particular source of goods.”). *But see* Mark P. McKenna, *A Consumer Decision-Making Theory of Trademark Law*, 98 VA. L. REV. 67, 141 (2012) (“Focusing on search costs has had serious negative effects on trademark doctrine: courts have accepted virtually any argument sounding in consumer confusion terms and the result has been nearly unbridled expansion.”).

44. See Charles J. Walsh & Marc S. Klein, *From Dog Food to Prescription Drug Advertising: Litigating False Scientific Establishment Claims under the Lanham Act*, 22 SETON HALL L. REV. 389, 399 (1992) (“Drugs are true ‘credence’ goods because they possess qualities that cannot be evaluated through normal use. The assessment of a drug’s qualities normally requires complex, time-consuming, and costly studies.”).

45. See Menell & Scotchmer, *supra* note 33, at 1536; see also Bone, *supra* note 21, at 2106 (arguing that the informational function of trademarks is particularly important for products whose features are not evident upon inspection).

46. See William Landes & Richard A. Posner, *Trademark Law: An Economic Perspective*, 30 J.L. & ECON. 265, 270 (1987) (noting that trademarks have a self-enforcing nature).

cost of copying someone else's trademark is trivial. Consequently, the incentives to engage in fraudulent actions would be enormous in the absence of legal norms. "If the law does not prevent it, free riding will eventually destroy the information capital embodied in a trademark, and the prospect of free riding may therefore eliminate the incentive to develop a valuable trademark in the first place."⁴⁷ In the past, among other things, federal trademark statutes authorized a competitor to obtain relief in limited situations, and many separate laws were confusing and difficult to enforce. For these reasons, Congress passed the Lanham Act in 1946, repealing the laws of 1881, 1905, and 1920.⁴⁸

Nowadays, every trademark infringement claim focuses on the likelihood of consumer confusion.⁴⁹ By establishing a specific legal framework for protecting trademarks against confusion, the Lanham Act ensures a trusted and mutually beneficial channel of communication between producers and consumers.⁵⁰ Trademark law encourages producers to invest in quality because they will enjoy the benefits in terms of reputation others cannot misappropriate. Consumers, on their part, can count on the reduced costs of informing themselves about the source of the product so that they can continue to buy the products of particular producers or to avoid them.⁵¹

Before turning to the next Part, it is essential to summarize that a trademark is primarily a regulatory entitlement that protects trademark holders by preventing unfair competition and protects the general public by advancing consumer welfare. Trademarks convey information and facilitate purchasing decisions. Trademark law also provides a remedy when two or more trademarks on the market are the same or similar to such an extent that they are likely to cause consumer confusion. Because the primary effect of a

47. *Id.*

48. See Ethan Horwitz & Benjamin Levi, *Fifty Years of the Lanham Act: A Retrospective of Section 43(a)*, 7 FORDHAM INTELL. PROP. MEDIA ENT. L.J. 59 (1996) (providing further discussion of this topic).

49. See MCCARTHY, *supra* note 21, § 30:2.50 ("All that must be proven to establish liability and the need for an injunction against infringement is the likelihood of confusion.")

50. See 15 U.S.C. §§ 1114, 1125(a) (providing trademark holders, whether for a registered mark under 15 U.S.C. § 1114, or an unregistered mark under 15 U.S.C. § 1125(a), with a cause of action to protect their marks from infringement).

51. Although we have highlighted two main rationales for the economic justification for trade-mark law, note that some authors offer additional explanations. See, e.g., Mark A. Lemley, *The Modern Lanham Act and the Death of Common Sense*, 108 YALE L.J. 1687, 1690 (1999) (discussing the signaling function theory and "the role of trademarks in allowing the growth of complex, long-term organizations spread over a wide geographic area"). See generally Paul Milgrom & John Roberts, *Price and Advertising Signals of Product Quality*, 94 J. POL. ECON. 796 (1986) (presenting an economic signaling model).

trademark is informative, the distinctive character of the sign represents the critical element. That is why trademark infringement claims often focus on the likelihood of consumer confusion test.

C. ANTIDILUTION LAW

This Note began with the assertion that trademark law is characterized by a deep internal tension. Within trademark law, we can visualize a traditional central doctrine, the likelihood of confusion, and a newer, more expansive doctrine, trademark dilution. This Section seeks to support that assertion.

Trademarks protect buyers from being confused by the concurrent uses of trademarks in products or services and the relationship between the companies that produce and sell the products or services.⁵² Therefore, any lawsuit for infringement of a trademark focuses on the infringement of source distinctiveness, that is, the likelihood of consumer confusion.⁵³

Nevertheless, over the past three decades, trademark law has expanded beyond its traditional scope of the likelihood of confusion to protect famous marks against dilution.⁵⁴ Dilution does not necessarily imply infringement, but rather a behavior that can compromise the distinguishing effect of a famous trademark in a broader sense.⁵⁵ Trademark dilution prohibits commercial trademark uses that cause no confusing interference with a famous mark.

It is commonly accepted among trademark scholars that an article by Frank Schechter introduced the concept of dilution.⁵⁶ He believed that harm occurs

52. See Beebe, *supra* note 22, at 653 (explaining that “the trademark does not identify and distinguish goods; it identifies and distinguishes the goods’ source, and the identification of the goods’ source identifies and distinguishes in turn the goods themselves.”).

53. See *E. & J. Gallo Winery v. Gallo Cattle Co.*, 967 F.2d 1280, 1290 (9th Cir. 1992) (“The core element of trademark infringement is the likelihood of confusion, i.e., whether the similarity of the marks is likely to confuse customers about the source of the products.”).

54. See Federal Trademark Dilution Act of 1995, Pub. L. No. 104-98 § 3(a), 109 Stat. 985 (codified at 15 U.S.C. §§ 1125(c), 1127 (2000)) (amended by the Trademark Dilution Revision Act in 2006); see also David S. Welkowitz, *TRADEMARK DILUTION: FEDERAL, STATE, AND INTERNATIONAL LAW* (2002) (noting that for almost fifty years, until the Federal Trademark Dilution Act arrived in 1996, state dilution laws existed. For example, Massachusetts enacted the first dilution statute, in 1947. In addition to Massachusetts, they were state laws in Illinois (1953), New York (1955), Georgia (1955), and Connecticut (1963).

55. See Christine Haight Farley, *Why We Are Confused about the Trademark Dilution Law*, 16 *FORDHAM INTELL. PROP. MEDIA & ENT. L.J.* 1175, 1185 (2006) (noting that “[i]nterestingly, bad faith is not even present in any dilution ‘test,’ as it is under the traditional confusion test.”).

56. See Frank I. Schechter, *The Rational Basis of Trademark Protection*, 40 *HARV. L. REV.* 813, 816–18 (1927) (discussing the judgment of September 11, 1924, *Landgericht Elberfeld*, 25 *Jurigliche Wochemschrift* 502, XXV *Markenschutz and Wettbewerb* (M.U.R) 264, in which a German court prevented the name, originally registered in connection with a famous mouthwash, from being used in connection with unrelated steel products).

when a famous, distinctive mark loses its singular meaning, which is “the gradual whittling away or dispersion of the identity and hold upon the public mind of the mark or name by its use upon non-competing goods.”⁵⁷ Although it may seem surprising to us today, when Schechter’s ideas appeared, there was sustained criticism of his approach.⁵⁸

Trademark dilution occurs when a person or company uses a trademark identical or substantially similar to the pre-existing trademark, stimulating a mental association by consumers concerning the two marks, thus lowering the strength of the original mark. As Schechter explained to Congress, “if you allow Rolls Royce restaurants and Rolls Royce cafeterias, and Rolls Royce pants, and Rolls Royce candy, in 10 years you will not have the Rolls Royce mark any more.”⁵⁹ In other words, dilution occurs when, because two signifiers are similar, the junior signifier (the tangible form of the mark) dilutes the distinctiveness of the senior signifier.⁶⁰ Recall that according to Beebe’s semiotic relationship, “differential distinctiveness describes the extent to which a mark’s signifier is distinctive from other signifiers in the trademark system.”⁶¹ In the typical dilution example, the plaintiff’s and the defendant’s signifiers (the tangible form of the trademark) are very similar, if not indistinguishable. Still, because their referents are the products to which the marks are affixed) are sufficiently different, consumers are not confused as to source. Consequently, this situation does not give rise to trademark infringement, which requires to show a likelihood of confusion between the two products. As Beebe points out, in this sense, trademark dilution

57. *Id.* at 825.

58. *See, e.g.,* John Wolff, *Non-Competing Goods in Trademark Law*, 37 COLUM. L. REV. 582, 602 (1937) (arguing that Schechter’s position was very radical for the North American courts, basically because the American law of unfair competition rests on the imitation behavior, while German law admits immoral acts, which makes it much broader when it comes to be applied and further stating “[t]he very incongruousness of Schechter’s theory with the tradition and the fundamental principles of the common law forms the chief obstacle to its general acceptance in this country”); Felix S. Cohen, *Transcendental Nonsense and the Functional Approach*, 35 COLUM. L. REV. 809, 814 (1935) (noting that Schechter had focused on the damage, but not the cause (misappropriation)).

59. Hearings Before the House Comm. on Patents, 72d Cong. 15 (1932) (statement of Frank I. Schechter), *quoted in* Robert Burrell & Michael Handler, *Dilution and Trademark Registration*, 17 TRANSNAT’L L. & CONTEMP. PROBS. 713, 742 (2008).

60. *See* Beebe, *supra* note 22, at 676; *see also* Richard A. Posner, *When Is Parody Fair Use?*, 21 J. LEGAL STUD. 67, 75 (1992) (“A trademark seeks to economize on information costs by providing a compact, memorable, and unambiguous identifier of a product or service. The economy is less when, because the trademark has other associations, a person seeing it must think for a moment before recognizing it as the mark of the product or service.”).

61. Beebe, *supra* note 22, at 625.

constitutes a type of “nontrespassory nuisance” as to the plaintiff’s signifier.⁶² The trademark dilution action is intended to avoid such nuisances and, by doing so, preserve the differential distinction of the plaintiff’s signifier, regardless of the referent to which it is assigned.⁶³ “The prohibition against dilution is thus a prohibition against interference in *intermark* relations of value between the plaintiff’s signifier and all other signifiers in the trademark system.”⁶⁴

Curiously, the notion of dilution originally arose in Germany in 1924, in the *Odol* case, which was essentially a misappropriation case that happened to implicate a trademark.⁶⁵ There, the plaintiff used “Odol” in connection with mouth-wash product, while the respondent succeeded in registering “Odol” for products in steel industry. Nonetheless, the *Odol* court did not analyze the facts before it under trademark provisions.⁶⁶ However, as Beebe argued, when Schechter introduced the concept of dilution, he omitted that dilution was a doctrine of misappropriation and went as far as to erase the court’s fundamental conclusion from his translation of *Odol*’s opinion to support his concept of trademark dilution theoretically.⁶⁷

62. *Id.* at 676.

63. *Id.*

64. *Id.* (emphasis original).

65. See Barton Beebe, *The Suppressed Misappropriation Origins of Trademark Antidilution Law: The Landgericht Elberfeld’s Odol Opinion and Frank Schechter’s “The Rational Basis of Trademark Protection,”* INTELLECTUAL PROPERTY AT THE EDGE: THE CONTESTED CONTOURS OF IP 59, 64–70 (Rochelle Cooper Dreyfus & Jane C. Ginsburg, eds, 2014).

66. See *id.* at 65 (“Instead, it based its decision on two other provisions in German law, neither of which required a showing of consumer confusion. The first was § 826 of the German Civil Code of 1900 (the ‘BGB’): ‘Who, in a manner contrary to good morals [*gegen die guten Sitten*], intentionally inflicts damage on another is liable to compensate the other for the damage.’ The second was § 1 of the Law against Unfair Competition of 1909 (the ‘UWG’): ‘Who, in the course of trade, takes actions that impede against good morals [*gegen die guten Sitten*] can be sued for injunctive relief and compensation.’” (citations omitted)).

67. See *id.* at 71–72 (“Schechter omitted one sentence in particular. The penultimate page of ‘Rational Basis’ provides a lengthy block quotation from the Wertheimer translation, but from the middle of that block quotation Schechter excised and replaced with an ellipsis the following sentence, now familiar to us, from the *Odol* opinion: ‘It is opposed to good morals to appropriate thus the fruits of another’s labor in the consciousness that that other will or may thereby be damaged.’ Why would Schechter feel compelled to suppress the *Odol* court’s core finding, the very foundation of its ruling? Schechter’s expurgation of this sentence is consistent with another peculiarity of ‘Rational Basis.’ While the *Odol* court did not hesitate to explain why the respondent used the ‘Odol’ mark (‘for the obvious purpose of deriving from its selling power some advantage in marketing its own products’), Schechter scrupulously avoided speculating in ‘Rational Basis’ on what motivated defendants to adopt famous marks. Instead, he addressed only the damage such conduct inflicted on those marks. Indeed, he repeatedly sought to focus attention on the mysterious nature of this damage. Schechter’s purpose here was the same that motivated his deletion of the *Odol* court’s reference to

Nowadays, dilution actions fall into one of two categories. The first is dilution by blurring,⁶⁸ which manifests as the weakening of the power of sale and the value of a trademark through the unauthorized use of a trademark or service mark of a different nature but can weaken associations between a trademark and its product category and other distinctive aspects, which then ceases to function as a unique identifier.⁶⁹ The second is dilution by tarnishment.⁷⁰ It occurs when a famous brand is linked with harmful or poor-quality products or services, creating unwanted associations or causing a reduction in the level of preference of the famous mark.⁷¹

Dilution's importance is not for protecting consumers per se but rather the private interests of trademark owners and trademarks themselves.⁷² Then, both types of dilution⁷³ are similar in that the doctrine of dilution demands

'appropriate[ing] thus the fruits of another's labor': he sought to suppress any link between trademark dilution and misappropriation. Schechter did so, I suggest, in an attempt to cloak his concept of dilution in the emerging fashion of legal realism." (citations omitted).

68. 15 U.S.C. § 1125(c)(2)(B).

69. Menell & Scotchmer, *supra* note 33, at 1552 (explaining how dilution by blurring imposes some costs on consumers and the famous trademark owner). As "new use of the Rolls Royce term gained popularity, the association between the mark and a particular source would become blurred. Furthermore, as more companies in unrelated markets adopt this moniker—Rolls Royce tennis racquets, Rolls Royce landscaping, Rolls Royce tacos—the distinctive quality of the mark would become further eroded. Over time, consumers would lose the non-product specific identity (i.e., Rolls Royce as a brand of uncompromising quality and ornate styling) that the original Rolls Royce mark once evoked." *Id.*

70. 15 U.S.C. § 1125(c)(2) C).

71. See Menell & Scotchmer, *supra* note 33, at 1553 ("If the maker of pornographic films were to sell their movies under the brand 'Disney,' it is unlikely that consumers would believe that the Disney Corporation, famous for family orient-ed entertainment, was the manufacturer of such unwholesome products. Nonetheless, consumers' shopping lexicon would arguably be distorted because the Disney name would trigger associations with both family-oriented content and smut. Such a negative association could well injure the Disney Corporation's brand equity. As with blurring, tarnishment interferes with established associations. Perhaps even more so than blurring, it undermines brand equity.").

72. Eric A. Prager, *The Federal Trademark Dilution Act of 1995: Substantial Likelihood of Confusion*, 7 FORDHAM INTELL. PROP. MEDIA & ENT. L.J. 121, 123 (1996); see also *Mosely v. V Secret Catalogue, Inc.*, 537 U.S. 418, 428 (2003) (nothing that "[u]nlike traditional infringement law, the prohibitions against trademark dilution . . . are not motivated by an interest in protecting consumers."); cf. Transcript of Oral Argument, *Ringling Bros.-Barnum & Bailey v. Utah Div. of Travel Dev.*, 935 F. Supp. 763 (E.D. Va. 1996), quoted in Farley, *supra* note 55, at 1177 (where the federal appellate judge in litigation under the first federal dilution statute said to the attorney of the trademark owner "boy you must have some lobby to get a law like that passed.").

73. Interestingly, Schechter never conceived of blurring or tarnishment as forms of trademark dilution, nor did he ever use these denominations. Yet these conceptualizations of dilution have become dominant in the US approach to antidilution protection. For more information, see Beebe, *supra* note 65, at 79–80 ("It is a strange irony that the German-

neither proof of confusion nor competition between the parties.⁷⁴ However, in a claim for dilution by tarnishment, the focus is on the mark owner's goodwill, not on the mark's distinctiveness.⁷⁵ The underlying idea is that although consumers are unlikely to think that the trademark owner is affiliated with the junior user's distasteful or substandard goods, they "will nonetheless no longer have uniformly positive associations with the original trademark as a result of her exposure to the tarnishing use."⁷⁶ As advertising shifted from informative to persuasive strategies, trademark dilution came to safeguard the advertising power of trademarks. In this regard, dilution constitutes a significant shift in trademark jurisprudence. To put it simply, "dilution begins

American treatise writer Rudolf Callmann is largely responsible for the Americans' embrace in the late century of blurring and tarnishment, terms which Callmann initially took from an anonymous 1964 Harvard Law Review note. The irony is that Callmann made no effort in his many publications on dilution to hide the misappropriation basis and rights-in-gross nature of antidilution protection. On the contrary, he openly advocated conceiving of trademark law as a species of property law rather than unfair competition law and candidly stated his belief that when courts held in favor of antidilution plaintiffs, they did so on misappropriation grounds.⁷⁷)

74. *Franklin Mint Co. v. Manatt, Phelps & Phillips, LLP*, 109 Cal. Rptr. 3d 143, 170 (Cal. App. 2010) ("In the dilution context, likelihood of confusion is irrelevant."). Some courts even recognized actionable dilution in the post-sale context. *See Ferrari S.P.A. Esercizio v. Roberts*, 944 F.2d 1235, 1245–46 (6th Cir. 1991); *Nabisco, Inc. v. PF Brands, Inc.*, 191 F.3d 208, 218 (2d Cir. 1999). On the other hand, trademark law has traditionally tolerated numerous uses of same word in unconnected context, as long as these uses do not confuse the consumers. *See MCCARTHY*, *supra* note 21, § 24:11 ("If there is no likelihood of confusion (and in absence of dilution), the same marks can peacefully co-exist on different goods and services. Some well-known examples of co-existence include United Airlines and United Van Lines, Eagle Shirts, Eagle Pencils, Eagle Pretzels, Eagle Brand Condensed Milk, Champion spark plugs and Champion sportswear, Delta Airlines, Delta Dental Insurance and Delta Faucets, Ace retail hardware stores and Ace bandages, Tropicana Las Vegas Hotel and Tropicana orange juice, The Dow Stock Market Index and Dow Chemical Company, Dell Computers and Dell Magazines."). *But see* Robert Brauneis & Paul Heald, *Trademark Infringement, Trademark Dilution, and the Decline in Sharing of Famous Brands: An Introduction and Empirical Study*, 59 BUFF. J. INT'L L. 141 (2011) (stating that brand sharing has declined significantly over the past decades due to the anti-dilution law).

75. Sandra L. Rierson, *The Myth and Reality of Dilution*, 11 DUKE L. & TECH. REV. 212, 245 (2013) ("[I]n a claim for dilution by tarnishment, the association between the two marks is actionable not because it harms the mark's distinctiveness, but because, in theory, it harms the mark owner's goodwill."); *see also TY Inc. v. Perryman*, 306 F.3d 509, 511 (7th Cir. 2002) ("[C]onsumers will not think the striptease joint [is] under common ownership with the jewelry store. But because of the inveterate tendency of the human mind to proceed by association, every time they think of the word 'Tiffany' their image of the fancy jewelry store will be tarnished by the association of the word with the strip joint.").

76. Rierson, *supra* note 75, at 246. *But see Landes & Posner*, *supra* note 43, at 306–07 (holding that there are possible economic justifications for this extension of the trademark law. These justifications are related to the potential for confusion, external benefits, and investment in reputation capital).

where infringement and its likelihood of confusion test reach their doctrinal limits.⁷⁷

Hence, dilution theories are difficult to square with traditional trademark principles because, in the long term, dilution is more about enforcing moral judgments than regulating economic behavior.⁷⁸ “[M]odern trademark law differs fundamentally from its traditional counterpart in its understanding of what a trademark does and how it adds value.”⁷⁹ There can be no doubt that most the important assignment in designing a new legal institution is the choice of a leading concept fit to be instantiated. In doing so, a new legal context as well as existing laws should be considered.

Yet Professor McCarthy has stated that “[n]o part of trademark law that I have encountered in my forty years of teaching and practicing IP law has created so much doctrinal puzzlement and judicial incomprehension as the concept of “dilution” as a form of intrusion on a trademark.”⁸⁰ Even the United States Supreme Court has had trouble understanding what dilution is.⁸¹ Not surprisingly, almost every aspect of dilution law has been the subject of sustained criticism over the last decades.⁸² Before proceeding to the next Part,

77. Paul Edward Kim, *Preventing Dilution of the Federal Trademark Dilution Act: Why the FTDA Requires Actual Economic Harm*, 150 U. PA. L. REV. 719, 723 (2001). *But see* Gerard N. Magliocca, *One and Inseparable: Dilution and Infringement in Trademark Law*, 85 MINN. L. REV. 949, 966 (2001) (“Although dilution is often described as starting where the likelihood of confusion test leaves off, it is more accurate to say that infringement follows a fortiori from dilution.”).

78. *See* Mark Bartholomew, *Trademark Morality*, 55 WM. & MARY L. REV. 85, 138 (2013); *see also* Farley, *supra* note 55, at 1183–84 (stating that “what is being sought by the trademark bar is statutorily enforced mind control” and that “the main problem with dilution law is that it provides a remedy without a supportable theorization of the harm”).

79. McKenna, *supra* note 31, at 1843.

80. J. Thomas McCarthy, *Dilution of a Trademark: European and United States Compared*, 94 TRADEMARK REP. 1163, 1163 (2005); *see also* Robert G. Bone, *Schechter’s Ideas in Historical Context and Dilution’s Rocky Road*, 24 SANTA CLARA COMPUT. & HIGH TECH. L.J. 469, 470 (2008) (“Dilution is one of the great mysteries of trademark law. Judges have trouble understanding it and scholars have difficulty justifying it.”).

81. *See* Farley, *supra* note 55, at 1177 (explaining how in *Moseley v. V Secret Catalog*, 537 U.S. 418 (2005) nearly all the questions from the Justices were seeking to simply understand what dilution is).

82. *See, e.g.*, Clarisa Long, *Dilution*, 106 COLUM. L. REV. 1029, 1037 (2006) (highlighting that the harm of dilution is elusive because it is not clear whom the law is trying to protect); Farley, *supra* note 55, at 1184 (arguing that anti-dilution law provides a remedy without a supportable theory of the harm and that, if any harm can be traced to dilutive speech, it is harm to the ability of merchants to profit from psychological manipulation of consumers); Mary LaFrance, *No Reason to Live: Dilution Laws as Unconstitutional Restrictions on Commercial Speech*, 58 S.C. L. REV. 709 (2007) (analyzing the free speech implications of anti-dilution protection); *accord* Robert G. Bone, *A Skeptical View of the Trademark Dilution Revision Act*, 11 INTELL. PROP. L. BULL. 197 (2007) (arguing that dilution lacks a coherent policy foundation); *see* Robert N. Klieger, *Trademark Dilution: The Whittling away of the Rational Basis for Trademark*

note that dilution law grants special protection to well-known marks by prohibiting all variations and evocation of the trademark, even those that do not constitute trademark infringement. Unlike a trademark infringement action, which protects both consumers and trademark owners, the dilution action works to benefit the trademark owners. It does so even when there is no appreciable risk that a consumer will confuse the origin of the product associated with the trademark.

D. DILUTION VS. PARODY

Dictionaries provide two definitions of parody: (1) a “composition in prose or verse in which the characteristic turns of thought and phrase in an author or class of authors are imitated in such a way as to make them appear

Protection, 58 U. PITT. L. REV. 789, 841 (1997); Kristen Friday, *Does Dilution Make Trademarks into Unconstitutional Patents?*, 12 J. CONTEMP. LEGAL ISSUES 180, 183 (2001) (both questioning the constitutionality of the Federal Trademark Dilution Act); Kenneth L. Port, *The Commodification of Trademarks: Some Final Thoughts on Trademark Dilution*, 46 HOFSTRA L. REV. 669, 669 (2017) (arguing that the Federal Trademark Dilution Act “has not been the panacea for famous marks it was intended to be and has created perverse unintended consequences”); cf. Rebecca Tushnet, *Gone in Sixty Milliseconds: Trademark Law and Cognitive Science*, 86 TEX. L. REV. 507 (2008) (questioning the imagination cost argument); Graeme W. Austin, *Tolerating Confusion about Confusion: Trademark Policies and Fair Use*, 50 ARIZ. L. REV. 137 (2008) (pouring scorn on the imagination cost argument); Sarah Lux, *Evaluating Trade Mark Dilution from the Perspective of the Consumer*, 34 U.N.S.W. L.J. 1053 (2011) (arguing that consumer-based justifications for anti-dilution protection lack internal consistency); Rierison, *supra* note 75 (arguing that the costs of anti-dilution laws to free speech and competition exceed any benefits to trademark owners); Christopher Buccafusco, Paul J. Heald & Wen Bu, *Testing Tarnishment in Trademark and Copyright Law: The Effect of Pornographic Versions of Protected Marks and Works*, 94 WASH. U. L. REV. 341 (2017) (finding no statistically significant empirical proof of trademark tarnishment, and some significant evidence of enhanced consumer preferences to the tarnished movies); see also Barton Beebe & C. Scott Hemphill, *The Scope of Strong Marks: Should Trademark Law Protect the Strong More Than the Weak?*, 92 N.Y.U. L. REV. 1339, 1339 (2017) (holding that strong trademarks are less likely to be confused with imitations); Graeme W. Austin, *Trademarks and the Burdened Imagination*, 69 BROOK. L. REV. 827, 904–05 (2004) (explaining that “trademark law’s understanding of the consumer is sometimes much less rational than consumers have been throughout history”); Chris Brown, *A Dilution Delusion: The Unjustifiable Protection of Similar Marks*, 72 U. CIN. L. REV. 1023, 1038–39 (2004) (quoting psychology evidence that the mental activity regarding related uses may reinforce rather than blur the trademark in some cases). See generally Barton Beebe, Roy Germano, Christopher Jon Sprigman & Joel Steckel, *Testing for Trademark Dilution in Court and the Lab*, 86 U. CHI. L. REV. 611 (2019) (casting doubt on evidence of dilution by blurring). But see Jerre B. Swann, *An Interdisciplinary Approach to Brand Strength*, 96 TRADEMARK REP. 943, 975–76 (2006) (defending dilution law).

ridiculous,”⁸³ and (2) a “literary or artistic work that imitates the characteristic style of an author or a work for comic effect or ridicule.”⁸⁴

As some scholars have noted, “[p]arodies make fun of a thing by copying enough of it to make it the author of a parody knows his or her subject well; however, the parodist does not need to affect a pretension of ignorance. In fact, the parodist makes his or her familiarity with the original work obvious.”⁸⁵

To understand what parody means in trademark law context, it is helpful to mention how the courts define a parody. An often-cited decision says that a parody is “a simple form of entertainment conveyed by juxtaposing the irreverent representation of the trademark with the idealized image created by the mark’s owner.”⁸⁶ The Supreme Court follows this order of ideas by defining parody as “the use of some elements of a prior author’s composition to create a new one that, at least in part, comments on that author’s works.”⁸⁷

Generally, to be successful, a parody must: “communicate some articulable element of satire, ridicule, joking, or amusement,”⁸⁸ it “must convey two simultaneous—and contradictory—messages: that it is the original, but also that it is not the original.”⁸⁹ Thus, “[a] parody relies upon a difference from the original mark, presumably a humorous difference, in order to produce its desired effect.”⁹⁰

Now that we know why the dilution doctrine represents “a fundamental shift in the nature of trademark protection,”⁹¹ it is easier to understand how

83. *Campbell v. Acuff-Rose Music, Inc.*, 510 U.S. 569, 580 (1994) (quoting 11 THE OXFORD ENGLISH DICTIONARY 247 (2d ed. 1989)).

84. *Id.* (quoting THE AMERICAN HERITAGE DICTIONARY 1317 (3d ed. 1992)).

85. Roger J. Kreuz & Richard M. Roberts, *On Satire and Parody: The Importance of Being Ironic*, 8 METAPHOR & SYMBOLIC ACTIVITY 97, 103 (1993).

86. *Louis Vuitton Malletier, S.A. v. My Other Bag, Inc.*, 156 F. Supp. 3d 425, 434 (S.D.N.Y. 2016) (quoting *Haute Diggity Dog*, 507 F.3d at 260); *see also* *L.L. Bean, Inc. v. Drake Publishers, Inc.*, 811 F.2d 26, 34 (1st Cir.1987).

87. *Campbell*, 510 U.S. at 580. Although a copyright fair use case, *Campbell’s* application has not been limited to copyright cases; *see, e.g.*, *Elvis Presley Enters., Inc. v. Capece*, 141 F.3d 188, 199 (5th Cir. 1998) (“[T]he Supreme Court considered parody in the copyright context, which is relevant to the treatment of parody in the trademark con-text.”); *Mattel, Inc. v. MCA Recs., Inc.*, 296 F.3d 894, 901 (9th Cir. 2002) (applying *Campbell’s* requirement that parody must target the original).

88. *Louis Vuitton*, 507 F.3d 252, 260 (4th Cir. 2007).

89. *PETA v. Doughney*, 263 F.3d 359, 366 (4th Cir. 2001) (quoting *Cliffs Notes, Inc. v. Bantam Doubleday Dell Publ’g Grp., Inc.*, 886 F.2d 490, 494 (2d Cir. 1989)).

90. *Jordache Enters, Inc. v. Hogg Wyld, Ltd.*, 828 F.2d 1482, 1486 (10th Cir.1987) (finding the use of “Lardashe” jeans for larger women to be a successful and permissible parody of “Jordache” jeans).

91. *Lemley*, *supra* note 51, at 1698; *see also* *Rierson*, *supra* note 75, at 212 (2013) (“A plaintiff may state a claim for dilution even though no one is likely to be confused; plaintiff

dilution laws have far-reaching non-economic costs, as they have the potential to infringe upon protected speech, such as parody.⁹² For example, trademark owners repeatedly invoke anti-dilution provisions against junior users of their trademarks in a manner they dislike. They bring claims for singing about Barbie doll,⁹³ poking fun of a Louis Vuitton handbag,⁹⁴ making fun of L.L. Bean's mail order catalog,⁹⁵ or operating suck sites.⁹⁶

As one commentator put it, “[p]roponents of anti-dilution law often argue that dilution doctrine is properly limited if it is applied to prevent only ‘commercial’ and not ‘expressive’ junior uses of trade marks.”⁹⁷ Apropos the issue at hand, dilution law provides a general exemption from dilution liability for any non-commercial use of a trademark.⁹⁸ There are internal statutory safeguards for any *fair use* of a trademark designed to identify and parody, criticize, or comment upon “the famous mark owner or the goods or services of the famous mark owner.”⁹⁹ Nonetheless, these safeguards do not apply if the defendant has used the plaintiff's trademark as a source designation for his or her own goods or services.¹⁰⁰

and defendant do not compete; and plaintiff has incurred no actual economic injury.”); *id.* at 214 (“We do not require trademark holders to prove actual economic injury in the context of a dilution claim because, in truth, there probably is none. Instead, we have granted the holders of famous trademarks the equivalent of a moral right to these marks: an extension of the rights granted to a creator of an expressive work in the copyright context.”); Long, *supra* note 82, at 1035–36 (“Dilution is a more exclusionary version of the trademark entitlement than the classic likelihood-of-confusion variant.”); Margaret Jane Radin & R. Polk Wagner, *The Myth of Private Ordering: Rediscovering Legal Realism in Cyberspace*, 73 CHI.-KENT L. REV. 1295, 1305 (1998) (noting that modern trademark law is moving towards a property rights regime).

92. Wendy J. Gordon, *Introduction, Symposium, Ralph Sharp Brown, Intellectual Property, and the Public Interest*, 108 YALE L.J. 1611, 1614–15 (1999) (expressing concern regarding dilution's capability to frustrate comparative advertising and parody); *see also* Barton Beebe & Jeanne Fromer, *Are We Running Out of Trademarks? An Empirical Study of Trademark Depletion and Congestion*, 131 HARV. L. REV. 945, 982 (2018) (“[W]hen we use our language, nearly three-quarters of the time we are using a word that someone has claimed as a trademark.”).

93. *See* *Mattel, Inc. v. MCA Recs., Inc.*, 296 F.3d 894, 899 (9th Cir. 2002); *see also* Stacey L. Dogan & Mark A. Lemley, *Parody as Brand*, 47 U.C. DAVIS L. REV. 473, 474–77 (2013) (discussing trademark cases concerning parodies).

94. *Louis Vuitton Malletier, S.A. v. My Other Bag, Inc.*, 156 F. Supp. 3d 425, 430 (S.D.N.Y. 2016); *Louis Vuitton*, 507 F.3d 252 at 257.

95. *See* *L.L. Bean, Inc. v. Drake Publishers, Inc.*, 811 F.2d 26, 27 (1st Cir. 1987).

96. *See, e.g.,* *Bosley Med. Inst. v. Kremer*, 403 F.3d 672 (9th Cir. 2005); *Lamparello v. Falwell*, 420 F.3d 309, 311 (4th Cir. 2005).

97. Lux, *supra* note 82, at 1062; *see also* 15 U.S.C. § 1125(c)(3)(C) (containing a general exemption from dilution liability for any non-commercial use of a trademark).

98. 15 U.S.C. § 1125(c)(3)(C).

99. 15 U.S.C. § 1125(c)(3)(A)(ii).

100. 15 U.S.C. § 1125(c)(3)(A)); *see also* J. THOMAS MCCARTHY, MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION § 24:90 (5th ed. Dec. 9) (“First Amendment

For parodists, the statute configuration produces difficulties in evaluating potential liability. Although there is an unequivocal defense for parody, it applies specifically to parody that uses the trademark other than as a designation of source. Both First Amendment and trademark jurisprudence give special status to non-commercial speech, which is reflected in court decisions.¹⁰¹ Consequently, parody in many cases does not benefit from this defense. It occurs because, most commonly, variations of famous trademarks appear on the front of T-shirts, posters, toys, or mugs intended for commercial sale. In these cases, we have a symbiosis of commercial and non-commercial speech. There is an offer to sell something apart from the parody itself.

Since the statute's fair use defense does not include all parodies that behave as trademarks, courts engage in a fact-specific analysis of factors in these kinds of cases.¹⁰² Unsurprisingly, courts have struggled with the parody analysis. While courts have protected parodies in some trademark cases, they have also held other parodies to be illegal.¹⁰³

protection is greatest in the case of an editorial, noncommercial parody which causes tarnishment. Free speech concerns are somewhat lessened, but still relevant, where the parody is a trademark used to identify a commercial product such as wearing apparel.”).

101. *See* *Brown v. Ent. Merchs. Ass'n*, 564 U.S. 786, 790 (2011) (noting that non-commercial speech is often sold for profit); *see also* *L.L. Bean, Inc. v. Drake Publishers, Inc.*, 811 F.2d 26, 32 (1st Cir. 1987) (concluding there is no dilution because defendant “did not use Bean’s marks to identify or promote goods or services to consumers; it never intended to market the ‘products’ displayed in the parody”). *But see* *Tommy Hilfiger Licensing, Inc. v. Nature Labs, LLC*, 221 F. Supp. 2d 410, 415–16 (S.D.N.Y. 2002) (noting that the parody was serving as a brand and was not entitled to First Amendment protection).

102. *See* 15 U.S.C. §§ 1125(c)(2)(B)(i)–(vi) (listing six non-exclusive factors that courts may consider in determining whether dilution by blurring is likely to occur, but not suggesting any specific factor for a court to consider when deciding whether dilution by tarnishment has occurred); *see also* *Dogan & Lemley*, *supra* note 93, at 490 (“Brand parodies, then, don’t fit well within existing trademark infringement or dilution law. Parodies generally don’t confuse consumers, and because they refer back to the plaintiff’s mark directly they will not generally blur or tarnish that mark in the way dilution law prohibits. True parodies thus cause none of the harms that trademark law seeks to avoid. But because neither law is structured with parodies in mind, rote application of infringement and dilution standards can result in a condemnation of even obvious parodies. Lacking tools specifically designed for parody, courts treat it in an ad hoc way that reflects their own subjective assessment of the value or parody and the morality of free rides.”).

103. *Lux*, *supra* note 82, at 1063 (“Courts have vacillated between the view that the slightest amount of commercial intent, content or effect should cause the entirety of the speech in question to be regarded as commercial and the notion that even the most trivial expressive content or purpose must render speech non-commercial lest freedom of expression become illusory.”); *see, e.g., Hormel Foods Corp. v. Jim Henson Prods., Inc.*, 73 F.3d 497, 508 (2d Cir. 1996) (holding that the defendant’s use of a character named “SPA’AM” in a Muppets movie was a permissible parody of plaintiff’s “Spam” mark for potted meat. However, by focusing on finding that there was no likelihood of confusion or dilution, the court did not

In *State University of New York v. Fox*, the Supreme Court ruled that when the commercial elements of a mixed communication are not “inextricably intertwined” with its fully protected non-commercial elements, the entire communication can be regulated as commercial speech.¹⁰⁴ Curran explained that “inextricably intertwined” inquiry provides complete First Amendment protection for high-value speech, such as parody or criticism, when lower-value elements such as commercial advertising represent a fraction of the general message.¹⁰⁵ Moreover, Curran suggested using the *Fox* test to establish whether dilutive use is “inextricably intertwined” with the non-commercial elements of speech.¹⁰⁶ In this sense, if a dilutive use points to a famous mark to parody or criticize it, its high-value expressive content cannot be separated from its dilutive use of the trademark, because those uses are an essential element of parody or criticism targeting a trademark.¹⁰⁷

Courts have used similar reasoning in when deciding issues of whether commercial and non-commercial aspects of speech are intertwined.¹⁰⁸ They all indicate that commercial speech cannot, and should not, be equated with political or artistic speech and should, therefore, not receive the same degree of protection. Like in the many cases that involved “inextricably intertwined”

apply any sort of speech or some parody related test); *Black Dog Tavern Co. v. Hall*, 823 F. Supp. 48, 55 (D. Mass. 1993) (finding “Black Hog” and “Dead Dog” marks unlikely to be confused with “Black Dog” trademark); *Smith v. Wal-Mart Stores, Inc.*, 537 F. Supp.2d 1302, 1339–40 (N.D. Ga. 2008) (a critic of Wal-Mart who created “Walocaust” T-shirts was held not to have tarnished the plaintiff’s “Wal-Mart” marks because he was not engaging in commercial speech, and thus the parody was non-commercial); see also *Dogan & Lemley*, *supra* note 93, at 490 (“[B]ecause neither law is structured with parodies in mind, rote application of infringement and dilution standards can result in a condemnation of even obvious parodies. Lacking tools specifically designed for parody, courts treat it in an ad hoc way that reflects their own subjective assessment of the value or parody and the morality of free rides.”). *But see*, *Mutual of Omaha Ins. Co. v. Novak*, 836 F.2d 397, 399 (8th Cir. 1987) (holding that defendant’s antinuclear T-shirts, featuring a picture and the words “Mutant of Omaha,” were likely to confuse consumers whether the insurance company “Mutual of Omaha” was sponsoring the shirts).

104. *Bd. of Trs. v. Fox*, 492 U.S. 469, 474 (1989).

105. Patrick D. Curran, *Diluting the Commercial Speech Doctrine: Noncommercial Use and the Federal Trademark Dilution Act*, 71 U. CHI. L. REV. 1077, 1102 (2004).

106. *Id.*

107. *Id.*

108. See, e.g., *Riley v. Nat’l Fed’n of the Blind*, 487 U.S. 781, 796 (1988) (“[W]e do not believe that the speech retains its commercial character when it is inextricably intertwined with otherwise fully protected speech.”); *Mattel, Inc. v. MCA Recs., Inc.*, 296 F.3d 894, 906–07 (9th Cir. 2002) (noting that the commercial purpose of using “Barbie” in a song title was “inextricably intertwined” with the “expressive elements”); *Parks v. LaFace Recs.*, 329 F.3d 437, 449 (6th Cir. 2003) (“[I]f a song is sold, and the title is protected by the First Amendment, the title naturally will be ‘inextricably intertwined’ with the song’s commercial promotion.”).

speech, it was reasonable for the Ninth Circuit to embrace this perspective in *VIP Products LLC v. Jack Daniel's Properties, Inc.* The commercial purpose of imitating Jack Daniel's in a dog toy was "inextricably intertwined" with the expressive elements. Eliminating the commercial aspects of the Bad Spaniels parody dog toy would necessarily excise non-commercial parts, as the restriction would apply to the parody itself.

From a legal perspective, it is necessary to achieve coherence to the concept of parody despite its diverse appearances. "To create a defense for brand parodies, we need either a definition of what a parody is or a general principle that encompasses brand parodies along with other forms of protected uses of a trademark."¹⁰⁹ Although there is no uniform position on whether parody deserves legal protection, jurisprudence and legal doctrine recognize that parody is a valuable form of social commentary.¹¹⁰ As such, it is recognized within the *Rogers* test, which was developed explicitly to deal with non-commercial speech. Subsequently, circuit courts have applied *Rogers* test to a wide range of non-commercial speech.¹¹¹

109. See Dogan & Lemley, *supra* note 93, at 498; see also *Acuff-Rose Music, Inc. v. Campbell*, 972 F.2d 1429 (6th Cir. Tenn. Aug. 17, 1992) ("Unfortunately, the terminology of the fair use analysis has evolved in such a way that the popular definition of parody and the statutory definition of parody as a form of criticism have become somewhat confused.").

110. See Simon Dentith, PARODY, 159–64 (2000) (noting significant importance of parody in contemporary culture); see also Dogan & Lemley, *supra* note 93, at 486 ("Even more than non-commercial forms of parody, the subversive use of a parody as brand invites critical reflection on the role of brands in society and the extent to which we define ourselves by them. Brands that parody, in other words, offer a unique platform for expression and pose little threat to trademark law's core values."); *id.* at 494–95 ("Traditional trademarks serve as the source of goods and therefore protect the customer from fake goods. By contrast, Nike swooshes, red shoe bottoms, and Chanel purse logos are not really about ensuring purchasers make the right decision, but about allowing purchasers to tell the rest of the world about that decision. Were it otherwise, known counterfeits wouldn't be so popular. Brands, then, don't just help trademark owners speak; they help all of us speak. And that speech is so common that refusing to wear brand names is itself a recognized counter-cultural statement. Which brings us back to brand parody. As discussed above, brands that parody have a dual target: the brand itself and the phenomenon of branding. Given the prevalence of branding and its economic and social impact, commentary about both brands and branding is a matter of public concern."); *Campbell v. Acuff-Rose Music, Inc.*, 510 U.S. 569, 579 (1994) ("Like less ostensibly humorous forms of criticism, [parody] can provide social benefit, by shedding light on an earlier work, and, in the process, creating a new one."); Hariman, Robert, *Political Parody and Public Culture*, Q.J. SPEECH 247, 260 (2008) (explaining how genres such as parody play a particularly crucial role in keeping democratic speech a multiplicity of discourses). "Other forms of speech such as formal debate will also generate awareness that public speech is both partial and disposed to exaggerate, but parody does it best." *Id.*

111. See, e.g., *Seale v. Gramercy Pictures*, 949 F. Supp. 331, 339–40 (E.D. Pa. 1996) (applying *Rogers* test to film content); *Found., Inc. v. NAACP*, 786 F.3d 316, 329 (4th Cir. 2015) (applying *Rogers* test to social issues speech); *Brown v. Elec. Arts, Inc.*, 724 F.3d 1235,

III. ROGERS TEST

As noted above, parsing the difference between commercial and expressive trademark uses tends to be quite onerous in practice. In lacking tools designed explicitly for brand parodies contrasted with trademarks, courts decide on their subjective assessment of the value of parody and the morality of free rides.¹¹² These approaches involve ad hoc balancing, which implies that the courts recognize that the defendant uses the plaintiff's mark in a socially valuable expressive way and then apply that appreciation to the likelihood of confusion test.¹¹³ In addition to the ad hoc balancing approach, in recent years, courts have developed a specific mechanism for addressing free speech concerns in trademark law by adopting the *Rogers* test.

A. ROGERS V. GRIMALDI

In 1986, Federico Fellini, a famous Italian film director and screenwriter, made a film centered around fictional Italian cabaret singers Pippo and Amelia, who imitated Ginger Rogers and Fred Astaire, hence becoming known in Italy as “Ginger and Fred.”¹¹⁴ Following a short run in American theaters and mixed commentaries, Ginger Rogers filed suit against the producers and distributors of the film, claiming that the film gave a false impression of her endorsement, violated her right of publicity, and defamed her by depicting her in a false light.¹¹⁵ The district court granted summary judgment to the defendant, holding that the title was “exercise of artistic expression rather than commercial speech.”¹¹⁶

On appeal, the Second Circuit noted that the central question in this case was:

[A] conflict between Rogers' right to protect her celebrated name and the right of others to express themselves freely in their own artistic work. Specifically, we must decide whether Rogers can

1241–42 (9th Cir. 2013) (applying the *Rogers* test to video games); *Univ. of Ala. Bd. of Tr. v. New Life Art, Inc.*, 683 F.3d 1266, 1278 (11th Cir. 2012) (applying the *Rogers* test to the content of artwork); *Parks v. LaFace Recs.*, 329 F.3d 437, 451–52 (6th Cir. 2003) (applying the *Rogers* test to song title); *Westchester Media v. PRL USA Holdings, Inc.*, 214 F.3d 658, 664–65 (5th Cir. 2000) (applying the *Rogers* test to magazine title); *Gordon v. Drape Creative, Inc.*, 909 F.3d 257 (9th Cir. 2018) (applied the *Rogers* test to greeting cards).

112. *See* Dogan & Lemley, *supra* note 93, at 490.

113. *See, e.g.*, Mark Bartholomew & John Tehranian, *An Intersystemic View of Intellectual Property and Free Speech*, 81 GEO. WASH. L. REV. 1, 43 (2013) (noting that Thomas McCarthy describes such balancing test as “putting a discrete judicial finger on the scales in favor of the defendant.”).

114. *Rogers v. Grimaldi*, 875 F.2d 994, 997 (2d Cir. 1989).

115. *Id.*

116. *Id.*

prevent the use of the title ‘Ginger and Fred’ for a fictional movie that only obliquely relates to Rogers and Astaire.¹¹⁷

In responding to whether a title of an artistic work is entitled to First Amendment protection in trademark infringement cases, the Second Circuit formulated a two-pronged test.¹¹⁸ Under this test, a defendant must show that (1) the defendant’s title is artistically relevant to the underlying work, and (2) the title is not explicitly misleading as to the source or content of the work.¹¹⁹

Although the court admitted that “Ginger and Fred” could cause consumer confusion, the court emphasized that, given the context, the irony of the ambiguous title was a central element of the film.¹²⁰ Therefore, the court held that the trademark liability should exist just if “the public interest in avoiding consumer confusion outweighs the public interest in free expression.”¹²¹

Since then, the *Rogers* test has undergone a revolution. Courts have adopted the *Rogers* test and inserted new glosses to it to “encompass all works of artistic expression,”¹²² rather than just titles of expressive works. Nevertheless, it is worth noting that the *Rogers* test is not without its critics. One critic observed that these later developments have “muddled the *Rogers* test.”¹²³ Another criticism of the *Rogers* test is that it is easily applied to trademarks and affects an equitable balance between free expression and trademark holder’s rights. As a result, some authors argue, “the *Rogers* test was intentionally designed as a low bar for those invoking the protection of the First Amendment.”¹²⁴ They contend that the *Rogers* test provides minimal protection for trademark owners while immunizing the work of content producers.

117. *Id.* at 996.

118. *Id.* at 999.

119. *Id.*

120. *See id.* at 998–99.

121. *Id.* at 996.

122. J. THOMAS MCCARTHY, MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION § 10:22 (4th ed. 2006) (cited in *E.S.S. Ent. 2000, Inc. v. Rock Star Videos, Inc.*, 547 F.3d 1095, 1038 (9th Cir. 2008)).

123. William McGeeveran, *The Trademark Fair Use Reform Act*, 90 B.U. L. REV. 2267, 2313 (2010); *see also* David Jacob Wright, *Explicitly Explicit: The Rogers Test and the Ninth Circuit*, 21 J. INTEL. PROP. L. 193, 203–06 (2013) (stating that the circuits have applied the *Rogers* test in different and perhaps contradictory ways, and that its application within the Ninth Circuit has proven particularly confusing).

124. Wesley W. Wintermeyer, *Who Framed Rogers v. Grimaldi? What Protects Trademark Holders Against First Amendment Immunity for Video Games?*, 64 ALA. L. REV. 1243, 1252 (2013). *But see* Matthew D. Bunker, *Mired in Confusion: Nominative Fair Use in Trademark Law and Freedom of Expression*, 20 COMM. L. & POL’Y 191, 209–212 (2015) (suggesting a more expansive application of the *Rogers* test to include other uses beyond simply titles and artistic works).

Despite these criticisms, the *Rogers* test remains the most commonly applied framework in which to analyze cases involving the Lanham Act's application to expressive works.

B. ROGERS TEST APPLIED IN THE NINTH CIRCUIT

The Ninth Circuit adopted the *Rogers* test in *Mattel, Inc. v. MCA Records, Inc.*,¹²⁵ thirteen years after the Second Circuit decided *Rogers v. Grimaldi*. In this case, the manufacturer of a famous Barbie doll sued a music band that parodied the doll and its associated trademark within its song “Barbie girl.”¹²⁶ Noting that some “trademarks transcend their identifying purpose . . . enter our public discourse and become an integral part of our vocabulary,”¹²⁷ the Ninth Circuit applied the *Rogers* test to decide the case.¹²⁸

Applying the test's first prong, the Ninth Circuit determined that the use of the mark was artistically relevant because it was an obvious parody, making fun of Barbie.¹²⁹ Additionally, the Ninth Circuit held that the use of the term “Barbie” in the song's title did not explicitly mislead as to Mattel's association with the song.¹³⁰ As a result, no likelihood of confusion was provided.¹³¹

Subsequently, the Ninth Circuit readdressed the *Rogers* test in *Mattel, Inc. v. Walking Mountain Productions*.¹³² In this case, the Barbie manufacturer brought a trademark infringement claim against a photographer specializing in pictures of nude Barbie dolls portrayed “in danger of being attacked by vintage household appliances.”¹³³ The defendant claimed that his photographs were “an attempt to “critique [] the objectification of women associated with [Barbie], and [] [to] lambast [] the conventional beauty myth and the societal acceptance of women as objects because this is what Barbie embodies.”¹³⁴ In applying the *Rogers* test, the court's analysis followed the perspective outlined in *Mattel, Inc. v. MCA Records*, concluding that the mark's use was artistically

125. *Mattel, Inc. v. MCA Recs., Inc.*, 296 F.3d 894, 902 (9th Cir. 2002).

126. *Id.* at 899.

127. *Id.* at 900.

128. *Id.* at 901–02.

129. *Id.* at 902. (“Under the first prong of *Rogers*, the use of Barbie in the song title clearly is relevant to the underlying work, namely, the song itself. As noted, the song is about Barbie and the values [Defendant] claims she represents.”).

130. *Id.* (“The song title does not explicitly mislead as to the source of the work; it does not, explicitly or otherwise, suggest that it was produced by Mattel. The only indication that Mattel might be associated with the song is the use of Barbie in the title; if this were enough to satisfy this prong of the *Rogers* test, it would render *Rogers* a nullity.”).

131. *Id.* at 900.

132. *Mattel, Inc. v. Walking Mountain Prods.*, 353 F.3d 792 (9th Cir. 2003).

133. *Id.* at 796.

134. *Id.* at 796–97.

relevant to the underlying work and did not mislead consumers as to Mattel's association with the work.¹³⁵ However, while the *MCA Records* court mentioned the cultural significance of the Barbie doll in its earlier ruling, the court did not explicitly envision that creator receives First Amendment protections for works that only utilize trademarks that have entered the public discourse.¹³⁶ This decision is significant because many of our cultural discussions revolve around the various products we consume. Sometimes those conversations involve destroying or reusing a trademarked asset to comment on the brand itself, even when such reuse does not please the trademark owner, as when an artist puts a Barbie doll in a blender, an oven, or an enchilada.

In *E.S.S. Entertainment 2000, Inc. v. Rock Star Videos, Inc.*,¹³⁷ the operator of a strip club in Los Angeles called Play Pen Gentleman's Club, filed suit against the developers of the "Grand Theft Auto" video games for portraying the plaintiff's strip club in the game "Grand Theft Auto: San Andreas" and calling it "Pig Pen." E.S.S. argued that the similarities between the Pig Pen logo and the design of the building would cause consumer confusion as to whether the strip club in the video game was associated with E.S.S. or whether E.S.S. endorsed it.¹³⁸ The Ninth Circuit permitted a First Amendment defense, observing that it is "true that Play Pen has little cultural significance, but the same could be said about most of the individual establishments in East Los Angeles."¹³⁹

Adjusting the cultural significance requirement, the court held that "the level of relevance merely must be above zero."¹⁴⁰ Because "[a] reasonable consumer would not think a company that owns one strip club in East Los Angeles, which is not well known to the public at large, also produces a technologically sophisticated video game,"¹⁴¹ the court held that Rockstar's work was not explicitly misleading. Similarly, the court observed that the location was "incidental to the overall story of the Game" and "the chance to attend a virtual strip club is unambiguously not the main selling point of the Game."¹⁴²

135. *Id.* at 806–07.

136. *Id.*

137. *E.S.S. Ent. 2000, Inc. v. Rock Star Videos, Inc.*, 547 F.3d 1095, 1096–97 (9th Cir. 2008).

138. *Id.* at 1097.

139. *Id.* at 1100.

140. *Id.* at 1100.

141. *Id.* at 1100–01.

142. *Id.*

The Ninth Circuit held that even though the game principally was not about the Play Pen, the video game's use was artistically relevant to its purpose of creating the fictional city.¹⁴³ What counts is that the expressive work represents creative expression and involves substantially more artistic elements than the simple use of a third party's trademark.

More recently, in *Twentieth Century Fox Film Corp. v. Empire Distribution, Inc.*, the Ninth Circuit employed the *Rogers* test to determine whether the title of the television show "Empire" infringed on the name of the record label "Empire Distribution."¹⁴⁴ In this case, "Empire Distribution," a record label that records and releases music albums, including compilations featuring "EMPIRE Presents" in their titles, sued Twentieth Century Fox after the television company began to sell music bearing the show's "Empire" brand. Following the District Court's grant of summary judgment for Fox, the Ninth Circuit reviewed the case *de novo*.¹⁴⁵ The Ninth Circuit held that Fox's show title did not infringe under the *Rogers* test.¹⁴⁶ First, the court found that Fox's purpose in using the word "Empire" for the show was artistically relevant because "the show's setting is New York, the Empire State, and its subject matter is a music and entertainment conglomerate, "Empire Enterprises," which is itself a figurative empire."¹⁴⁷ Regarding the second prong of the *Rogers* test, the court emphasized that the Empire Distribution did not provide sufficient evidence demonstrating that Fox's use was explicitly misleading, nor did the show contain any "overt claims or explicit references to the record label."¹⁴⁸

The hermeneutical relevance of this decision is evident when one comprehends its repercussions. First, the Fox uses of the "Empire" term have acted "as an umbrella brand to promote and sell music and other commercial products," including "appearances by cast members in other media, radio play, online advertising, live events, and the sale or licensing of consumer goods."¹⁴⁹ Concerning this issue, the Ninth Circuit has characterized Fox's uses primarily

143. Other video game cases have reached similar conclusions. *See, e.g.*, *MilSpec Monkey Inc v. Activision Blizzard*, 74 F. Supp. 3d 1134, 1142 (N.D. Cal. 2014) (the court found that trademark-protected "angry monkey" patches used in a video game were relevant because they represent "part of an authentic universe of morale patches" used by military staff).

144. *Twentieth Century Fox Television v. Empire Distrib., Inc.*, 875 F.3d 1192, 1196 (9th Cir. 2017); *see also* *Brown v. Elec. Arts, Inc.*, 724 F.3d 1235, 1244–45 (9th Cir. 2013) (holding that the use of former player Jim Brown was relevant for creating realistic representations in the virtual world).

145. *Twentieth Century Fox Television*, 875 F.3d at 1196 (9th Cir. 2017).

146. *Id.* at 1196.

147. *Id.* at 1198.

148. *Id.* at 1199.

149. *Id.* at 1196.

as an expressive work, requiring “only a minor logical extension of the reasoning of Rogers” to shield that use behind the First Amendment.¹⁵⁰

This last case indicates that the *Rogers* test applies not only to the expressive work itself but also to promotional attributes of that expressive work. Where the use of a third party’s trademark has artistic relevance to the underlying work and it is not explicitly misleading, the *Rogers* defense can extend to the promotional activities of that artistic work. These promotional activities include appearances by cast members in other media, radio play, online advertising, live events, and the sale or licensing of consumer goods.¹⁵¹ For parodists, this development in the law raises new benefits and considerations.

Most recently, in *Gordon v. Drape Creative, Inc.*, the Ninth Circuit analyzed the “outer limits” of the *Rogers* test.¹⁵² In this case, the plaintiff, Christopher Gordon, created the popular YouTube video “The Crazy Nastyass Honey Badger.”¹⁵³ This video became known for its catchphrases, including “Honey Badger Don’t Give a S---” and “Honey Badger Don’t Care.”¹⁵⁴ Gordon trademarked the latter catchphrase for various classes of products, including greeting cards, mugs, clothing, but he never registered the phrase “Honey Badger Don’t Give a S---.”¹⁵⁵ Gordon brought trademark infringement claims against Drape Creative, Inc., a greeting-card design studio, and Papyrus-Recycled Greetings Inc., a greeting card manufacturer and distributor, for designing and producing a variety of greeting cards using variations of both catchphrases mentioned above without Gordon’s permission.¹⁵⁶ The district court granted summary judgment for defendants, holding that the greeting cards were expressive works, and that the *Rogers* test holds impassable plaintiff’s claims.¹⁵⁷

In applying the *Rogers* test, the Ninth Circuit noted that “Gordon’s mark is certainly relevant to defendants’ greeting cards; the phrase is the punchline on which the cards’ humor turns.”¹⁵⁸ Holding that the defendant’s work was expressive and hence justified applying the *Rogers* test, the court focused on whether the defendant’s use of the mark was explicitly misleading.¹⁵⁹ The Ninth Circuit rejected the district court’s requisite the defendant must make

150. *Id.*

151. *Id.*

152. *Gordon v. Drape Creative, Inc.*, 909 F.3d 257, 268 (9th Cir. 2018).

153. *Id.* at 260.

154. *Id.*

155. *Id.*

156. *Id.*

157. *Id.*

158. *Id.* at 269.

159. *Id.* at 268.

an “affirmative statement of the plaintiff’s sponsorship or endorsement.”¹⁶⁰ Equally interestingly, the Ninth Circuit came to theorize about the instances in which the use of the mark, while relevant to expressive content, would establish misleading use.¹⁶¹

Regarding the second prong of the *Rogers* test, the Ninth Circuit reasoned that a more relevant deliberation would be the point to which the defendants use the trademark in the same manner as the plaintiff. “Indeed, the potential for explicitly misleading usage is especially strong when the senior user and the junior user both use the mark in similar artistic expressions.”¹⁶² The court decided in favor of the plaintiff, stating that the “[d]efendants have not used Gordon’s mark in the creation of a song, photograph, video game, or television show, but have largely just pasted Gordon’s mark into their greeting cards.”¹⁶³

In sum, this Note has explained how the Second Circuit developed the *Rogers* framework, which precludes trademark liability for non-commercial speech unless the implicated speech is not artistically relevant or is explicitly misleading. As it has been explained, the *Rogers* test has served the role of preventing trademark law, which developed as a concept of information efficiency in a market, from improperly invading the freedom to engage in non-commercial speech, including non-commercial speech sold for profit.

Regarding the *Rogers* test, the Ninth Circuit has crafted a simple and consistent application to a wide range of references to trademarks within a very liberal defense of parody speech. All these cases from the Ninth Circuit have in common that they protect expressive works, meaning creative expressions that involve more artistic elements than the mere use of a third party’s trademark.

Likewise, the Ninth Circuit has explained how the test requires the defendant to show, as a threshold matter, that the work in question is expressive. Then, the burden passes to the plaintiff to prove one of the two elements of the *Rogers* test, that either the plaintiff’s mark “has no artistic relevance to the underlying work whatsoever” or the defendant “explicitly

160. *Id.* at 269.

161. *See id.* at 270 (“If an artist pastes Disney’s trademark at the bottom corner of a painting that depicts Mickey Mouse, the use of Disney’s mark, while arguably relevant to the subject of the painting, could explicitly mislead consumers that Disney created or authorized the painting, even if those words do not appear alongside the mark itself.”); *see also id.* at 271 (“In the cases extending *Rogers* to instances in which a mark was incorporated into the body of an expressive work, we made clear that the mark served as only one component of the larger expressive work.”).

162. *Id.* at 270.

163. *Id.* at 261; *see also id.* at 270 (“The court making determinations whether the defendants added their “own expressive content to the work beyond the mark itself.”).

misleads as to the source or the content of the work.”¹⁶⁴ Such an approach balances the First Amendment and trademark rights with a judicial evaluation tilted in favor of the parodist.

IV. VIP PRODUCTS LLC V. JACK DANIEL’S PROPERTIES, INC.

The Ninth Circuit *Rogers* policy balance favoring First Amendment concerns reached its zenith in a decision involving a product arguably different than the songs,¹⁶⁵ photographs,¹⁶⁶ video games,¹⁶⁷ television programs,¹⁶⁸ or greeting cards.¹⁶⁹ Indeed, this case is about a dog chew toy.¹⁷⁰

Figure 1: The Jack Daniel's bottle next to the VIP Products “Bad Spaniels” dog toy



164. *Id.* at 264.

165. *Mattel, Inc. v. MCA Recs., Inc.*, 296 F.3d 894, 899 (9th Cir. 2002).

166. *Mattel, Inc. v. Walking Mountain Prods.*, 353 F.3d 792 (9th Cir. 2003).

167. *E.S.S. Ent. 2000, Inc. v. Rock Star Videos, Inc.*, 547 F.3d 1095, 1096 (9th Cir. 2008).

168. *Twentieth Century Fox Television v. Empire Distrib., Inc.*, 875 F.3d 1192 (9th Cir. 2017); *see also Brown v. Elec. Arts, Inc.*, 724 F.3d 1235 (9th Cir. 2013).

169. *Gordon v. Drape Creative, Inc.*, 909 F.3d 257 (9th Cir. 2018).

170. *VIP Prods. LLC v. Jack Daniel’s Properties, Inc.*, 953 F.3d 1170, 1172 (9th Cir. 2020).

VIP Products, an Arizona-based company, sells “Silly Squeaker” dog toys.¹⁷¹ In July of 2013, VIP Products released a toy in the shape of a Jack Daniel’s whiskey bottle, containing an image of a spaniel over the words “Bad Spaniels.”¹⁷² Jack Daniel’s label says, “Old No. 7 Brand Tennessee Sour Mash Whiskey,” while the label on the Bad Spaniels toy instead has the phrase “the Old No. 2, on your Tennessee Carpet.”¹⁷³ Additionally, the name “Jack Daniel’s” is replaced with “Bad Spaniels,” “Old No. 7” with “Old No. 2,” and alcohol content descriptions with “43% POO BY VOL.” and “100% SMELLY.”¹⁷⁴ In addition to these similarities between the “Bad Spaniels” and the bottle of Jack Daniel’s whiskey, the products share various visual features, such as the product’s shape, the use of white lettering over a black background, and font style.¹⁷⁵ However, a disclaimer on its packaging states that the Bad Spaniels “product is not affiliated with Jack Daniel Distillery.”¹⁷⁶

A. DISTRICT COURT DECISION

Unsurprisingly, Jack Daniel’s Properties was not amused and sent the parodist a demand letter asking him to cease and refrain from selling the chewy dog toy parodying its whiskey. VIP Products filed suit seeking a declaratory judgment of non-infringement.¹⁷⁷ Jack Daniel’s Properties counterclaimed for trademark infringement and dilution.¹⁷⁸

In its holding, the district court noted that VIP was not entitled to the nominative fair use defense because the dog toy is not an expressive work.¹⁷⁹ Moreover, by distinguishing between “the standard trademark likelihood of confusion analysis,” within which a parody defense potentially applies to VIP Products, and the notion of the “artistic expression” from the *Rogers* test, the district court held that the *Rogers* test was inapplicable.¹⁸⁰ The court pointed out that this test applies to artistic expressions such as songs, movies, and books and “requires courts to construe trademark law only where the public interest in avoiding consumer confusion outweighs the public interest in free expression.”¹⁸¹

171. *Id.*

172. *Id.*

173. *Id.* at 1172.

174. *Id.*

175. *Id.*

176. *Id.*

177. *See* VIP Prods. LLC v. Jack Daniel’s Props., Inc., 2016 WL 5408313, at *1 (D. Ariz. Sept. 27, 2016).

178. *Id.* at *2.

179. *Id.* at *5.

180. *Id.* at *6.

181. *Id.*

Regarding Jack Daniel's trademark dilution counterclaim, the court first held that "it is undisputed that the sales, advertising, and public exposure of Jack Daniel's whiskey packaged in the Jack Daniel's trade dress provide substantial indirect evidence of fame."¹⁸² Second, the court held that "a reasonable trier of fact could find that the VIP product and Jack Daniel's trade dress meet the requisite similarity standard for dilution, an "association arising from the similarity between a mark or trade name and a famous mark."¹⁸³

After a four-day bench trial, the district court decided in favor of Jack Daniel's, finding that it was clear that VIP's intent "sought to capitalize on Jack Daniel's popularity and good will for its own gain."¹⁸⁴ The court issued a permanent injunction prohibiting VIP from manufacturing and selling the "Bad Spaniels Silly Squeaker" dog toy.¹⁸⁵

B. NINTH CIRCUIT DECISION

VIP Products appealed to the Ninth Circuit, which found that the dog toy is an expressive work entitled to First Amendment protection.¹⁸⁶ In deciding so, the Ninth Circuit reversed and vacated the lower court's permanent injunction and held that the "Bad Spaniels" constituted a non-commercial use.¹⁸⁷ Hence, it did not dilute Jack Daniel's mark by tarnishment as a matter of law.¹⁸⁸

182. *Id.* at *13.

183. *See id.* at *1.

184. VIP Prods., LLC v. Jack Daniel's Prods., Inc., 291 F.Supp.3d 891, 908 (D. Ariz. 2018). The court relied upon the testimony from an expert in consumer behavior, based on conventional consumer psychology research to observe that "when you associate any food or beverage with defecation, you are creating disgust in the mind of the consumer with respect to that food or beverage." *Id.* at 903. Based on this testimony, the court support a finding of dilution by tarnishment because the parody product's references to defecation would result in "creating negative associations, either consciously or unconsciously, and undermining the pre-existing positive associations with its whiskey" that would be "particularly harmful for a company such as Jack Daniel's because the goods it offers for sale involves human consumption and human consumption and canine excrement do not mix." *Id.* Moreover, the court also found tarnishment of Jack Daniel's trademarks by associating the whiskey with toys that might appeal to children. "[W]hile an association with toys may not ordinarily cause reputational harm, Jack Daniel's is in the whiskey business, and does not market to children, does not license goods for children, and does not license goods that might appeal to children. *Id.* at 904. Lastly, the district court relied upon the trademark owner's internet survey showing that over 29% of potential consumers likely experienced confusion as to the connection between the Bad Spaniels dog toy and Jack Daniel's. *See id.* at 907.

185. *Id.* at 911.

186. *See* VIP Prods. LLC v. Jack Daniel's Prods., Inc. 953 F.3d 1170, 1172 (9th Cir. 2020).

187. *Id.* at 1176.

188. *Id.*

Although the “Bad Spaniels Silly Squeaker” dog toy resembles a bottle of Jack Daniel’s Old No. 7 Black Label Tennessee Whiskey, it has “light-hearted, dog-related alterations.”¹⁸⁹ As this Note will analyze, the court found that those alterations were protectable under the *Rogers* test. In determining whether the “Bad Spaniels” was expressive, the Ninth Circuit analyzed “whether the work [wa]s ‘communicating ideas or expressing points of view.’”¹⁹⁰ The court noted that “VIP’s purported goal in creating Silly Squeakers was to ‘reflect’ ‘on the humanization of the dog in our lives,’ and to comment on ‘corporations [that] take themselves very seriously.’”¹⁹¹

In granting a dog toy expressive work status, the Ninth Circuit explained that “although surely not the equivalent of the *Mona Lisa*,” “Bad Spaniels” is “an expressive work.”¹⁹² It “communicates a humorous message using wordplay to alter the serious phrase that appears on a Jack Daniel’s bottle” and “is not rendered non-expressive simply because it is sold commercially.”¹⁹³ The result is “‘a simple’ message conveyed by ‘juxtaposing the irreverent representation of the trademark with the idealized image created by the mark’s owner.’”¹⁹⁴ The court noted that the fact that VIP chose to convey this humorous message through a new artistic medium is irrelevant message because “the Constitution looks beyond written or spoken words as mediums of expression.”¹⁹⁵ Likewise, the Ninth Circuit paid attention to the fact that it was not the first time the court found that dog toys can be successful parodies of the well-known trademark.¹⁹⁶

Citing *Twentieth Century Fox Television v. Empire Distribution, Inc.*,¹⁹⁷ the Ninth Circuit stated that trademark infringement claims are generally governed by a likelihood-of-confusion test to “strike the appropriate balance between the

189. *Id.* at 1172.

190. *Id.* at 1174 (citing *Mattel, Inc. v. MCA Recs.*, 296 F.3d 894, 900 (9th Cir. 2002) (quoting *L.L. Bean, Inc. v. Drake Publishers, Inc.*, 811 F.2d 26, 29 (1st Cir. 1987))).

191. *Id.* at 1172.

192. *Id.* at 1175 (analogizing to the greeting cards in *Gordon v. Drape Creative, Inc.*, 909 F.3d 257, 264 (9th Cir. 2018) (finding that although the cards did not show a great level of creativity, they were protected under the First Amendment because they “convey[ed] a humorous message through the juxtaposition of an event of some significance”); *see also id.* (quoting *Brown v. Elec. Arts, Inc.*, 724 F.3d 1235, 1241) (“A work need not be the ‘expressive equal of *Anna Karenina* or *Citizen Kane*’ to satisfy this requirement.”).

193. *Id.*

194. *Id.* (quoting *L.L. Bean, Inc. v. Drake Publishers, Inc.*, 811 F.2d 26, 34 (1st Cir. 1987)).

195. *Id.* (quoting *Hurley v. Irish-Am. Gay, Lesbian & Bisexual Grp.*, 515 U.S. 557, 569 (1995)).

196. *See id.* (discussing *Louis Vuitton Malletier S.A. v. Haute Diggity Dog, LLC*, 507 F.3d 252 (4th Cir. 2007)).

197. *Twentieth Century Fox Television v. Empire Distrib., Inc.*, 875 F.3d 1192 (9th Cir. 2017).

First Amendment and trademark rights.”¹⁹⁸ However, the court noted that “when artistic expression is at issue, however, the general likelihood-of-confusion test fails to account for the total weight of the public’s interest in free expression.”¹⁹⁹ According to the Ninth Circuit, the district court mistakenly found that VIP’s product was not a creative and expressive good and thus not eligible for the protection under the *Rogers* test.²⁰⁰

As a threshold matter, the Ninth Circuit concluded that it was necessary to apply the *Rogers* test.²⁰¹ Because the district court concluded the possible confusion under the multifactor test without first deciding whether the plaintiff could meet either prong of *Rogers* test, the Ninth Circuit remanded the matter for a finding of that issue.²⁰²

Moreover, the Ninth Circuit instructed the district court judges to tilt their interpretation to a critical perspective “if the plaintiff satisfies one of the *Rogers* elements, ‘it still must prove that its trademark has been infringed by showing that the defendant’s use of the mark is likely to cause confusion.’”²⁰³

C. AFTEREFFECTS

Fourteen days after the court made its decision, Jack Daniel’s filed a petition for rehearing or rehearing *en banc*,²⁰⁴ after which the International Trademark Association (INTA) filed an *amicus* brief because the “panel’s expansive application of *Rogers* threaten[ed] to make this new iteration of the *Rogers* test the exception that swallows the likelihood of confusion standard that has been applied in trademark infringement cases for nearly a century.”²⁰⁵ Stating that the Ninth Circuit panel’s application of the law contradicts the law in other circuits, Jack Daniel’s argued that the “unnecessary

198. *VIP Prods.*, 953 F.3d at 1174.

199. *Id.* (internal citations omitted) (quoting *Gordon v. Drape Creative, Inc.*, 909 F.3d 257, 264 (9th Cir. 2018)); see *Arnold v. Treadwell*, 642 F.Supp.2d 723, 729 (E.D. Mich. 2009); *Rebellion Devs. Ltd v. Stardock Ent. Inc.*, No. 12-12805, 2013 WL 1944888, at *4 (E.D. Mich. May 9, 2013) (both showing that if the *Rogers* test is met, confusion is irrelevant); see also *Mikhaila Duvall, A Good Day to Be a Bad Spaniel: Broadening the Application of the Rogers Test*, 21 UIC REV. INTELL. PROP. L. 193, 208–210 (2022) (explaining that even though the Ninth Circuit declined to directly apply the likelihood of confusion test, the result would have been the same had the test been applied).

200. *VIP Prods.*, 953 F.3d at 1176.

201. *Id.*

202. *Id.*

203. *Id.* at 1176 n. 2 (quoting *Gordon v. Drape Creative, Inc.*, 909 F.3d 257, 265 (9th Cir. 2018)).

204. Appellee’s Petition for Rehearing and Petition for Rehearing En Banc, *VIP Prods.*, 953 F.3d 1170 (No. 18-16012), ECF No. 63 [hereinafter Appellee’s Petition].

205. See Brief of Amicus Curiae International Trademark Association in Support of Appellee at 18, *VIP Prods. LLC.*, 953 F.3d 1170 (No. 18-16012).

constitutionalization of routine trademark disputes” via the *Rogers* test “restricts trademark owners’ ability to protect consumers against the likely confusion.”²⁰⁶

On the other hand, a group of prominent law professors filed an amicus curiae brief in opposition to Jack Daniel’s petition for rehearing advancing one important argument.²⁰⁷ They argued that the Ninth Circuit correctly applied the *Rogers* test and that the “Bad Spaniels” dog toy was correctly considered non-commercial, and thus exempt from trademark infringement liability. However, the petition for panel rehearing and rehearing en banc was denied.²⁰⁸

In consequence, Jack Daniel’s filed a petition for certiorari at the United States Supreme Court on September 15, 2020,²⁰⁹ and was supported by several amici, including INTA, the Intellectual Property Law Association of Chicago, various alcohol beverage industry associations Campari America LLC, Constellation Brands Inc., and Campbell Soup Company.²¹⁰ Again, trademark law professors filed an amicus brief in opposition to the petition for certiorari.²¹¹ In January 2021, the Supreme Court denied certiorari.²¹²

Reactions to this decision immediately followed. Some authors argued that the Ninth Circuit decision is distinguished by its “potential to render any commercial product that contains humorous elements a ‘work of artistic expression.’”²¹³ Moreover, the Ninth Circuit has been said to have improperly extended First Amendment protection “for allegedly infringing uses of

206. Appellee’s Petition, *supra* note 204, at 3–4.

207. Brief of Amici Curiae Trademark Law Professors in Opposition to Motion for Rehearing En Banc, VIP Prods., 953 F.3d 1170 (No. 18-16012) (filed by Rebecca Tushnet, Mark A. Lemley, Mark P. McKenna, Lisa P. Ramsey, Jennifer Rothman, Pamela Samuelson & Eugene Volokh).

208. See Order at 1, VIP Prods. LLC v. Jack Daniel’s Prods., Inc., No. 18-16012 (9th Cir. June 3, 2020), ECF No. 72 (denying rehearing and rehearing *en banc*).

209. See Petition for Writ of Certiorari, Jack Daniel’s Prods., Inc. v. VIP Prods. LLC, 141 S. Ct. 1054 (2021) (No. 20-365).

210. See Brief for International Trademark Association as Amicus Curiae Supporting Petitioner, VIP Prods., 141 S. Ct. 1054 (No. 20-365); Brief for the Intellectual Property Law Association of Chicago as Amicus Curiae Supporting Petitioner, VIP Prods., 141 S. Ct. 1054 (No. 20-365); Brief for Campari America LLC as Amicus Curiae Supporting Petitioner, VIP Prods., 141 S. Ct. 1054 (No. 20-365); Brief for Constellation Brands, Inc. as Amicus Curiae Supporting Petitioner, VIP Prods., 141 S. Ct. 1054 (No. 20-365); Brief for Campbell Soup Co. as Amicus Curiae Supporting Petitioner, VIP Prods., 141 S. Ct. 1054 (No. 20-365).

211. See Brief of Amici Curiae Trademark Law Professors in Opposition to Petition for Certiorari, VIP Prods., 141 S. Ct. 1054 (No. 20-365) (filed by Rebecca Tushnet, Mark P. McKenna & Jessica Silbey).

212. VIP Prods. LLC v. Jack Daniel’s Prods., Inc., 953 F.3d 1170 (9th Cir. 2020), *cert. denied*, 141 S. Ct. 1054 (2021).

213. Jared I. Kagan & Emily R. Hush, *Parody Chew Toys and the First Amendment*, 13 LANDSLIDE 22, 24 (2021).

protected trademarks and unsettling the balance between trademark protection and freedom of expression.”²¹⁴ Other authors argue that this decision “is distinguished by its overly expansive view of the *Rogers* test and its misunderstanding of the fragile balance between First Amendment and trademark dilution laws.”²¹⁵

Arguably, these criticisms represent no more than a analytical extension of the existing conceptual differences in approach that still exist between supporters and critics of trademark dilution. There are two irreconcilable poles in the debates on the convenience of protecting trademarks against dilution. At one extreme are those whose notion is that a dilution is a necessary form of trademark protection. At another extreme are those who hold that anti-dilution statutes are the too broad mechanism for protecting trademark rights. In their opinion, this form of protection has the possibility of granting an almost exclusive property right over a trademark to its owner, something that traditional trademark law has avoided. While it is true that the *Rogers* test has been extended beyond the titles of an expressive work, which at first sight could be approximated as a stretching of its purpose, this decision also reflects trademark acromegaly. Never before, and on so many occasions, could one imagine that consumers could be confused about sponsorship or permission when viewing a product in a video game, music video, or movie or hearing it as part of a podcast or a rap song. What is true is that these both types of concerns will become increasingly important as our consumer culture continues to bloom.

D. SUPREME COURT DECISION

After the Supreme Court, without comment or reasoning, denied Jack Daniel’s petition for certiorari in January 2021,²¹⁶ the famous whisky manufacturer took a second shot when it filed a second petition for certiorari, which has proven to be worthwhile.²¹⁷ In the latest petition, Jack Daniel’s asked the Court to consider “[w]hether humorous use of another’s trademark as one’s own on a commercial product is subject to the Lanham Act’s traditional

214. *Id.*

215. Zachary Shufro, *Based on a True Story: The Ever-Expanding Progeny of Rogers v. Grimaldi*, 32 FORDHAM INTELL. PROP. MEDIA & ENT. L.J. 391, 424 (2022). *See generally* Hannah Knab, *Jack Daniel’s Highlights the Second and Ninth Circuit’s Divide on the Application of the Rogers Test*, 10 AM. U. BUS. L. REV. 517 (2022) (claiming that the Ninth Circuit has adopted the *Rogers* test in a way that expands the plain language of the Lanham Act and, therefore, has broadened the test beyond its original purpose).

216. *See* VIP Prods. LLC v. Jack Daniel’s Prods., Inc., 953 F.3d 1170 (9th Cir. 2020), *cert. denied*, 141 S. Ct. 1054 (2021).

217. *See* VIP Prods. LLC v. Jack Daniel’s Prods., Inc., 953 F.3d 1170 (9th Cir. 2020), *cert. granted*, 143 S. Ct. 476 (2022).

likelihood-of-confusion analysis, or instead receives heightened First Amendment protection from trademark-infringement claims,”²¹⁸ and “[w]hether humorous use of another’s mark as one’s own on a commercial product is ‘noncommercial’ under 15 U.S.C. § 1125(c)(3)(C), thus barring as a matter of law a claim of dilution by tarnishment under the Trademark Dilution Revision Act.”²¹⁹ On the Supreme Court, disagreement about how to answer the threshold question of when a particular use of another’s mark qualifies to apply the standard for infringement outlined in *Rogers* continued. Jack Daniel’s and some of its supporters argued that the higher standard for infringement in the Ninth Circuit’s version of the *Rogers* test is a *via* to infringe trademarks and does not prevent misleading uses of trademarks.²²⁰ In other words, Jack Daniel’s and its supporters argued that the *Rogers* test has a narrower threshold requirement. They insisted that the *Rogers* test should not apply in Jack Daniel’s trademark dispute because dog toys are more like “cans of peas” and not like traditional artistic and literary creations.²²¹ Under this view, *Rogers*’ standard for infringement would apply only when the infringer’s products are movies, books, songs, and similar expressive works with titles and not ordinary commercial products.²²² Thus, Jack Daniel’s argued that the dilution statute should apply because VIP’s dog toy is not a non-commercial use of the trademark.²²³

On the other hand, VIP Products and its supporters argued that the *Rogers* test should apply to the humorous message of Bad Spaniels because the fact that the expression appears in connection with a dog toy rather than in a painting is irrelevant.²²⁴ When the expression combines artistic and commercial speech, and these message components are inextricably intertwined, the

218. See Petition for a Writ of Certiorari in *I, Jack Daniel’s Props., Inc. v. VIP Prods. LLC*, 2022 WL 3561781 (S. Ct. Aug. 5, 2022) (No. 22-148).

219. *Id.*

220. See Brief for Petitioner at 2–5, 19–39, *Jack Daniel’s*, 143 S. Ct. 476 (No. 22-148); see also Brief of Amici Curiae American Apparel & Footwear Association, Footwear Distributors & Retailers of America, Council of Fashion Designers of America, Inc., and the Accessories Council in Support of Petitioner at 3, *Jack Daniel’s*, 143 S. Ct. 476 (No. 22-148) (arguing that the Ninth Circuit’s version of the *Rogers* test will increase counterfeits); Brief of Amici Curiae of Levi Strauss & Co. and Patagonia, Inc. in Support of Petitioner at 11, *Jack Daniel’s*, 143 S. Ct. 476 (No. 22-148) (arguing that the Ninth Circuit’s application of the *Rogers* test doesn’t include discovery about defendant’s intent or actual confusion).

221. See Brief for Petitioner at 4, 19–39, *Jack Daniel’s*, 143 S. Ct. 476 (No. 22-148) (citing *Rogers*, 875 F.2d at 997).

222. *Id.*

223. *Id.* at 5, 39–52.

224. See Brief of Respondent at 13, 24–27, *Jack Daniel’s Props., Inc. v. VIP Prods. LLC*, 143 S. Ct. 476 (2022) (No. 22-148); see also Brief of Amici Curiae First Amendment Professors in Support of Respondent, *Jack Daniel’s*, 143 S. Ct. 476 (No. 22-148).

Rogers test and the First Amendment limit the scope of trademark protection if the artistically relevant use of another's mark is not explicitly misleading.²²⁵

In a unanimous opinion with two concurrences delivered by Justice Kagan, the Supreme Court held that the Rogers test for trademark infringement claims challenging expressive works does not apply “when the alleged infringer uses the trademark as a designation of source for the infringer’s own goods.”²²⁶ Moreover, non-commercial exclusion from dilution liability under Lanham Act “does not shield parody or other commentaries when their use of a mark is source-identifying.”²²⁷ The Court distinguished the case at bar from cases employing a First Amendment defense “in which a trademark is used not to designate a work’s source, but solely to perform some other expressive function.”²²⁸ According to the Court, for example, when the manufacturer of a famous Barbie doll sued a music band over the song “Barbie Girl,” the Ninth Circuit applied the Rogers test because the band’s use of the Barbie name was not performing a source identifier task.²²⁹ In other words, the Court held that the First Amendment filter only applies where a trademark is not used to designate the source of the goods. However, the Court explained that lower courts can consider the core of VIP’s argument because “[an] expressive message of the trademark—particularly a parodic one, as VIP asserts—may properly figure in assessing the likelihood of confusion.”²³⁰ Thus, the most important takeaway from the decision is that trademark use does not necessarily result in non-commercial use when it parodies, criticizes, or comments on someone else’s product. Consequently, the traditional likelihood of confusion analysis applies to those marks, and they are not exempt from dilution claims when used to designate the source of goods or services. Therefore, the Supreme Court remanded the judgment for further proceedings consistent with their opinion.²³¹

Although the Supreme Court decision represents a victory for Jack Daniel’s, which argued that the Ninth Circuit erred when it said the dog toy was non-commercial and therefore enjoyed constitutional protection, the Justices did not decide the fate of the Rogers test. Interestingly, despite an extensive briefing on the topic, the Supreme Court made clear it “choose[d] a

225. *Id.*

226. Jack Daniel’s Properties, Inc. v. VIP Prod. LLC, No. 22-148, 2023 WL 3872519, at *2 (U.S. June 8, 2023).

227. *Id.*

228. *Id.* at *7.

229. *Id.*

230. *Id.* at *10.

231. *Id.* at *11.

narrower path”²³² without deciding “whether Rogers has merit in other contexts”²³³ or “how far the “noncommercial use” exclusion goes.”²³⁴

The question arises of which cases would be considered to have met the standards of not confusing under a First Amendment filter. If the books, movies, songs, and T-shirts fit the bill, but dog toys are a bridge too far, we need the principles to let us know which objects will enter the protection category and which will not. Unfortunately, the Supreme Court does not provide a guide in this regard.²³⁵ Jack Daniel’s strategy of going after Rogers test in its entirety and convincing the Court to compromise turns into a win at Jack Daniels’ corner. However, by saying the test has its place but is inappropriate for a dog’s toy, the Supreme Court necessarily leaves much about Rogers test unaddressed. In addition, the decision makes it harder for everyone to determine what happens next. For example, Justice Gorsuch’s concurrence, joined by Justices Thomas and Barrett, expressed general uncertainty about “where Rogers’ evidence comes from.”²³⁶ Moreover, the concurrence opinion stated that “it’s not obvious that Rogers is right on all of his details” and cautioned lower courts that they “must be attuned to that fact.”²³⁷ While the Supreme Court decision leaves unsolved questions of free speech concerns in the context of parodies in trademark disputes, it appears to be a victory for trademark owners seeking to assert their rights against those who sell uncompetitive goods intended to mock those marks.

V. CONCLUSION

Traditional trademark law restricts only commercial speech when it is false or misleading. On the other hand, dilution laws enable the owner of a famous trademark to prevent the use of its mark, even if the user is neither misleading nor confusing. Moreover, relying on commerciality as a responsibility requirement supposes difficulties when creating a defense for brand parodies.

Following the *Rogers v. Grimaldi* decision, the *Rogers* test provided a safe harbor for junior users to escape liability if their use had an underlying artistic relevance. In the Ninth Circuit, the *Rogers* test has generally served to prevent

232. *Id.* at *6.

233. *Id.* (noting that Rogers test has merit when an alleged infringer uses a trademark as a designation of source for the infringer’s own goods).

234. *Id.* at *11.

235. *Id.* at *8 (“The point is that whatever you make of Rogers—and again, we take no position on that issue—it has always been a cabined doctrine.”).

236. *Id.* at *12 (Gorsuch, J., concurring).

237. *Id.*

trademark law from intruding on the freedom to participate in non-commercial speech, including non-commercial speech sold for profit.

In recognizing the unmistakable parodic message of the dog toy, the Ninth Circuit applied the *Rogers* test, finding VIP's "Bad Spaniels" to be an expressive work. While a dog toy may not be the most typical form of artistic expression, as detailed in Part IV, courts have applied the *Rogers* test in cases involving a wide range of expressive works. Moreover, what is considered artistically relevant evolves through time.²³⁸ The same is true for our cultural habits and values. For instance, the pet industry has tripled in the past 15 years, reaching \$123.6 billion in sales in 2021, the highest level in history.²³⁹ According to the American Pet Products Association (APPA), 69% of U.S. households own a dog.²⁴⁰

This decision is one more in line to reflect the current Ninth Circuit *Rogers* policy balance favoring First Amendment concerns. Nonetheless, if the Ninth Circuit issued a more clarifying decision, it could help instruct future courts in their struggle to balance free speech with trademark protection. The *Rogers* test tries to establish the balance between the public interest in free speech and the interests of trademark owners. However, despite several decades of use, more clarity is needed about the exact contours of the test. The unknowns of how exactly such a test should work rest on the changing nature of trademarks in contemporary society, which have developed beyond their role as source indicators to acquire significant cultural value. However, the Ninth Circuit failed to provide such clarity in this case.

238. David M. Kelly & Lynn M. Jordan, *Twenty Years of Rogers v. Grimaldi: Balancing the Lanham Act with the First Amendment Rights of Creators of Artistic Works*, 99 TRADEMARK REP. 1360, 1365 (2009).

239. See *Total U.S. Pet Industry Expenditures, 2012–2021*, INS. INFO. INST., <https://www.iii.org/table-archive/22253> (last visited Sept. 22, 2022).

240. See *2021–2022 APPA National Pet Owners Survey Statistics*, AM. PET PRODS. INST., https://www.americanpetproducts.org/press_industrytrends.asp (last visited Sept. 22, 2022).

THE RIGHT KIND OF PRIVACY

Meghan Quigley Sullivan[†]

I. INTRODUCTION

In the parable of The Blind Men and the Elephant, a group of blind men seek to understand what an elephant is by touching different body parts of the mammal—its trunk, its tusk, its ear. After investigating, the men perceive three different animals.¹ American jurists’ search for “privacy” is likewise searching.

In *Americans for Prosperity Foundation v. Bonta*, the U.S. Supreme Court broadly shielded donor identity information from a California regulation that required charitable groups to disclose donor information to the state.² *Americans for Prosperity Foundation* was seemingly a pro-privacy rejoinder to California’s disclosure regime. However, calling the decision pro-privacy only scratches the surface. The Court eschewed precedent and forcefully protected the associational privacy of the petitioners and their donors. During the same term, the Court struck a serious blow to enforcing privacy laws in federal courts by undermining the use of private rights of action to litigate privacy harms under the Fair Credit Reporting Act (FCRA).³ Are these cases consistent? The Court defended privacy in one case and dismantled it in the other.

This Note proposes that the Court’s decision in *Americans for Prosperity Foundation* can be explained by understanding that associational privacy, the interest defended in *Americans for Prosperity Foundation*, aligns with conservative and libertarian values. We can make sense of the Roberts Court’s broader privacy jurisprudence by contextualizing privacy interests within political philosophy. Certain privacy interests are consistent with conservative or libertarian ideology, while others clash with one or both philosophies—and the Roberts Court rules on privacy accordingly. This Note presents this

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1. *E.g.*, THE UDĀNA & THE ITIVUTTAKA: INSPIRED UTTERANCES OF THE BUDDHA & THE BUDDHA’S SAYINGS 9 (John D. Ireland trans., 2d ed. 1997).

2. 141 S. Ct. 2373 (2021).

3. *See* *TransUnion LLC v. Ramirez*, 141 S. Ct. 2190 (2021); Daniel J. Solove & Danielle Keats Citron, *Standing and Privacy Harms: A Critique of TransUnion v. Ramirez*, 101 B.U. L. REV. ONLINE 62, 70 (2021) (explaining how the Supreme Court undermined consumers’ ability to pursue private rights of action against companies for privacy violations).

dynamic with the hope that it will explain the Roberts Court's superficially inconsistent privacy decisions. Through this framework, we can see that the Court's privacy decisions are in fact consistent because they tend to advance conservative, and to a lesser extent, libertarian values.

This Note proceeds in three parts. Part II examines two constitutional sources of privacy protection, the First Amendment and the Fourth Amendment, and explains the unique privacy interests that each amendment protects. Part II first defines associational privacy and freedom of association and explains the relationship between these rights under the First Amendment. It also explores the origin of the constitutional right to associational privacy, which emerged in the mid-20th century. Part II then discusses the Fourth Amendment, which protects people from unreasonable government intrusion. This Part describes how government intrusion can inflict privacy harms on individuals and communities. It also describes how Fourth Amendment doctrine evolved over time to protect privacy, as opposed to merely property, from government intrusion.

Part III surveys how the Roberts Court addressed legal challenges on behalf of privacy interests before *Americans for Prosperity Foundation* and then evaluates the *Americans for Prosperity Foundation* decision itself. Section III.A analyzes three categories of rulings and demonstrates that the Roberts Court typically undervalues privacy interests. First, the Court's criminal procedure decisions vitiated a crucial remedy to Fourth Amendment violations, the exclusionary rule. By undermining an incentive for the government to abide by the Fourth Amendment, the Court endangered privacy interests protected by the Fourth Amendment. Second, in two cases brought for alleged violations of the FCRA, the Court made it more difficult to satisfy Article III standing. The new standing test articulated in these decisions threatens congressionally created private rights of action meant to protect consumer privacy interests. Third, in a 2010 case that bears significant similarities to *Americans for Prosperity Foundation*, the Court published a disjointed decision that declined to protect the associational privacy interests of referendum petition signatories in Washington state. These decisions illustrate that the Roberts Court does not typically champion privacy interests: either the Court undervalues those interests, or the justices cannot issue a coherent ruling about how to protect privacy interests.

Section III.B then examines how in *Americans for Prosperity Foundation*, the Court adopted an unusually protective approach to the associational privacy interests of charitable donors. The six justices in the majority were united in their concern for charitable donors' associational privacy. The ruling struck down California's disclosure requirement in all of its applications, eschewing

the more modest choice to strike the requirement down merely in its application to the plaintiffs. Further, the majority did not require the challengers meet an evidentiary burden typically necessary to facially invalidate a law. The result is a decision that aggressively protects charitable donors' associational privacy interests from disclosure laws.

Part IV seeks to make sense of the Roberts Court's privacy jurisprudence by placing different privacy interests in the context of conservative and libertarian values. Privacy interests are diverse and distinct because privacy protects individuals from many different types of harm. A person whose emails are secretly monitored by the government is harmed in a different way than a person whose social security number is accidentally disclosed by a credit reporting agency. Naturally, certain political ideologies could consider one type of harm intolerable, while another ideology considers that same harm justifiable. Accordingly, certain privacy interests resonate strongly with conservative-leaning and libertarian-leaning jurists, while other privacy interests do not. Part IV investigates this idea by analyzing how two different privacy interests—associational privacy and privacy from government intrusion—either advance or impede conservative and libertarian values. By looking at privacy through this lens, we can better understand why the Roberts Court protects certain privacy interests and neglects others. This analysis suggests that the Court's privacy decisions are more ideologically consistent than they initially appear.

II. BACKGROUND

Privacy is a deeply intimate subject, at stake in every facet of our individual experience, from physical autonomy to personal reputation. Privacy is implicated in a variety of legal contexts as well—traffic stops, data breaches, and abortion care, to name a few. Since privacy touches on myriad individual and communal interests, its legal sources are just as broad, sounding in the Constitution, property law, and tort law.⁴

4. DANIEL J. SOLOVE, UNDERSTANDING PRIVACY 3 (2008). The U.S. Constitution does not explicitly mention privacy; however, the Supreme Court has read privacy into the Fourth Amendment's prohibition on unreasonable government searches and seizures. *Id.* The Court has also found that the Constitution protects a "zone of privacy" encompassing sexual and reproductive decisions under the Fourteenth Amendment and safeguards privacy in the home through the Third Amendment's prohibition on quartering troops during peacetime. *See id.* at 3, 31, 58. Property law protects privacy against trespass and other intrusions on personal property. *See id.* at 175. Courts in many states recognize four torts that remedy privacy wrongs: intrusion upon seclusion, public disclosure of private facts, false light, and appropriation of name or likeness. *Id.* at 3, 101.

This Section discusses two sources of privacy protection that will figure prominently in this paper, the First Amendment and the Fourth Amendment. The First Amendment protects associational privacy, the privacy interest at issue in *Americans for Prosperity Foundation*, and the Fourth Amendment protects privacy from unreasonable government intrusion. This Section clarifies for readers what associational privacy and privacy from government intrusion are conceptually. Privacy is a broad and amorphous concept; therefore, it is important to understand how associational privacy and privacy from government intrusion are distinct, and how each interest protects people from unique types of harm.

A. PRIVACY UNDER THE FIRST AMENDMENT

The First Amendment protects activities that facilitate self-determination. Individuals develop communities of thought and identity through expression, speech, and religious practice.⁵ While engaging in those activities, individuals need a power of exclusion and seclusion to form communities and develop shared meaning. As early as 1958, the Supreme Court valorized *associational privacy* as a sometimes-necessary ingredient to exercising First Amendment activities.⁶

Although associational privacy is closely related to freedom of association, the two concepts are distinct. Freedom of association is the right to join others in the pursuit of common objectives such as speech, assembly, petition for the redress of grievances, and religious expression.⁷ This freedom is protected by the First Amendment because “[a]n individual’s freedom to speak, to worship, and to petition the government for the redress of grievances could not be vigorously protected from interference by the State *unless* a correlative freedom to engage in group effort toward those ends were not also guaranteed.”⁸ In comparison, associational privacy is the interest in keeping one’s associations confidential because disclosure to others could discourage free, uninhibited association.⁹

There is a “vital relationship” between associational privacy and freedom of association.¹⁰ Without associational privacy, individuals may feel inhibited and discouraged from engaging in activities that further their beliefs and their

5. See Owen M. Fiss, *Why The State?*, 100 HARV. L. REV. 781, 784 (1987) (“Most agree that the [F]irst [A]mendment seeks to further democracy by protecting collective self-determination . . .”).

6. NAACP v. Ala. *ex rel.* Patterson, 357 U.S. 449, 462 (1958).

7. Roberts v. U.S. Jaycees, 468 U.S. 609, 618 (1984).

8. *Id.* at 622 (emphasis added).

9. See SOLOVE, *supra* note 4, at 143.

10. 357 U.S. at 462.

freedom of association.¹¹ For example, a teacher's right to free expression would be burdened if she were required to disclose her social, political, or religious affiliations to her employer.¹² What if the teacher was a member of the Democratic Socialists of America in a heavily Republican community? Or what if the teacher was a member of the National Rifle Association in a liberal enclave? It is hard to imagine that the teacher would not feel "caution and timidity in [her] associations" if her associational ties were disclosed to people who had control over her livelihood.¹³

With that said, associational privacy is not always necessary to engage in free association. Associational privacy is essential to shield individuals whose associations would make them targets of violence or criticism.¹⁴ If an individual's associations are not controversial, and publicity would not discourage them, associational privacy is not an essential condition to exercising free association.

The Supreme Court first endorsed associational privacy in 1958, when it articulated a constitutional freedom of association in *NAACP v. Alabama ex rel. Patterson*.¹⁵ Arising from the civil rights movement in segregationist Alabama, *NAACP* demonstrated that disclosure of associational ties could, in certain circumstances, expose individuals to harassment or violence. In 1956, Alabama Attorney General John Patterson brought a suit against the state's chapter of the NAACP for "causing irreparable injury to the property and civil rights of the residents and citizens of the State of Alabama."¹⁶ Patterson alleged that the NAACP had engaged in such injurious activities as giving legal support to black students seeking admission to the state university and supporting the 1955 Montgomery bus boycott.¹⁷ On the state's motion, the Alabama Circuit Court ordered the production of the NAACP's membership lists.¹⁸ Despite the NAACP's contention that Alabama could not constitutionally compel

11. SOLOVE, *supra* note 4, at 143.

12. In *Shelton v. Tucker*, the Supreme Court ruled that an Arkansas statute requiring public school teachers to disclose all organizations to which they had belonged or contributed to unconstitutionally burdened the teachers' freedom of association. 364 U.S. 479, 487–90 (1960).

13. *See id.* at 487.

14. *See Roberts v. U.S. Jaycees*, 468 U.S. 609, 622 (1984) ("According protection to collective effort on behalf of shared goals is especially important in preserving political and cultural diversity and in shielding dissident expression from suppression by the majority."); *Boy Scouts of Am. v. Dale*, 530 U.S. 640, 647–48 (2000) ("This right is crucial in preventing the majority from imposing its views on groups that would rather express other, perhaps unpopular, ideas.").

15. 357 U.S. at 462.

16. *Id.* at 452.

17. *Id.*

18. *Id.* at 453.

disclosure, the court held the organization in contempt after it failed to produce the membership lists.¹⁹ When the case came before the Supreme Court, the key legal question was whether the state could compel the NAACP to turn over the names of its members and agents.²⁰

The majority sided with the NAACP and established First Amendment protection for *both* freedom of association and associational privacy. “Effective advocacy of both public and private points of view, particularly controversial ones,” Justice Harlan wrote, “is undeniably enhanced by group association.”²¹ The Court understood that disclosure of NAACP members to the state would burden the organization’s ability to advocate for its beliefs by causing members to quit and discouraging new members from joining.²² The Court did not explicitly name the violence and intimidation NAACP members would suffer, but it emphasized that associational privacy was essential to protecting those who challenge majority points of view. The Court wrote, “Inviolability of privacy in group association may in many circumstances be indispensable to preservation of freedom of association, particularly where a group espouses dissident beliefs.”²³

In the half century since *NAACP*, litigants have used associational privacy as a shield against government disclosure mandates,²⁴ including disclosure mandates targeting financial contributions. The Court has observed that “[f]inancial transactions can reveal much about a person’s activities, associations, and belief.”²⁵ Consequently, associational privacy interests come into question when the government requires individuals and organizations to disclose donor information. To preview an issue discussed in Part III, the degree to which financial donors’ associational privacy is protected depends upon how aggressively the Court polices state disclosure laws that come into conflict with the First Amendment. In *Americans for Prosperity Foundation*, the

19. *Id.*

20. *Id.* at 451.

21. *Id.* at 460.

22. *Id.* at 462–63.

23. *Id.* at 462.

24. *See, e.g.,* *Brown v. Socialist Workers ’74 Campaign Comm.* (Ohio), 459 U.S. 87, 101–02 (1982). In 1982, the Supreme Court ruled that a disclosure provision of the Ohio Campaign Expense Reporting Law violated the associational privacy interests of individuals affiliated with the minority political party, the Socialist Workers Party (SWP). *Id.* at 88. The disclosure law required that SWP report the names and addresses of party contributors and campaign disbursement recipients. *Id.* Acknowledging existing hostility to affiliates of SWP, the Court invalidated the law as applied because compelled disclosure infringed on privacy of association protected by the First Amendment. *Id.* at 99–101.

25. *Cal. Bankers Ass’n v. Shultz*, 416 U.S. 21, 78–79 (1974) (Powell, J., concurring).

Roberts Court deviated from precedent by forcefully policing a California disclosure law targeted at charitable organizations and their donors.²⁶

B. PRIVACY UNDER THE FOURTH AMENDMENT

The Fourth Amendment protects people from unreasonable government searches and seizures in their persons, houses, papers, and effects.²⁷ While the amendment does not amount to a general constitutional right to privacy, it does protect individual privacy from certain kinds of *governmental intrusions*.²⁸ Specifically, the Fourth Amendment bars unreasonable government intrusion into people's homes, effects, or persons.²⁹

Government intrusion can harm individuals in both obvious and subtle ways. First, government intrusion facilitates state surveillance and allows the state to aggregate information about people.³⁰ Indeed, the Fourth Amendment was drafted and ratified in reaction to the British colonial authority's use of writs of assistance and general warrants.³¹ State surveillance can harm people because it causes those observed to alter their behavior.³² It tends to cause self-censorship and inhibition, which can negatively impact individuals' creativity and self-development.³³ Second, when the government aggregates information about people, it can harm them by exposing them to abuses of power.³⁴ For example, during World War II, the American government used census data to identify Japanese Americans and transport them to internment camps.³⁵ Lastly, when the government makes an uninvited intrusion into a person's life, it disturbs that person's equilibrium.³⁶ Government intrusions harm people because they invade solitude, interrupt routines, and frequently cause unease.³⁷

26. See *infra* Sections III.A.3 and III.B.

27. U.S. Const. amend. IV.

28. *Katz v. United States*, 389 U.S. 347, 350 (1967).

29. Erwin Chemerinsky, *Rediscovering Brandeis's Right to Privacy*, 45 BRANDEIS L.J. 643, 645 (2007) (“[P]rivacy is about freedom from government intrusion into an individual’s home or on to an individual’s person. This, of course, is the focus of the Fourth Amendment and the Supreme Court frequently has spoken of it protecting a reasonable expectation of privacy.”).

30. See SOLOVE, *supra* note 4, at 109, 118.

31. See *Steagald v. United States*, 451 U.S. 204, 220 (1981) (“The Fourth Amendment was intended partly to protect against the abuses of the general warrants that had occurred in England and of the writs of assistance used in the Colonies.”).

32. SOLOVE, *supra* note 4, at 107–08.

33. *Id.*

34. See *id.* at 119 (“Aggregation can also increase the power that others have over individuals.”).

35. A. Michael Froomkin, *The Metaphor Is the Key: Cryptography, the Clipper Chip, and the Constitution*, 143 U. PA. L. REV. 709, 732–33 (1995).

36. See SOLOVE, *supra* note 4, at 162.

37. See *id.*

The extent to which the Fourth Amendment has protected people's privacy from government intrusion has changed over time,³⁸ but the most important shift took place in the 1960s.³⁹ Before 1967, the Fourth Amendment did not prohibit unreasonable government intrusions unless there was a *physical* intrusion on property.⁴⁰ But in *Katz v. United States*, the Court found that the presence or absence of physical trespass does not dictate Fourth Amendment protection.⁴¹ The Court expanded the Fourth Amendment's protections, casting it explicitly as a guardian of individual privacy.⁴² In *Katz*, the petitioner Charles Katz alleged that the FBI violated his Fourth Amendment rights by bugging a public phone booth without a warrant and recording his statements.⁴³ The government thus argued that the FBI's wiretap did not physically intrude into the phone booth and was therefore not unreasonable.⁴⁴ But the Court ultimately concluded that the reach of the Fourth Amendment "cannot turn upon the presence or absence of a physical intrusion into any given enclosure."⁴⁵ Rather, it "protects people—and not simply 'areas'—against unreasonable searches and seizures."⁴⁶ Justice Harlan's concurrence articulated the Court's new standard: a search within the meaning of the Fourth Amendment takes place whenever the government invades a person's "reasonable expectation of privacy."⁴⁷ Justice Harlan specified that a reasonable expectation of privacy exists when a person has exhibited a subjective expectation of privacy, and when that expectation is one society is willing to recognize as reasonable.⁴⁸

The *Katz* framework has the advantage of focusing the Fourth Amendment on privacy, but it has also been criticized for being unpredictable and circular.⁴⁹ Indeed, the *Katz* framework gives the Supreme Court significant discretion to decide whether someone has a reasonable expectation of

38. See generally Orin S. Kerr, *The Curious History of Fourth Amendment Searches*, 2012 SUP. CT. REV. 67 (2012).

39. See *Katz v. United States*, 389 U.S. 347, 351 (1967).

40. *Olmstead v. United States*, 277 U.S. 438, 466 (1928), *overruled by* *Berger v. New York*, 388 U.S. 41 (1967), and *Katz v. United States*, 389 U.S. 347, 353 (1967).

41. 389 U.S. at 353 ("[T]he reach of that Amendment cannot turn upon the presence or absence of a physical intrusion into any given enclosure.").

42. See *id.* at 351 ("[T]he Fourth Amendment protects people, not places.").

43. *Id.* at 348–49.

44. *Id.* at 352.

45. *Id.* at 353.

46. *Id.*

47. *Id.* at 360 (Harlan, J., concurring).

48. *Id.* at 361.

49. See ERWIN CHEMERINSKY, PRESUMED GUILTY: HOW THE SUPREME COURT EMPOWERED THE POLICE AND SUBVERTED CIVIL RIGHTS 106 (2021) [hereinafter PRESUMED GUILTY].

privacy.⁵⁰ Unfortunately, in the years since *Katz*, the Court has narrowly interpreted when a reasonable expectation of privacy exists.⁵¹

Given how discretionary the *Katz* framework is, if the Roberts Court valued privacy from government intrusion, it would expand when people have a reasonable expectation of privacy and it would reinforce remedies to Fourth Amendment violations. Further, if the Court does not value privacy from government intrusion, it would use its discretion to narrow when people have a reasonable expectation of privacy, and it would erode remedies to Fourth Amendment violations.

III. THE ROBERTS COURT & PRIVACY

This Part demonstrates that *Americans for Prosperity Foundation v. Bonta* is an outlier in the Roberts Court's jurisprudence. Section III.A shows that the Roberts Court has had an at-best tepid relationship with privacy and has frequently ruled against strong privacy protections. Section III.B. explores the reasoning in the Court's extremely pro-privacy *Americans for Prosperity Foundation* ruling. Taken together, this Part show that *Americans for Prosperity Foundation* is a doctrinal aberration, which Part IV seeks to explain as a function of the Court's political ideology.

A. THE ROBERTS COURT'S TYPICAL TREATMENT OF PRIVACY

This Section examines the Roberts Court's typically tempered approach to privacy interests. While the Court has a reputation for consistently defending, for example, business interests,⁵² the Court is not dedicated to protecting privacy interests. In fact, if anything, the Roberts Court has eroded privacy protections over time. Privacy interests are diverse and varied, so this Section profiles decisions in three legal categories that touch on different privacy interests: criminal procedure decisions that impact individual privacy from government intrusion, FCRA decisions that impact consumer privacy, and one First Amendment decision that impacts associational privacy.

50. *See id.* at 106–08.

51. *See, e.g.*, *Florida v. Riley*, 488 U.S. 445 (1989); *California v. Ciraolo*, 476 U.S. 207 (1986); *California v. Greenwood*, 486 U.S. 35 (1988); *Oliver v. United States*, 466 U.S. 170 (1984); *California v. Carney*, 471 U.S. 386 (1985).

52. *See, e.g.*, *Wal-Mart Stores, Inc. v. Dukes*, 564 U.S. 338 (2011) (interpreting Federal Rule of Civil Procedure 23 to make it more difficult for litigants to certify class actions); *Rent-A-Ctr., W., Inc. v. Jackson*, 561 U.S. 63 (2010) (interpreting the Federal Arbitration Act to make it more difficult for parties to challenge the validity of arbitration agreements in court); *Am. Exp. Co. v. Italian Colors Rest.*, 570 U.S. 228 (2013) (enforcing a party's waiver of class arbitration despite evidence that the costs of individually arbitrating an antitrust claim would far exceed potential recovery).

1. *Criminal Procedure Decisions*

Much of criminal procedure law turns on the Fourth Amendment, which protects individuals from unreasonable government intrusion.⁵³ If Fourth Amendment protections are robust, privacy is protected. But the more leeway the Court gives to law enforcement to investigate and surveil people without Fourth Amendment strictures, and the weaker remedies are for constitutional violations, the more privacy deteriorates.⁵⁴

Since it began in 2005, the Roberts Court has always had at least five justices who consistently rule in favor of law enforcement in criminal procedure cases.⁵⁵ As a result, the Roberts Court's criminal procedure decisions have dramatically restricted the remedies available to those whose Fourth Amendment rights are violated. Two major remedies are available when the government violates the Fourth Amendment: excluding evidence obtained illegally through the exclusionary rule, and suing law enforcement officers or the government that employs them for money damages.⁵⁶

Over the years, the Roberts Court has determinedly eroded the exclusionary rule. For example, in *Hudson v. Michigan*, the Court ruled that the exclusionary rule no longer applied to evidence obtained after police violate the Fourth Amendment's knock-and-announce requirement.⁵⁷ The knock-and-announce rule requires police to knock and announce their presence before entering a home to execute a search warrant unless there are exigent circumstances.⁵⁸ In 1995, the Supreme Court concluded that, pursuant to the Fourth Amendment, police must usually knock and announce before executing a warrant.⁵⁹ But in *Hudson v. Michigan*, the Court vitiated this requirement. Writing for the majority, Justice Scalia acknowledged that the knock-and-announce rule protects crucial privacy and dignitary interests, noting that it is a "serious matter" when police "violate the sanctity of the home"⁶⁰ and that "[t]he brief interlude between announcement and entry with a warrant may be the opportunity that an individual has to pull on clothes or

53. *See supra* Section II.B.

54. *Cf.* PRESUMED GUILTY, *supra* note 49, at 31 ("The Court can constrain the police by interpreting the Constitution to create clear rules and by providing remedies for violations of rights. Or it can enable police arbitrariness and bias by limiting the rights of criminal suspects and criminal defendants and by failing to provide remedies when there are constitutional violations.").

55. *Id.* at 219.

56. *Id.* at 243.

57. 547 U.S. 586, 599 (2006).

58. *Id.* at 589–90.

59. *Wilson v. Arkansas*, 514 U.S. 927, 929 (1995).

60. 547 U.S. at 603.

get out of bed.”⁶¹ Justice Scalia nonetheless concluded that knock-and-announce violations do not justify applying the exclusionary rule.⁶²

In *Hudson*, the Court conveniently divorced the exclusionary rule from the role it plays in protecting privacy. The majority justified its holding by arguing that the knock-and-announce rule has “never protected” one’s interest in stopping the government from seeing or taking evidence listed in a warrant.⁶³ But the majority ignored the dynamic between the exclusionary and knock-and-announce rules. Stopping the government from capitalizing off evidence it collects while invading privacy interests is in fact consistent with the knock-and-announce rule’s goal that the government only engage in *reasonable* searches and seizures.⁶⁴

With *Hudson*, the Court eliminated one of the major remedies available to individuals whose homes are invaded unconstitutionally. Constitutional scholar Erwin Chemerinsky argues that after *Hudson*, there is virtually “no reason for police ever to meet the Fourth Amendment’s requirements for knocking and announcing before entering a dwelling.”⁶⁵

In the fifteen years following *Hudson*, the Court further eroded the exclusionary rule. First, in *Herring v. United States*, the Court ruled that the exclusionary rule may apply only in cases where the police intentionally or recklessly violate the Fourth Amendment, or where the violations are a product of systemic error.⁶⁶ Chemerinsky notes that *Herring* is perhaps the most significant change to the exclusionary rule in the past fifty years, since it substantially narrows the circumstances in which the rule applies.⁶⁷ As Justice Ginsburg pointed out in her dissent in that case, “[t]he exclusionary rule . . . is often the only remedy effective to redress a Fourth Amendment violation.”⁶⁸ Since victims of Fourth Amendment violations will rarely be able to

61. *Id.* at 594.

62. *Id.* at 599.

63. *Id.* at 594.

64. *See id.* at 606 (Breyer, J., dissenting) (“[W]e held that the ‘common-law ‘knock and announce’ principle forms a part of the reasonableness inquiry under the Fourth Amendment.” (quoting *Wilson*, 514 U.S. at 929)).

65. Erwin Chemerinsky, *The Roberts Court and Criminal Procedure at Age Five*, 43 TEX. TECH L. REV. 13, 22 (2010) [hereinafter *The Roberts Court*].

66. 555 U.S. 135, 144 (2009).

67. PRESUMED GUILTY, *supra* note 49, at 246 (“The case, *Herring v. United States*, is the most important change in the exclusionary rule since *Mapp v. Ohio* applied it to the states in 1961.”).

68. 555 U.S. at 153 (Ginsburg, J., dissenting).

successfully sue police for damages, there is virtually no recourse if police violate the Fourth Amendment in good faith or through negligence.⁶⁹

Seven years later, in *Utah v. Strieff*, the Court ruled that the exclusionary rule does not apply to evidence gained from an illegal stop as long as the person stopped has a pre-existing warrant out for their arrest.⁷⁰ The Court's decision dramatically undermined the Fourth Amendment's privacy protections because the new rule incentivizes the police to arbitrarily stop individuals, knowing that judges may not toss out evidence even if the stop is pretextual or illegal.⁷¹ In dissent, Justice Sotomayor emphasized the inherent degradation and intrusion a person suffers during a police stop, and listed the numerous additional intrusions that can legally take place during a stop.⁷² With fewer consequence for unconstitutional police stops, intrusion by law enforcement and attendant privacy harms stand to multiply.

The Roberts Court's criminal procedure decisions reflect a pronounced disregard for privacy interests protected by the Fourth Amendment in the criminal justice context. Privacy interests are protected when courts apply robust remedies that deter Fourth Amendment violations. But the Roberts Court gutted the primary incentive for the police to abide by the Fourth Amendment.⁷³ The only alternative remedy to the exclusionary rule is a civil suit, which offers little hope to a constitutionally wronged individual.⁷⁴ Without any viable remedy for unconstitutional searches and seizures, there is no

69. See PRESUMED GUILTY, *supra* note 49, at 247 (“Rarely will a victim of a Fourth Amendment violation, such as the one in *Herring*, be able to successfully sue the officers for monetary damages. Without the exclusionary rule, nothing remains to deter police misconduct.”).

70. See 579 U.S. 232, 242 (2016).

71. See PRESUMED GUILTY, *supra* note 49, at 211 (“This ruling greatly incentivizes police to illegally stop individuals, knowing that if an outstanding arrest warrant surfaces, they can search, and anything they find will be admissible as evidence.”).

72. 579 U.S. at 252–53 (Sotomayor, J., dissenting) (“The indignity of the stop is not limited to an officer telling you that you look like a criminal. The officer may next ask for your consent to inspect your bag or purse without telling you that you can decline. Regardless of your answer, he may order you to stand helpless, perhaps facing a wall with [your] hands raised. If the officer thinks you might be dangerous, he may then frisk you for weapons.” (internal citations and quotation marks omitted)).

73. See *The Roberts Court*, *supra* note 65, at 25 (“The primary incentive for the police to comply with the Fourth Amendment is their knowledge that violations will be counterproductive because illegally obtained evidence will be suppressed.”).

74. Chemerinsky has written extensively about how the Rehnquist and Roberts Courts made the only alternative remedy to the exclusionary rule—civil suits for monetary damages—more difficult to successfully bring against police officers and cities. See PRESUMED GUILTY, *supra* note 49, at 249–72 (explaining how the Supreme Court's liberal application of qualified immunity undermines suits brought against individual police officers and how the Court has made it harder for plaintiffs to hold cities liable for wrongs committed by their employees).

incentive for police to respect the privacy protections that the Fourth Amendment affords. This degrades privacy from government intrusion for all people, not just those who have committed crimes.⁷⁵ In these decisions, the Roberts Court made a value judgment: expanding police discretion to investigate crime is more important than protecting privacy from government intrusion under the Fourth Amendment.

To be sure, the Roberts Court also decided *Carpenter v. United States*, which protects a person's privacy in their cell site location information (CSLI).⁷⁶ But as the Court itself emphasized, the holding in *Carpenter* is narrow.⁷⁷ In *Carpenter*, the police accessed 127 days of CSLI—a type of locational metadata collected by recording “hits” from service towers in a cellphone's physical range—from Timothy Carpenter's phone.⁷⁸ The issue before the Court was whether accessing this information was a search under the Fourth Amendment, or if the information was not protected by the Fourth Amendment because the third-party doctrine applied.⁷⁹ The third-party doctrine holds that people have no legitimate expectation of privacy in the information they voluntarily share with third parties.⁸⁰ Consequently, Fourth Amendment protections, including requiring police to obtain a warrant, do not apply when the government obtains such information. The third-party doctrine drastically undermines privacy in the age of the internet because digital information—a person's emails, photos, search engine history, subscriber information, cloud-stored documents, biometric data—is virtually always disclosed to a third party.⁸¹

In *Carpenter*, the Court declined to extend the third-party doctrine to seven days of CSLI associated with one mobile phone user, holding that law enforcement could not access such information without a search warrant.⁸² In its reasoning, the Court grappled with how the third-party doctrine poses an

75. See *The Roberts Court*, *supra* note 65, at 25 (“All of our privacy, not just the privacy of those who have committed crimes, is protected by the Fourth Amendment, which limits when the police can engage in searches or arrests. Without the Fourth Amendment, there is nothing to keep the police from stopping and searching any person, or searching anyone's home, anytime they want.”).

76. 138 S. Ct. 2206, 2221 (2018).

77. See *id.* at 2220 (“Our decision today is a narrow one.”).

78. *Id.* at 2211–12.

79. *Id.* at 2216–17.

80. See *Smith v. Maryland*, 442 U.S. 735, 743–44 (1979).

81. See Matthew Tokson, *The Aftermath of Carpenter: An Empirical Study of Fourth Amendment Law, 2018-2021*, 135 HARV. L. REV. 1790, 1799 (2022) (“Historically, the disclosure of one's personal information beyond a close circle of trusted persons was relatively rare. But in the internet era, data disclosed to internet service providers or other third parties encompasses virtually every type of digital information. . .”).

82. 138 S. Ct. at 2217 n.3.

obstacle to protecting sensitive digital information. Chief Justice Roberts, writing for the Court, acknowledged that CSLI creates a “detailed chronicle of a person’s physical presence” and that chronicle unduly exposes the “privacies of life” to law enforcement.⁸³ Despite promising pro-privacy language, the Chief Justice clarified that the decision was “a narrow one.”⁸⁴ The Court did not extend its reasoning to the collection of real-time CSLI or data from cell tower dumps.⁸⁵ It also explicitly did not “disturb the application” of *Smith v. Maryland*⁸⁶ and *United States v. Miller*,⁸⁷ two touchstone decisions affirming the third-party doctrine.⁸⁸

Carpenter provided narrow Fourth Amendment protection for a specific type and quantity of digital data, but it was far from a line in the sand in favor of privacy from government intrusion. The Court did not provide a concrete test for future courts to evaluate whether technologically advanced surveillance techniques constitute searches under the Fourth Amendment.⁸⁹ This means that lower courts continue to rule that Fourth Amendment protections do not apply to numerous circumstances where the police use novel technology to gather individuals’ personal information.⁹⁰ *Carpenter* was ultimately consistent with *Hudson*, *Herring*, and *Strieff*. Each of these decisions reflect the Roberts

83. *Id.* at 2217, 2220.

84. *Id.* at 2220.

85. *Id.* Real-time cell site location information allows the police to actively monitor a suspect by having a wireless communications provider share the user’s location information to the police in real time. Shea Denning, *Conducting Surveillance and Collecting Location Data in a Post-Carpenter World, Part II*, N.C. CRIM. LAW (Oct. 5, 2020, 3:27 PM), <https://nccriminallaw.sog.unc.edu/conducting-surveillance-and-collecting-location-data-in-a-post-carpenter-world-part-ii/>. Tower dumps take place when a wireless communications provider, upon the government’s request, provides a report of the wireless devices that connected to a specific cell tower during a specific period. *See* Shea Denning, *Conducting Surveillance and Collecting Location Data in a Post-Carpenter World, Part I*, N.C. CRIM. LAW (Sep. 28, 2020, 10:36 PM), <https://nccriminallaw.sog.unc.edu/conducting-surveillance-and-collecting-location-data-in-a-post-carpenter-world-part-i/>.

86. 442 U.S. 735 (1979).

87. 425 U.S. 435 (1976).

88. 138 S. Ct. at 2216, 2220.

89. *See id.* at 2220; Tokson, *supra* note 81, at 1805 (“The Supreme Court [in *Carpenter*] gave no concrete test to guide future decisions; it simply discussed several principles that appeared important in the context of cell phone location tracking.”).

90. *See, e.g.*, *United States v. Trader*, 981 F.3d 961, 967–69 (11th Cir. 2020) (ruling that the third-party doctrine applies to collecting the email address and internet protocol (IP) address records associated with a particular messaging app user); *United States v. Tuggle*, 4 F.4th 505, 525–56 (7th Cir. 2021) (ruling that collecting eighteen months of pole camera surveillance footage of the exterior of the defendant’s home was not a search under the Fourth Amendment); *United States v. Rosenow*, 50 F.4th 715, 737–38 (9th Cir. 2022) (ruling that the third-party doctrine applies to obtaining a Facebook user’s subscriber and IP log-in information).

Court's resistance towards protecting individuals' privacy from government intrusion in the law enforcement context. If anything, the Roberts Court has progressively undermined the privacy interests of those subject to the criminal justice system.

2. *Fair Credit Reporting Act Decisions*

The FCRA protects consumer privacy by regulating consumer reporting agencies and dictating how they can assemble and disseminate sensitive personal information.⁹¹ In the statute, Congress granted individuals a private right of action to enforce the FCRA's provisions against consumer reporting agencies that willfully or negligently fail to comply with the law.⁹² But in *Spokeo, Inc. v. Robins* and *TransUnion LLC v. Ramirez*, the Court held that courts could block plaintiffs' FCRA claims on standing grounds even in cases where Congress explicitly allowed plaintiffs to pursue such claims.⁹³ Not only are *Spokeo* and *TransUnion* about privacy interests in a very direct sense—both cases are about corporations disseminating inaccurate information about members of the public⁹⁴—they are also about privacy interests in a general sense. Both cases give insight into the Roberts Court's understanding of when an intrusion into an individual's privacy rises to the level of a judicially cognizable injury.

Standing is a justiciability doctrine created by the Supreme Court and derived from Article III.⁹⁵ It is a notoriously thorny doctrine, with some scholars calling it “confused”⁹⁶ and “contradictory.”⁹⁷ To establish standing, a plaintiff must first show that they suffered an “injury in fact” that is concrete

91. See 15 U.S.C. §§ 1681–1681x.

92. *Id.* §§ 1681n–o.

93. See *Spokeo, Inc. v. Robins*, 578 U.S. 330, 341 (2016) (“Congress’ role in identifying and elevating intangible harms does not mean that a plaintiff automatically satisfies the injury-in-fact requirement whenever a statute grants a person a statutory right and purports to authorize that person to sue to vindicate that right.”); *TransUnion LLC v. Ramirez*, 141 S. Ct. 2190, 2205 (2021) (“But even though ‘Congress may ‘elevate’ harms that ‘exist’ in the real world before Congress recognized them to actionable legal status, it may not simply enact an injury into existence, using its lawmaking power to transform something that is not remotely harmful into something that is.” (internal citation omitted)).

94. See SOLOVE, *supra* note 4, at 160 (explaining that spreading false or inaccurate information about a person constitutes a privacy injury).

95. See ERWIN CHEMERINSKY, *FEDERAL JURISDICTION* 42 (8th ed. 2020) (“Each of these justiciability doctrines was created and articulated by the U.S. Supreme Court. Neither the text of the Constitution, nor the Framers in drafting the document, expressly mentioned any of these limitations on the judicial power.”).

96. *Id.* at 55.

97. Danielle Keats Citron & Daniel J. Solove, *Privacy Harms*, 102 B.U. L. REV. 793, 801 (2022).

and particularized and actual or imminent.⁹⁸ Next, there must be a fairly traceable causal connection between the defendant's action and the injury.⁹⁹ Finally, it must be "likely, as opposed to merely speculative" that the injury will be redressed by a favorable decision by the court.¹⁰⁰ In the FCRA context, then, plaintiffs suing to enforce their privacy interests must demonstrate that the FCRA violation fits within the judicial conception of an injury-in-fact. If the plaintiffs do not do so, they cannot enforce compliance with the FCRA and vindicate their rights in federal court.

In *Spokeo, Inc. v. Robins*, the Court evaluated whether allegations of a statutory violation of the FCRA gave rise to an injury-in-fact.¹⁰¹ The plaintiff alleged that Spokeo, a consumer reporting agency, violated the FCRA by publishing incorrect data about him.¹⁰² His allegation is an example of a privacy violation that damages, or creates a future risk of damaging, a person's reputation.¹⁰³ Spokeo's dossier was rife with false information and the plaintiff alleged that those errors hurt his employment prospects by making him appear overqualified for jobs or unwilling to move for work.¹⁰⁴ The Ninth Circuit had previously ruled for the plaintiff, finding that he satisfied standing's injury-in-fact requirement because Congress explicitly authorized individuals in the text of the law to sue for any violation of the FCRA's provisions.¹⁰⁵

The Supreme Court overruled the Ninth Circuit, stating that, while Congress has a role in identifying and elevating "intangible harms" to be judicially cognizable, congressional authorization was not enough to establish an injury-in-fact.¹⁰⁶ The Court explained that standing doctrine imposed an additional threshold: the intangible harm in question must still be "concrete," and the Ninth Circuit had failed to address the concreteness inquiry.¹⁰⁷ The Court did not provide a clear answer as to what harms are capable of being

98. *Lujan v. Defenders of Wildlife*, 504 U.S. 555, 560 (1992).

99. *Id.*

100. *Id.* at 561 (internal quotations omitted).

101. 578 U.S. 330, 340–42 (2016).

102. *Id.* at 333. The FCRA requires sites like Spokeo to follow "reasonable procedures to assure maximum possible accuracy of information" about the subject of the report. 15 U.S.C. § 1681e(b).

103. *See Citron & Solove, supra* note 97, at 837–41 (discussing reputational privacy harms).

104. 578 U.S. at 350 (Ginsburg, J., dissenting) ("Spokeo's report made him appear overqualified for jobs he might have gained, expectant of a higher salary than employers would be willing to pay, and less mobile because of family responsibilities.")

105. *See Robins v. Spokeo, Inc.*, 742 F.3d 409, 413–14 (9th Cir. 2014), *vacated and remanded*, 578 U.S. 330 (2016).

106. 578 U.S. at 341.

107. *See id.* at 340.

both intangible and concrete.¹⁰⁸ Justice Alito, writing for the majority, clarified that a “*risk* of real harm” can satisfy concreteness.¹⁰⁹ He also wrote that the inquiry could turn on whether the intangible harm has a “close relationship to a harm that has traditionally been regarded as providing a basis for a lawsuit in English or American courts.”¹¹⁰ The Court did not decide whether the plaintiff’s allegations indeed gave rise to a concrete injury, instead remanding the case to the Ninth Circuit to make a determination.¹¹¹ Nonetheless, the Court’s decision teed up standing challenges to congressionally-created private rights of action that defend privacy interests.

Five years later, the Court revisited standing for claims based on FCRA violations in *TransUnion LLC v. Ramirez*.¹¹² In that case, a class of 8,185 individuals alleged that credit reporter TransUnion violated multiple provisions of the FCRA after falsely labeling the individuals as potential terrorists in their credit reports.¹¹³ The Court ultimately ruled that only a fraction of the plaintiffs who alleged FCRA violations had standing to sue in federal court, and the rest failed to allege a concrete injury-in-fact.¹¹⁴ The Court explained that only those plaintiffs whose credit reports were disseminated to third-party businesses alleged a concrete injury that conferred standing to sue.¹¹⁵ The rest lacked a sufficiently concrete injury to sue, even though TransUnion had allegedly failed to take reasonable steps to assure these consumers’ credit reports were accurate, a harm for which Congress explicitly authorized a private right of action.¹¹⁶

What do two decisions that principally address Article III standing have to do with consumer privacy interests? Beyond throwing cold water on FCRA claims, these decisions threaten privacy interests because the standing test articulated in *Spokeo* and *TransUnion* does not recognize numerous consumer privacy harms. While some privacy harms are economic or physical, many other injuries to privacy interests are not “concrete” and will not register under

108. See generally Rachel Bayefsky, *Constitutional Injury and Tangibility*, 59 WM. & MARY L. REV. 2285 (2018) (investigating the categories of harm that are outlined in *Spokeo*, including tangible harm, intangible harm, and concrete harm).

109. 578 U.S. at 341 (emphasis added).

110. *Id.*

111. *Id.* at 343.

112. 141 S. Ct. 2190, 2200 (2021).

113. See *id.* at 2201–02. The allegations included failing to follow reasonable procedures to ensure maximum possible accuracy in consumer reports and failing to accurately disclose to the consumer information in the consumer’s file at the time the of the consumer request. See *id.* at 2202.

114. See *id.* at 2200.

115. *Id.*

116. See *id.*; Solove & Citron, *supra* note 3, at 63.

the Court's test.¹¹⁷ Take for example the privacy harm at issue in *TransUnion*. The majority of the plaintiffs were incorrectly labeled as potential terrorists, but their credit files were not provided to third-party businesses.¹¹⁸ Writing for the majority, Justice Kavanaugh explained that “[t]he mere presence of an inaccuracy in an internal credit file, if it is not disclosed to a third party, causes no concrete harm.”¹¹⁹ In contrast, the Court held that those plaintiffs whose files were disseminated to third-party businesses did suffer a concrete harm, one with a “close relationship” to the common law tort of defamation.¹²⁰

Privacy scholars Danielle Citron and Daniel Solove have explained why the harm that the first group of *TransUnion* plaintiffs suffered is a genuine injury. They label the harms at issue in *TransUnion* and *Spokeo* “data quality” harms and explain that sloppy and incorrect records create a significant risk of future reputational harm.¹²¹ Citron and Solove write, “[i]naccuracies create risk of future harm that are difficult to predict,” regardless of whether the records are disseminated, because inaccuracies chill consumer behavior and damage data hygiene.¹²² Poor data hygiene also causes its own harm in the present. When data is tainted with incorrect or misleading information, “the contamination can be difficult to eradicate. It can be hard for individuals to find out about errors, and, when they do, third parties will ignore requests to correct them without the real risk of litigation costs.”¹²³

In *Spokeo* and *TransUnion*, the Roberts Court promulgated an excessively narrow definition of concrete injuries-in-fact, which fails to recognize the very real privacy harms that consumers suffer. The Court's standing doctrine will ultimately shut plaintiffs out of federal court who have had their privacy interests violated. It will also undermine federal legislation like the FCRA that seek to protect consumers.

3. *First Amendment Associational Privacy Decision*

The First Amendment protects associational privacy from encroachment by the government.¹²⁴ Eleven years before *Americans for Prosperity Foundation* was decided, the Supreme Court heard another case that pitted citizens'

117. See Citron & Solove, *supra* note 97, at 830–861 (providing a typology of privacy harms, including intangible harms like psychological harms, autonomy harms, discrimination harms, and relationship harms).

118. See 141 S. Ct. at 2200–01.

119. *Id.* at 2210.

120. *Id.* at 2209.

121. Citron & Solove, *supra* note 97, at 839–40.

122. *Id.* at 840–41.

123. *Id.* at 841.

124. See *supra* Section II.A.

associational privacy interests against government disclosure laws.¹²⁵ But in that case, *Doe v. Reed*, the justices in the majority expressed sharply different attitudes about how closely the First Amendment safeguards associational privacy. Whereas the *Americans for Prosperity Foundation* decision signaled a clear commitment to defending associational privacy, the *Doe v. Reed* Court conveyed mostly confusion.

Doe v. Reed began with a Washington State petition to put referendum R-71 on the ballot.¹²⁶ R-71 challenged the extension of marital rights to couples in domestic partnerships, including same-sex partnerships.¹²⁷ The Washington citizens who signed the petition worried that their identities and personal information could be discovered through a state disclosure law that made petitions publicly available.¹²⁸ Concerned that they may be targeted for supporting the petition, these citizens sued for an injunction preventing the public release of *all* referendum petitions under the disclosure law—not merely the R-71 petition.¹²⁹ They alleged the disclosure law violated their associational privacy rights guaranteed by the First Amendment.¹³⁰ The Court rejected the plaintiffs’ facial challenge—which sought to strike down the disclosure law in its application to all referendum petitions¹³¹—though the Court noted that the plaintiffs could later litigate the narrower claim that R-71 alone should be exempted from disclosure.¹³² In an 8–1 decision, the Court ruled that the disclosure law did not violate the First Amendment associational privacy rights of those who sign referendum petitions.¹³³

The case produced seven different opinions, illustrating a spectrum of views about how extensively the First Amendment protects associational privacy in the context of referendum petitions.¹³⁴ On one end of the spectrum, Justice Scalia rejected the notion that there is any constitutional basis to protect

125. See *Doe v. Reed*, 561 U.S. 186, 200 (2010).

126. *Id.* at 191–92.

127. *Id.*

128. See *id.* at 192–93.

129. See *id.* at 193.

130. See Reply Brief at 12, *Doe v. Reed*, 561 U.S. 186 (2010) (No. 09-559).

131. 561 U.S. at 201–02. While there was a dispute about whether the plaintiffs’ challenge should be classified as a facial challenge or as-applied challenge, the Court concluded that plaintiffs needed to satisfy the Court’s standards for a facial challenge because their claim reached beyond specific circumstances of the plaintiffs. *Id.* at 194.

132. *Id.* at 201–02.

133. See *id.* at 189, 202.

134. Chief Justice Roberts, and Justices Kennedy, Ginsburg, Breyer, Alito, and Sotomayor signed on to the majority opinion. *Id.* at 189. Justice Breyer, Justice Alito, and Justice Sotomayor filed concurring opinions. *Id.* Justice Stevens filed an opinion concurring in part and concurring in judgment. *Id.* Justice Scalia filed an opinion concurring in judgment. *Id.* Finally, Justice Thomas filed a dissenting opinion. *Id.*

petition signatories' associational privacy.¹³⁵ In an opinion concurring in judgment, he argued that the First Amendment does not protect the anonymity of people who exercise "legislative power," in light of the United States' "longstanding traditions" of legislating and voting in public.¹³⁶ Justice Scalia asserted that a voter who signs a referendum petition acts as a legislator because her signature seeks to advance the measure's legal force.¹³⁷ Consequently, in his view, petition signatories have no constitutional right to remain anonymous, regardless of whether they are subject to harassment or intimidation.¹³⁸

The majority did not go as far as Justice Scalia—but it did not strenuously protect petition signatories' associational privacy either. Writing for himself and five others, Chief Justice Roberts acknowledged that signers of "controversial" petitions could be entitled to associational privacy protection under the First Amendment.¹³⁹ But the petitioners sought to invalidate the disclosure law as applied to *all* referendum petitions, not merely controversial ones.¹⁴⁰ Chief Justice Roberts deemed it unlikely that disclosure of "typical" referendum petitions—those pertaining to unemployment insurance and charter schools, for example—would impermissibly burden signatories' freedom of association.¹⁴¹ He wrote that signatories to typical referendum petitions would suffer only "modest burdens" following public disclosure.¹⁴² The Court applied exacting scrutiny,¹⁴³ explaining that, to satisfy such scrutiny, there must be a substantial relation between a disclosure requirement and a sufficiently important government interest.¹⁴⁴ Ultimately, the Court concluded that the burdens on signatories' associational privacy interests were too modest to justify an injunction in light the government's countervailing interests in rooting out mistakes and fraud.¹⁴⁵

Justice Alito and Justice Sotomayor both joined Chief Justice Roberts' opinion, but their separate concurrences illustrate how fractured the majority

135. *Id.* at 227–28 (Scalia, J., concurring in judgment).

136. *Id.* at 221.

137. *Id.* at 221–22.

138. *See id.* at 227–28.

139. *See id.* at 201 (majority opinion).

140. *Id.* at 194.

141. *Id.* at 200–01.

142. *Id.* at 201.

143. Exacting scrutiny has emerged as a fourth tier of constitutional scrutiny, though its precise requirements remain unclear. *See generally* Alex Chemerinsky, *Tears of Scrutiny*, 57 *TULSA L. REV.* 341, 372–74 (2022) (discussing the emergence of exacting scrutiny and arguing that the Supreme Court has failed to define it and apply it consistently).

144. 561 U.S. at 196.

145. *Id.* at 201.

coalition was. Both Justices addressed a narrower issue not directly before the Court, whether the First Amendment entitled the R-71 petition signatories alone to an exemption from Washington's disclosure law.¹⁴⁶ Justice Alito emphatically argued in favor of associational privacy protection for referendum petition signers who, like the plaintiffs, face threats of harassment.¹⁴⁷ He wrote that exceptions to disclosure requirements are critical to protecting First Amendment freedoms and urged courts evaluating as-applied challenges to disclosure laws like Washington's to be "generous" in granting relief.¹⁴⁸

In contrast, Justice Sotomayor, joined by Justices Ginsburg and Stevens, wrote that *even* when petition signatories fear harassment, a State's interest in protecting the integrity of the referendum process "remain[s] undiminished."¹⁴⁹ She concluded that courts should be "deeply skeptical" when they evaluate as-applied challenges to laws like Washington's on associational privacy grounds.¹⁵⁰ Even though both justices signed onto the majority opinion, they disagreed forcefully over how much the First Amendment protects individuals' associational privacy in the political referendum context.

Finally, Justice Thomas demonstrated the greatest sensitivity to petition signers' privacy interests. In dissent, he criticized the majority's disinterest in protecting the associational privacy of signatories to "typical" referendum petitions.¹⁵¹ Justice Thomas pointed out that, "the state of technology today creates at least some probability that signers of *every* referendum will be subjected to threats, harassment, or reprisals if their personal information is

146. *See id.* at 202–03 (Alito, J., concurring); *id.* at 214–15 (Sotomayor, J., concurring).

147. *See id.* at 203–04 (Alito, J., concurring). Justice Alito highlighted that the internet facilitates intimidation and harassment of private persons. *See id.* at 208. He wrote that if the names and addresses of petition signatories are posted on the internet,

anyone with access to a computer could compile a wealth of information about all of those persons, including in many cases all of the following: the names of their spouses and neighbors, their telephone numbers, directions to their homes, pictures of their homes, information about their homes (such as size, type of construction, purchase price, and mortgage amount), information about any motor vehicles that they own, any court case in which they were parties, any information posted on a social networking site, and newspaper articles in which their names appeared (including such things as wedding announcements, obituaries, and articles in local papers about their children's school and athletic activities).

Id.

148. *Id.* at 203, 206.

149. *Id.* at 214–15 (Sotomayor, J., concurring).

150. *See id.* at 215.

151. *See id.* at 243. (Thomas, J., dissenting).

disclosed.”¹⁵² Further, he criticized the majority’s assumption that “some referendum measures are so benign that the fact of public disclosure will not chill protected First Amendment activity.”¹⁵³ Justice Thomas pointed out the “difficulty in predicting which referendum measures will prove controversial,” and argued that even benign-looking referendum initiatives may invite political retaliation.¹⁵⁴

Doe v. Reed exposed the Roberts Court’s uncertain attitude towards associational privacy. The Court did not communicate a single unified vision about associational privacy in the context of political speech. Five of the eight justices who voted to uphold the Washington law wrote separate concurring opinions that contradicted one another. Chief Justice Roberts wrote a narrow majority opinion that did not give lower courts meaningful guidance about how to evaluate future as-applied challenges to disclosure laws on First Amendment grounds.¹⁵⁵ This fractured ruling stands in stark contrast the enthusiastically pro-associational privacy decision that the Court produced in *Americans for Prosperity Foundation*.

B. AN OUTLIER: AMERICANS FOR PROSPERITY FOUNDATION

In light of the Roberts Court’s sometimes-conflicted,¹⁵⁶ sometimes-hostile¹⁵⁷ treatment of privacy interests, court watchers could have reasonably predicted that the *Americans for Prosperity Foundation* decision would turn out differently. But the Court’s decision in *Americans for Prosperity Foundation* was a remarkable departure from precedent. In contrast to past decisions, the majority was united and committed to protecting the plaintiffs’ associational privacy interests from an “indiscriminate” state disclosure law.¹⁵⁸ Ultimately, the Court aggressively defended charitable donors’ associational privacy interests in its ruling.

Between 2014 and 2016, Americans for Prosperity Foundation and the Thomas More Law Center sued California to bar the state from collecting their Internal Revenue Service (IRS) Schedule B forms.¹⁵⁹ Charitable organizations

152. *Id.* at 242 (emphasis added).

153. *Id.* at 243.

154. *Id.* at 243–45.

155. See Clark Jennings, *Constitutional Law—First Amendment—Shield or Spotlight? Doe v. Reed and the First Amendment’s Application to Petitioners and Disclosure Requirements in the Citizen Lawmaking Process*, 33 U. ARK. LITTLE ROCK L. REV. 263, 286–87 (2011) (explaining that the majority opinion in *Doe v. Reed* was devoid of guidance for lower courts as to how to evaluate claims seeking constitutional exemptions to disclosure laws).

156. See *supra*, Section III.A.3.

157. See *supra*, Sections III.A.1.

158. *Ams. for Prosperity Found. v. Bonta*, 141 S. Ct. 2373, 2389 (2021).

159. *Id.* at 2380–81.

must disclose the names and addresses of significant donors—typically persons that contribute more than \$5,000 per tax year—in their Schedule B documents.¹⁶⁰ California required charitable organizations like the two litigants to submit their Schedule B documents annually to operate and raise money in California.¹⁶¹

The petitioners alleged that California’s disclosure regime violated both the organizations’ and their donors’ freedom of association and associational privacy. They argued that disclosure would have a chilling effect on donors and potential donors because, “[w]henver the government collects broad swaths of information . . . there is an inherent risk that the confidential information will be stolen, leaked, or otherwise publicized.”¹⁶² Lending credibility to this concern, California had previously inadvertently published almost 2,000 confidential Schedule B documents on the Attorney General’s website.¹⁶³ The petitioners alleged that risk of publication in combination with the petitioners’ controversial causes,¹⁶⁴ would discourage people from associating with either organization.¹⁶⁵

The petitioners asserted both an as-applied challenge and a broader facial challenge to California’s disclosure regime on First Amendment grounds.¹⁶⁶ After losing in the Ninth Circuit, they sought review by the Supreme Court, which granted certiorari.¹⁶⁷

The Supreme Court ruled that California’s disclosure regime was facially unconstitutional after concluding the regime imposed “a widespread burden” on donors’ associational privacy.¹⁶⁸ The Court’s conservative bloc backed the

160. *Id.* at 2380 (citing 26 C.F.R. §§ 1.6033-2(a)(2)(ii)(f), (iii) (2020)).

161. *Id.* at 2379–80.

162. Brief for Petitioner at 41–42, *Ams. for Prosperity Found. v. Bonta*, 141 S. Ct. 2373 (2021) (No. 19-251).

163. 141 S. Ct. at 2381.

164. Both organizations advance divisive, controversial agendas. For example, the Thomas More Law Center has repeatedly filed lawsuits against public schools for teaching students about Islam. Deena Mousa, *Schools Teach about Islam – and are Accused of Indoctrination*, CHRISTIAN SCI. MONITOR (Feb. 19, 2021), <https://www.csmonitor.com/Commentary/2021/0219/Schools-teach-about-Islam-and-are-accused-of-indoctrination>. Americans for Prosperity Foundation is part of a network of nonprofit groups that the conservative billionaires David and Charles Koch have used to oppose environmental regulations, expansion of social services, and taxes increases. *See* Jane Mayer, *Covert Operations*, NEW YORKER (Aug. 23, 2010) <https://www.newyorker.com/magazine/2010/08/30/covert-operations>.

165. 141 S. Ct. at 2380–81.

166. Brief for Petitioner at 1–2, *Ams. for Prosperity Found. v. Bonta*, 141 S. Ct. 2373 (2021) (No. 19-251).

167. 141 S. Ct. at 2381–82.

168. *Id.* at 2389.

6–3 ruling, while the three liberals signed onto the dissent. Chief Justice Roberts authored the majority opinion, which Justices Kavanaugh and Barrett joined in its entirety.¹⁶⁹ Justice Thomas and Justice Alito both filed opinions concurring in part and concurring in judgment.¹⁷⁰ Finally, Justice Sotomayor authored the dissent.¹⁷¹

Writing for the majority, Chief Justice Roberts applied exacting scrutiny and concluded there was a “dramatic mismatch” between the state’s interest in preventing charitable fraud and the “widespread” burden the law placed on donors’ privacy interests.¹⁷² Exacting scrutiny is a more lenient standard than strict scrutiny, which requires the government to use the “least restrictive means of achieving a compelling state interest.”¹⁷³ Here, the Court stated that exacting scrutiny requires the law have substantial relation to a sufficiently important governmental interest *and* that the law be narrowly tailored to the government’s interest.¹⁷⁴ Precisely what exacting scrutiny requires remains subject to debate. Following the *Americans for Prosperity Foundation* decision, one scholar claimed that “exacting scrutiny has gone from merely confusing to nearly unintelligible.”¹⁷⁵ What we can glean is that the version of exacting scrutiny the majority applied is more rigorous than either the Ninth Circuit or the dissent envisioned.¹⁷⁶ In dissent, Justice Sotomayor argued that the majority’s decision to require narrow tailoring under exacting scrutiny is not supported by precedent. She claimed that the majority “cherry-picked” quotes and cases while ignoring context to justify the narrow tailoring requirement.¹⁷⁷ Ultimately, the version of exacting scrutiny that the majority articulated presents a high bar for the government to clear when defending challenges to disclosure laws, and California failed to clear that threshold.¹⁷⁸

169. *Id.* at 2377–78.

170. *Id.* at 2389, 2391.

171. *Id.* at 2392.

172. *Id.* at 2386, 2389.

173. *See id.* at 2383.

174. *Id.* at 2385.

175. Alex Chemerinsky, *Tears of Scrutiny*, 57 TULSA L. REV. 341, 373 (2022).

176. *See* *Ams. for Prosperity Found. v. Becerra*, 903 F.3d 1000, 1008–09 (9th Cir. 2018), *rev’d and remanded sub nom.* *Ams. for Prosperity Found. v. Bonta*, 141 S. Ct. 2373 (2021) (declining to apply a narrow tailoring requirement while applying exacting scrutiny to California’s disclosure law); 141 S. Ct. at 2392 (Sotomayor, J., dissenting).

177. *See id.* at 2399 (“[T]he Court decides that it will indiscriminately require narrow tailoring for every single disclosure regime. The Court thus trades precision for blunt force, creating a significant risk that it will topple disclosure regimes that should be constitutional, and that, as in *Reed*, promote important governmental interests.”).

178. *Id.* at 2389.

Considering the Roberts Court's past ambivalence towards privacy interests, it is notable that the majority in *Americans for Prosperity Foundation* heavily emphasized the “gravity of the privacy concerns” at play.¹⁷⁹ It underscored how many donors would be caught in California’s “dragnet.”¹⁸⁰ Chief Justice Roberts wrote “60,000 charities renew their registrations each year,” and each of those charities may have “hundreds” of top donors.¹⁸¹ The majority also highlighted how tenuous privacy is in the digital age, writing that threats “seem to grow with each passing year, as ‘anyone with access to a computer can compile a wealth of information about’ anyone else.”¹⁸²

Further, the majority rebuked California’s attorney general for “tr[ying] to downplay the burden on donors.”¹⁸³ California argued that the numerous donors who give money to uncontroversial charities are unlikely to care about disclosure to the state.¹⁸⁴ In response, the majority said this was “irrelevant” because the law still indiscriminately swept up information on “every major donor with reason to remain anonymous.”¹⁸⁵ California also argued that the law would not chill donor activity because the state must keep Schedule Bs confidential.¹⁸⁶ The Court rejected this too, concluding “disclosure requirements can chill association ‘even if there is no disclosure to the general public.’”¹⁸⁷ It even argued that that California’s assurances of confidentiality “are not worth much,” given past leaks and the possibility of hacking.¹⁸⁸ Finally, the majority dismissed California’s argument that the disclosure regime would not chill donor activity because Schedule Bs were already disclosed to the IRS.¹⁸⁹ It held that “each governmental demand for disclosure brings with it an additional risk of chill.”¹⁹⁰

Perhaps the most drastic feature of the Court’s opinion was its decision to facially invalidate the disclosure law, as opposed to simply sustaining the petitioners’ as-applied challenge. The majority ignored precedent¹⁹¹ and held that because the disclosure law was not narrowly tailored, the petitioners did not need to show that it was unconstitutional in a substantial number of

179. *See supra* Section III.A; 141 S. Ct. at 2388.

180. *Id.* at 2387.

181. *Id.* at 2386.

182. *Id.* at 2388 (quoting *Doe v. Reed*, 561 U.S. 186, 208 (2010) (Alito, J., concurring)).

183. *Id.* at 2387.

184. *Id.*

185. *Id.* at 2388 (emphasis omitted).

186. *Id.*

187. *Id.* at 2388 (quoting *Shelton v. Tucker*, 364 U.S. 479, 486 (1960)).

188. *Id.* at 2388 n.*.

189. *Id.* at 2389.

190. *Id.*

191. *See Doe v. Reed*, 561 U.S. 186, 200–01 (2010).

applications.¹⁹² In dissent, Justice Sotomayor criticized this “radical departure from precedent.”¹⁹³ She pointed out that facially invalidating the disclosure law directly conflicted with the Court’s decision in *Doe v. Reed*. To briefly review, the majority in *Doe* ruled that a California disclosure law was not facially invalid because the plaintiffs did not demonstrate that signatories of “typical” petitions would suffer First Amendment privacy harms.¹⁹⁴ The plaintiffs only produced evidence that signatories of “controversial petitions,” like the ones they signed, would suffer First Amendment burdens.¹⁹⁵ But the petitioners in *Americans for Prosperity Foundation* did not provide concrete evidence that California’s regime would burden the First Amendment rights of donors to typical charities either.¹⁹⁶ They only provided evidence that the regime threatened the First Amendment rights of donors to their own admittedly controversial organizations.¹⁹⁷

In sum, the Roberts Court departed from its previous privacy jurisprudence when it decided *Americans for Prosperity Foundation*. It expressed genuine worry about the privacy risks associated with California’s disclosure law and the six justices in the majority were united in their effort to vigorously protect charitable donors’ associational privacy.¹⁹⁸ The Court’s procedural decisions also point to this conclusion. The Court elected to facially invalidate California’s law, ignoring the more modest option to strike the requirement down merely in its application to the plaintiffs. Further, it did not require the challengers meet an evidentiary burden typically necessary to facially invalidate a law. Taken together, *Americans for Prosperity Foundation* is a surprising and decidedly pro-privacy decision.

IV. THE RIGHT PRIVACY

The campaign for privacy rights, like many other civil liberties movements, obscures important debates about the meaning of privacy and the interests that are at stake. Consider, for instance, The Privacy Coalition, “a nonpartisan

192. See 141 S. Ct. at 2389.

193. *Id.* at 2404 (Sotomayor, J., dissenting).

194. See 561 U.S. at 200–01.

195. See *id.* at 201 (“[Plaintiffs] have provided us scant evidence or argument beyond the burdens they assert disclosure would impose on R–71 petition signers or the signers of other similarly controversial petitions.”).

196. See 141 S. Ct. at 2404 (Sotomayor, J., dissenting).

197. See *id.*

198. See *id.* at 2389. Admittedly, the justices that signed onto the majority opinion did not agree about whether to apply exacting scrutiny or strict scrutiny to disclosure laws challenged under the First Amendment. *Id.* at 2391 (Alito, J., concurring). Still, both levels of scrutiny provide robust protection to associational privacy interests. See *id.*

coalition of consumer, civil liberties, educational, family, library, labor, and technology organizations that have agreed to the *Privacy Pledge*.¹⁹⁹ The Privacy Coalition's membership spans from the U.S. Public Interest Research Group and the United Auto Workers to the American Conservative Union and the Phyllis Schlafly-founded Eagle Forum.²⁰⁰ Is it possible that all of these groups share the same conception of "privacy?" Privacy's multifaceted nature enables these groups to unify under its banner, but privacy's opaque meaning allows decisionmakers to single out privacy interests that comport with what they think is important.

This Part seeks to make sense of *Americans for Prosperity Foundation* by exploring how certain privacy interests resonate with jurists who have conservative or libertarian leanings, while other privacy interests obstruct conservative or libertarian jurists' priorities.²⁰¹ First, this Part argues that associational privacy, the interest at issue in *Americans for Prosperity Foundation*, is aligned with both libertarian and conservative goals. It also delves into why the Roberts Court would defend associational privacy in *Americans for Prosperity Foundation*, while leaving it out in the cold in *Doe v. Reed*. Then, this Part demonstrates that privacy from government intrusion tends to advance libertarian goals, but conflicts with conservative priorities. This understanding contextualizes the Roberts Court's criminal procedure jurisprudence. The Court's reasoning for weakening remedies to Fourth Amendment violations in decisions like *Hudson* and *Herring* reflect conservative ideas about privacy from government intrusion.

By exploring how certain privacy interests are either consistent with or in conflict with conservative or libertarian values, we can better understand the Roberts Court's underlying reasons for protecting certain privacy interests but not others. Mapping privacy interests onto different political philosophies reveals how a group could champion one strand of privacy but forsake another and remain ideologically consistent. This approach is one way to explain the Roberts Court's seemingly anomalous decision in *Americans for Prosperity Foundation*.

199. THE PRIVACY COALITION, <https://www.privacycoalition.org/about-privacy-coalition> (last visited Apr. 15, 2023).

200. *See id.*; EAGLE FORUM, <https://eagleforum.org/> (last visited Apr. 15, 2023).

201. This Note analyzes libertarian and conservative values, but it is worth noting that conservatism and libertarianism frequently have different justifications for similar positions, or conflict entirely. *See generally* VARIETIES OF CONSERVATISM IN AMERICA (Peter Berkowitz ed., 2004); DAVID BOAZ, LIBERTARIANISM: A PRIMER 19–20 (1997).

A. ASSOCIATIONAL PRIVACY

Conservative and libertarian principles intertwine with associational privacy in both simple and surprising ways. Take for instance conservatives' skepticism towards change, a root value in conservative thought.²⁰² Pillar of American conservatism Russell Kirk explained that a core tenet of the Anglo-American conservative tradition is the understanding that, while society must evolve, "innovation is a devouring conflagration more often than it is a torch of progress."²⁰³ Conservatives believe progress should be prudent and temperate, otherwise citizens will endanger traditions and existing institutions.²⁰⁴ Traditions and existing institutions should not be discarded because they are the product of an intentional evolution and therefore tend to provide value.²⁰⁵

Associational privacy serves conservative values because it helps slow changes ushered in by the digital revolution. Modern technology has upended the status quo that allowed travelers, voters, and charitable donors to operate in relative obscurity.²⁰⁶ Yet associational privacy rights under the First Amendment provide a legal mechanism to preserve anonymity and obscurity.²⁰⁷ Consider the digital revolution from a conservative's point of view: digital technology has caused a sudden and seismic reduction in personal

202. See KIERON O'HARA, CONSERVATISM 16–18, 20 (2011) ("Conservatism is an ideology concerned with change. Those unconcerned with, or actively supportive of, change, whatever else they are, are not conservative."). But see David Y. Allen, *Modern Conservatism: The Problem of Definition*, 43(4) REV. POL. 582, 583 (1981) (criticizing writers on conservatism for centering definitions of it on the desire to conserve values and institutions).

203. See RUSSELL KIRK, THE CONSERVATIVE MIND: FROM BURKE TO SANTAYANA 8 (1953) [hereinafter THE CONSERVATIVE MIND]. In his widely influential book, Kirk explicated the Anglo-American conservative intellectual tradition and crystallized six canons of conservative thought. *Id.* at 7–8; see also Lee Edwards, *The Conservative Mind of Russell Kirk*, THE HERITAGE FOUND.: MAKERS OF AM. POL. THOUGHT (Oct. 23, 2014), <https://www.heritage.org/political-process/report/the-conservative-mind-russell-kirk>.

204. See THE CONSERVATIVE MIND, *supra* note 203, at 9.

205. See *id.* at 33–34 (explaining Edmund Burke's belief that humans inherit collective wisdom that are reflected in customs and tradition). Kirk wrote, "[Burke's] reverence for the wisdom of our ancestors, through which works the design of Providence, is the first principle of all consistent conservative thought." *Id.* at 57.

206. See generally Daniel J. Solove, *Access and Aggregation: Public Records, Privacy and the Constitution*, 86 MINN. L. REV. 1137 (2002). Solove writes that federal, state, and local governments keep records of sensitive personal information. *Id.* at 1139. Until recently, such records were challenging to access, but the advent of digital technology means that public records are easy to obtain and to aggregate. *Id.*; see also Woodrow Hartzog & Evan Selinger, *Surveillance as Loss of Obscurity*, 72 WASH. & LEE L. REV. 1343, 1347–49 (2015) (highlighting the myriad technologies that encroach on individual privacy in unprecedented ways, including facial recognition technology, license plate readers, and drones).

207. See *supra* Section II.A.

privacy. Less than fifty years before *Americans for Prosperity Foundation*, data was difficult to access and aggregate, meaning individuals enjoyed obscurity even when corporations and governments collected personal information.²⁰⁸ People, including wealthy charitable donors, could make financial, associational, and medical decisions in relative obscurity.²⁰⁹ But the digital age rapidly subverted this long-standing sociocultural framework. Today, enormous quantities of data can be accessed, aggregated, stored, and searched with ease, meaning a person's information can readily be used to exploit, intimidate, or humiliate him or her.²¹⁰ This rapid transformation, from a framework that permitted obscurity to one that imposes transparency, is the type of change that alarms conservatives, who prefer gradual and discerning progress.²¹¹ Conservatives generally oppose revolutions—digital or political.²¹²

In this context, *Americans for Prosperity Foundation* can be interpreted as the Supreme Court preserving the obscurity that charitable donors enjoyed before far-flung hackers could remotely access state records. The ruling prevents the government from collecting information about donors because doing so would exact a high price on donors' privacy. Recall, before *Americans for Prosperity Foundation*, California had inadvertently posted 2,000 confidential Schedule documents to the Attorney's General's website.²¹³ By enforcing robust First Amendment associational privacy protections, the Court made it less likely that donor-identifying information would be hacked or leaked. Associational privacy served a conservative goal, protecting the *Americans for Prosperity Foundation* petitioners, and their donors, from sudden and disruptive change.

Associational privacy also serves core libertarian values. Libertarianism stems from the central idea that each individual has the natural right to live life however she chooses, so long as she doesn't infringe on the equal rights of others.²¹⁴ According to libertarians, government action presumptively infringes

208. See Solove, *supra* note 206, at 1152.

209. See *id.*

210. See Daniel Solove, *A Taxonomy of Privacy*, 154 U. PA. L. REV. 477, 530 (2006) (explaining how disclosure of true information about people can cause harm).

211. See THE PORTABLE CONSERVATIVE READER xvi (Russell Kirk ed., 1982) ("Burke's reminder of the social necessity for prudent change is in the minds of conservatives. But necessary change, they argue, ought to be gradual and discriminatory . . . Revolution slices through the arteries of a culture, a cure that kills.").

212. See *id.*

213. *Ams. for Prosperity Found. v. Bonta*, 141 S. Ct. 2373, 2381 (2021).

214. See BOAZ, *supra* note 201, at 27.

on individual liberty and the law's only valid role is to prevent people from violating the liberty of others.²¹⁵

Associational privacy under the First Amendment accords with this philosophy. It protects private association among individuals from government interference. Moreover, proponents of libertarianism and advocates of free association share fundamental views about why association is important. Libertarians believe that inter-personal association is essential to self-determination and must be engaged in free from outside coercion.²¹⁶ In essence, this is the same justification used by free association advocates. Civil liberties theorist Thomas Emerson wrote that association “is a method of making more effective, of giving greater depth and scope to, the individual's needs, aspirations and liberties.”²¹⁷ Given the intersection of libertarianism, freedom of association, and associational privacy, it is unsurprising that some libertarians believe compelled disclosure laws are examples of the government impermissibly encroaching on individual liberty.²¹⁸

If associational privacy is consistent with conservative and libertarian values, why would the Roberts Court protect it in *Americans for Prosperity Foundation*, but not in *Doe v. Reed*? Below are two possible explanations for the inconsistent decisions. First, the Court's composition in 2021 was more conservative than it was in 2010. In 2021, there were six reliably conservative justices while in 2010, there were only four reliably conservative justices.²¹⁹ Additionally, the justice at the Court's ideological center in 2021 was Brett Kavanaugh, a conservative, whereas in 2010 it was Anthony Kennedy,²²⁰ a

215. *See id.* at 105–06.

216. M. van Staden, *Spontaneous Order or Central Planning? A Brief Overview of the Libertarian Approach to Law*, 84 THRH 53, 56 (2021) (“It is a fundamental *essentiale* of libertarianism that individuals should and do have the right to associate freely with one another on whatever lines they choose. From a libertarian perspective this freedom is the bedrock for the development of a sustainable, stable community; a voluntarily and freely chosen association.”).

217. Thomas I. Emerson, *Freedom of Association and Freedom of Expression*, 74 YALE L.J. 1, 4 (1964).

218. *See, e.g.*, Bradley A. Smith, *Americans for Prosperity Foundation v. Bonta: A First Amendment for the Sensitive*, 2021 CATO SUP. CT. REV. 63.

219. *See Martin-Quinn Ideological Scores of Supreme Court Justices in the United States from 2005 to 2021*, STATISTA (2023), <https://www.statista.com/statistics/1323015/supreme-court-justices-ideological-scores-us/>; *see also* Andrew D. Martin & Kevin M. Quinn, *Measures, MARTIN-QUINN SCORES*, <https://mqscores.lsa.umich.edu/measures.php> (last visited Apr. 15, 2023). The Martin-Quinn score places U.S. Supreme Court justices on an ideological continuum. *See* Andrew D. Martin & Kevin M. Quinn, *Dynamic Ideal Point Estimation via Markov Chain Monte Carlo for the U.S. Supreme Court, 1953–1999*, 10 POL. ANALYSIS 134 (2002).

220. *See Martin-Quinn Ideological Scores of Supreme Court Justices in the United States from 2005 to 2021*, STATISTA (2023), <https://www.statista.com/statistics/1323015/supreme-court-justices-ideological-scores-us/>.

centrist whose votes frustrated conservatives and liberals alike.²²¹ It is also important to note that the ruling in *Doe v. Reed* was not a repudiation of associational privacy. Rather, it was a jumble of inconsistent opinions about how heavily to weigh associational privacy interests against state interests in disclosure.²²² Justice Alito and Justice Thomas wrote opinions in *Doe v. Reed* that foreshadowed their votes in *Americans for Prosperity Foundation*.²²³ Perhaps the inconsistency between the two cases can be explained this way: the more conservative Court made a more uniformly conservative ruling in *Americans for Prosperity Foundation*. Unfortunately, Justice Scalia complicates this tidy conclusion. Justice Scalia, an indisputably conservative justice, wrote separately in *Doe v. Reed* to forcefully oppose protecting petition signatories' associational privacy interests under the First Amendment.²²⁴

This leads to a second, alternative explanation: perhaps conservatives' support for associational privacy depends on the domain in which associational privacy is asserted. In *Doe v. Reed*, the individuals seeking associational privacy protection were referendum petition signatories participating in the electoral process.²²⁵ As Justice Scalia emphasized, elections and lawmaking were traditionally public acts in the United States up until the late-19th century.²²⁶ Americans voiced their political opinions publicly by participating in town meetings, *viva voce* voting, or publicly petitioning Congress.²²⁷ With this historical context, a conservative might not believe it is necessary or preferable to preserve petition signatories' obscurity. Still, it is hard to square Justice Scalia's position with Justice Alito's and Justice Thomas's. Perhaps the discrepancy among the three justices reflects the complexity of conservative values, and the notion that conservative principles can yield contradictory answers to the same question.

Placing associational privacy in conversation with libertarianism and conservatism illustrates that associational privacy advances values that are central to both political philosophies. This sheds light on why the Roberts Court defended associational privacy in *Americans for Prosperity Foundation*, despite the Court's tepid treatment of privacy interests in other areas of law.

221. See Mitchell N. Berman & David Peters, *Kennedy's Legacy: A Principled Justice*, 46 HASTINGS CONST. L.Q. 311, 312 (2019).

222. See *supra* Section III.A.3.

223. See *Doe v. Reed*, 561 U.S. 186, 202–03 (2010) (Alito, J., concurring); *id.* at 228 (Thomas, J., dissenting).

224. See *id.* at 219 (Scalia, J., concurring in judgment).

225. *Id.* at 190–91. (majority opinion).

226. See *id.* at 223–25 (Scalia, J., concurring in judgment).

227. *Id.* at 223–24.

B. PRIVACY FROM GOVERNMENT INTRUSION

Privacy from government intrusion poses a more complicated analysis. While associational privacy aligns well with both conservative and libertarian values, privacy from government intrusion exposes a rift between conservative and libertarian ideologies. Libertarians desire strong protection for privacy from government intrusion because they seek to limit the state's power to intrude into people's lives.²²⁸ In contrast, conservatives do not always favor strong protection for this privacy interest because they heavily value countervailing interests like security and stability.²²⁹

Privacy from government intrusion aids libertarian interests. First, libertarians believe that the individual is the basic unit of society and government should be minimal, limited to enforcement of contracts and protection of individual rights.²³⁰ For libertarians, protecting privacy against government intrusion helps constrain state power and keep it in check.²³¹ Second, libertarians are generally suspicious of the government's unique power to violate individual rights, including *privacy* rights.²³² Libertarians support firm limits on government power to intrude into individuals' lives because a permissive attitude towards government intrusion would lead to abuse and misuse of state power.²³³ Government intrusion facilitates surveillance, as well as information collection and information aggregation about members of the public.²³⁴ Libertarians are acutely aware that surveillance and information collection can lead to egregious abuses of power when it is deployed in tandem with the government's unique power to arrest, try, and incarcerate people.²³⁵ Consequently, libertarians seek strict protection for privacy from government intrusion to control threats to individual liberty.

In comparison to libertarians, conservatives have a high tolerance for government intrusion, specifically when it is justified by security interests. Maintenance of order is core to conservative ideology.²³⁶ Russell Kirk wrote,

228. See Solveig Singleton, *Privacy*, in THE ENCYCLOPEDIA OF LIBERTARIANISM 390, 391 (Ronald Hamowy ed., 2008).

229. See O'HARA, *supra* note 202, at 104.

230. See, e.g., BOAZ, *supra* note 201, at 94, 244.

231. See *id.*

232. Singleton, *supra* note 228, at 391 ("As with other liberties, libertarians are particularly concerned about the government's singular powers to violate privacy rights, particularly through the use of its police powers.")

233. See *id.*

234. See *id.*

235. See *id.* ("To control the threat to human rights from the unique powers of government to arrest, try, and imprison members of the public, libertarians have consistently supported strict limits on the powers of government to collect information.")

236. See O'HARA, *supra* note 202, at 112.

“In every culture, what does the imaginative conservative aspire to conserve? Why, to conserve order: both order in the soul and order in the state.”²³⁷ Underlying this principle is the conservative belief in the fallibility of humans.²³⁸ Without order, conservatives believe that people will give into their selfish impulses and society will inch towards anarchy.²³⁹ As a result, conservatives believe that individuals benefit from “socially imposed restraint and identity.”²⁴⁰

Given conservatives’ desire for order, we can see why they do not always embrace privacy from government intrusion. The government, through law enforcement and military forces, tends to preserve order.²⁴¹ And while privacy from government intrusion has the benefit of protecting civil liberties, it also constrains the government’s ability to conduct criminal investigations or monitor threats to national security. Conservatives *do* value civil liberties, but they are also vigilant to the fact that civil liberties can be misused.²⁴² The conservative is willing to curb protection for individual rights if it is necessary to secure important competing social benefits like order.²⁴³ Consequently, unlike the libertarian, the conservative would reject strong protections for privacy from government intrusion if those strong protections would frustrate security interests.

The Roberts Court’s Fourth Amendment decisions reflect a conservative approach to privacy from government intrusion. For example, in *Hudson v. Michigan*, the majority challenged the very existence of the exclusionary rule—a Fourth Amendment remedy that deters police misconduct—because it impedes law enforcement interests.²⁴⁴ In the majority opinion, the Court balanced the exclusionary rule’s “substantial social costs” against its benefits, explicitly pitting the public’s security interests against individuals’ privacy interests.²⁴⁵ The Court found that the rule’s costs, like “releasing dangerous criminals into society,” tended to outweigh the rule’s deterrence benefits.²⁴⁶

237. THE PORTABLE CONSERVATIVE READER, *supra* note 211, at xxxv.

238. *See id.* at xvii (“[C]onservatives are chastened by their principle of imperfectability. Human nature suffers irremediably from certain faults, the conservatives know.”).

239. *See id.* at xviii.

240. JERRY Z. MULLER, CONSERVATISM: AN ANTHOLOGY OF SOCIAL AND POLITICAL THOUGHT FROM DAVID HUME TO THE PRESENT 18 (1997).

241. *See* O’HARA, *supra* note 202, at 174.

242. *See id.* at 185 (“[C]onservatives value security and stability which tend to be threatened most by people working in secret, abusing freedoms and working below the social and official radar.”).

243. *See id.* at 104.

244. *See Hudson v. Michigan*, 547 U.S. 586, 591 (2006).

245. *Id.* at 596.

246. *See id.* at 591, 595.

Similarly, in *Herring v. United States*, the Court reiterated that the exclusionary rule is a “last resort” and should only be applied when the rule’s deterrent effect outweighs “any harm to the justice system.”²⁴⁷ In both *Hudson* and *Herring*, the Roberts Court limited the exclusionary rule, an important remedy to Fourth Amendment privacy violations, because it impeded law enforcement interests. The Court’s reasoning in both rulings echoed conservative principles: sometimes society’s interest in security and order must outweigh privacy from government intrusion.

Privacy from government intrusion decisively advances libertarian principles, however, it has a more nuanced relationship with conservative principles. While conservatives value civil liberties, including privacy from government intrusion, they are willing to withhold protection for civil liberties to advance competing benefits like social order. The Roberts Court’s Fourth Amendment jurisprudence mirrors a distinctly conservative attitude towards privacy from government intrusion.

V. CONCLUSION

This Note set out to demonstrate that different people can have different—even contradictory—ideas of privacy, and that they all might be correct. Conservatives, libertarians, liberals, and anarchists can all advocate for “privacy,” but they likely will not agree on what *kind* of privacy deserves protection. Indeed, some groups might seek to weaken certain privacy interests that are deemed dangerous or disruptive to the group’s goals.

Mapping privacy interests onto conservatism and libertarianism helps us better understand the Roberts Court’s privacy jurisprudence. At first blush, the Court’s erosion of Fourth Amendment remedies and its decision in *Americans for Prosperity Foundation* appear inconsistent. But after putting associational privacy and privacy from government intrusion in conversation with conservatism and libertarianism, it becomes clear that the Roberts Court’s decisions are ideologically consistent. Associational privacy advances both conservative and libertarian principles, which is why the Court zealously protected First Amendment associational privacy in *Americans for Prosperity Foundation*. In contrast, privacy from government intrusion impedes crucial conservative priorities, which explains why the Court has steadily weakened Fourth Amendment protections.

Putting privacy interests in conversation with different political philosophies gives us a deeper understanding of privacy’s multifaceted nature, and of the Supreme Court’s decisions over time. For example, this approach

247. 555 U.S. 135, 140, 147 (2009).

can be used to identify the principles that guided the liberal Warren Court's privacy jurisprudence. What drove the Warren Court to expand the scope of Fourth Amendment protection?²⁴⁸ What prompted it to rule that the Constitution provides a "right to privacy" that prevents the government from prohibiting married couples from using contraceptives?²⁴⁹ The approach employed in this Note can hopefully serve as a framework to provide coherent and insightful answers to questions like this.

248. See PRESUMED GUILTY, *supra* note 49, at 92, 101.

249. See *Griswold v. Connecticut*, 381 U.S. 479, 485 (1965).

ALGORITHMIC PRICE ADMINISTRATION: HOW AMAZON HIJACKS THE PRICE SYSTEM

Thomas Mattes[†]

I. INTRODUCTION

A specter is haunting the antitrust laws—the specter of Amazon.com. Despite increased scrutiny of its growing dominance in recent years, Amazon has proven largely untouchable.¹ Amazon facilitates approximately half of e-commerce in the United States,² which now makes up at least 15% of all retail sales nationally.³ With over 350 million products for sale and nearly 200 million site visitors each month,⁴ it is estimated that Amazon wields over one billion gigabytes of data regarding its catalog and users.⁵ It is this data that should concern competition regulators and enforcers as much as Amazon’s increasing dominance in retail markets. That data is funneled into algorithms that analyze and organize it, compiling it with other external data—available inventory, fulfillment capabilities, profit margins, competitor’s prices, and more—all to be funneled into yet another algorithm that determines the optimal price. All told, product prices on Amazon change 2.5 million times a day, “meaning that an average product listed on Amazon changes prices every 10 minutes.”⁶ Amazon’s ability to meet or beat the lowest price offered by competitors, while offering perhaps the widest product catalog of any retailer with rapid delivery

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1. See Spencer Soper, *Amazon Antitrust Lawsuit in D.C. Dismissed by Judge*, BLOOMBERG (Mar. 18, 2022), <https://www.bloomberg.com/news/articles/2022-03-18/amazon-antitrust-lawsuit-in-d-c-dismissed-by-judge>.

2. *E-Commerce as Percentage of Total Retail Sales in United States from 2013 to 2024*, STATISTA, <https://www.statista.com/statistics/379112/e-commerce-share-of-retail-sales-in-us/> (last visited May 13, 2023).

3. *Projected Retail e-Commerce GMV Share of Amazon in the United States from 2016 to 2021*, STATISTA, <https://www.statista.com/statistics/788109/amazon-retail-market-share-usa/> (last visited May 13, 2023).

4. Emily Dayton, *Amazon Statistics You Should Know*, BIGCOMMERCE BLOG, <https://www.bigcommerce.com/blog/amazon-statistics/#10-fascinating-amazon-statistics-sellers-need-to-know-in-2020> (last visited May 13, 2023).

5. Neel Mehta, Parth Detroja & Aditya Agashe, *Amazon Changes Prices on Its Products About Every 10 Minutes—Here’s How and Why They Do It*, BUS. INSIDER, (Aug. 10, 2018), <https://www.businessinsider.com/amazon-price-changes-2018-8>.

6. *Id.*

times, continues to fundamentally reshape the retail market in the United States.⁷

Amazon's interlocked data and pricing practices threaten not only to disrupt retail markets, but the market price system itself, and specifically its role as an impersonal medium of information exchange between market actors. Indeed, it this role, which enables the price system's service as a decentralized coordinator of economic activity, that the antitrust laws purport to protect. As incumbent industries transform in an era of ongoing digitalization,⁸ the antitrust laws too must transform if the incumbent system of market regulation is to survive. To preserve competition, private information exchange outside of the price system must be regulated—not only between firms, but within firms.

The conceptualization of the market price system as a medium of information exchange evolved largely out of Adam Smith's pre-industrial theory of prices as products of haggling in the market, "regulated by the proportion between the quantity of which is actually brought to market, and the demand of those who are willing to pay."⁹ If one asks why the price of bread has increased, there is a simple answer: either the demand for bread has increased or its supply has diminished. With this clean and coherent theory of prices in mind, Friedrich Hayek developed his influential vision of the market price system as critical infrastructure in a world of limited knowledge.¹⁰

Hayek recognized that economic theory was constructed on a series of assumptions: "[i]f we possess all the relevant information, *if* we can start out from a given system of preferences, and *if* we command complete knowledge of available means," then an "economic calculus" could determine "the best use of the available means."¹¹ The problem is that, in a world divided by great spans of time and space, to say nothing of cultures and politics, no one person or entity simply "possess[es] all the relevant information." Thus, the problem facing both individuals and societies in planning their economic activities is

7. Suman Bhattacharyya, *Pressured by Amazon, Retailers are Experimenting with Dynamic Pricing*, DIGIDAY (Feb. 21, 2019), <https://digiday.com/retail/amazon-retailers-experimenting-dynamic-pricing/>.

8. "Digitalization is the use of digital technologies to change a business model and provide new revenue and value-producing opportunities; it is the process of moving to a digital business." *Digitalization*, GARTNER, <https://www.gartner.com/en/information-technology/glossary/digitalization> (last visited Mar. 25, 2022).

9. ADAM SMITH, *AN INQUIRY INTO THE NATURE AND CAUSES OF THE WEALTH OF NATIONS* 68–69 (Edwin Cannan, ed., Methuen 1904) (1776).

10. See FRIEDRICH A. HAYEK, *The Use of Knowledge in Society*, in *INDIVIDUALISM AND ECONOMIC ORDER* 77 (1948).

11. *Id.* at 77.

the impracticality of gathering all this dispersed information as to the supply of and demand for resources. Information as to how much bread is needed and how much bread can be supplied is dispersed among the multitude of producers and consumers not only of bread, but of all the factors of bread production. It was inconceivable to Hayek that such dispersed information could be collected, analyzed, and distributed to those individuals to enable the rational planning of their activities and to enable the organization of an efficient economy.¹² Instead, his solution to the problem rested in the decentralization achieved through impersonal markets.¹³

As equations of supply and demand, prices are conveyors of that same information. The market price system communicates the prices of, say, bread and labor such that individuals can plan their activities so that they will sell enough labor to buy enough bread. In so doing, they unwittingly input their own unique information into the system—their unique demand for and supply of goods—which is aggregated with all the other inputs to produce a broadly intelligible numerical price.¹⁴ What Hayek regarded as remarkable about this system was “how little the individual participants need to know in order to be able to take the right action.”¹⁵ Conveying “by a kind of symbol. . . only the most essential information” and “only to those concerned,” the price system offers an efficient means of economic coordination without any central authority.¹⁶ Individuals can develop and execute their own economic plans, while society can leave it to the price system to effect the “division of labor and coordinated utilization of resources.”¹⁷ At the very least, as Hayek said himself, the market price system may be the best of many imperfect solutions to the economic problem of imperfect information.¹⁸

However, as Hayek also noted, the efficacy of the market price system as a conveyor of information is diminished “as prices grow more rigid.”¹⁹ Economists at the time of Hayek’s writing increasingly recognized price rigidity as evidence that markets rarely if ever conformed to the theoretical ideal of perfect competition.²⁰ While best known as the co-author of *The*

12. *Id.* at 84.

13. *See id.* at 85.

14. *See id.*

15. *Id.* at 86.

16. *Id.* at 86.

17. *Id.* at 88.

18. *Id.* at 87 (“Of course, these adjustments are probably never ‘perfect’ in the sense in which the economist conceives of them in his equilibrium analysis.”).

19. *See id.* at 86.

20. “Perfect competition” exists where “no buyer or seller has the power to influence prices, which result solely from an equilibrium of supply and demand,” and assumes an

Modern Corporation and Private Property,²¹ a foundational text in corporate law and governance,²² Gardiner Means devoted most of his scholarly life to developing and defending an argument he posed most succinctly just a few years after that famous publication: that rigid, “administrative” prices are ubiquitous across the economy, threaten to disrupt its functioning, and “[we]re largely responsible for the failure of a policy of laissez faire.”²³

Means’ study, titled *Industrial Prices and Their Relative Inflexibility*, found in the Bureau of Labor Statistics’ wholesale price indices evidence of “two essentially different types of market in operation.”²⁴ Conforming to “traditional” economic theory, there existed one type of market “in which supply and demand [we]re equated by a flexible price” and “adjustments” by market actors primarily comprised “fluctuations in price.”²⁵ Prices for agricultural commodities like wheat and cotton, for example, dropped by 63% between 1929 and 1933 likely due to the Depression-era drop in demand.²⁶ Then there existed another type of market, in which “*production* and demand [we]re equated at an *inflexible* administered price” and adjustments by market actors primarily comprised “changes in volume of production.”²⁷ While these administered prices were attached to a wide range of retail, wholesale, and capital goods, the market for agricultural implements offered the most striking example: prices dropped only 6% from 1929 to 1933, while production dropped 80%.²⁸ According to Means, inflexible administered prices not only explained the observed disparities in price behavior, but so disrupted the capacity of markets to adequately adjust with the business cycle that they undermined “the effective functioning of the American economy.”²⁹

absence of product differentiation, “a multiplicity of small buyers and sellers, no barriers to entry, and a state of perfect information.” JONATHAN LAW & JOHN SMULLEN, OXFORD DICTIONARY OF FINANCE AND BANKING (6th ed., 2018).

21. See ADOLF A. BERLE & GARDINER C. MEANS, *THE MODERN CORPORATION AND PRIVATE PROPERTY* (1932).

22. See generally William W. Bratton, *Berle and Means Reconsidered at the Century’s Turn*, 26 J. CORP. L. 737 (2001) (describing *The Modern Corporation’s* particular and persistent significance in corporate law scholarship).

23. GARDINER C. MEANS, *INDUSTRIAL PRICES AND THEIR RELATIVE INFLEXIBILITY*, S. DOC. NO. 74-13, at 1 (1st Sess. 1935).

24. *Id.*

25. *Id.*

26. *Id.* at 8.

27. *Id.* at 1 (emphasis added).

28. *Id.* at 8.

29. *Id.*

Administered prices today are assigned a variety of other names,³⁰ but remain ubiquitous. Despite contradicting orthodox price theory, it is a “mainstream view that sticky prices are the rule, not the exception, in American industry.”³¹ Price markups have steadily risen since 1980 “from 21% above cost to 61% above cost in 2016” in correlation with an increased incidence of market power across industries.³² While the price system remains a critical medium of information exchange,³³ firms with the ability to administer prices undermine the accuracy of said information by injecting into their prices “noise”—a term Fischer Black deployed in contrast to information to refer to “what makes our observations imperfect.”³⁴ While prices remain in part an impersonal aggregate of supply and demand, they are affected to an indeterminate degree by the mark-ups and mark-downs of price “administrators.” Thus when a market actor relies on the price system to inform their making and taking of prices, it is equally indeterminate whether they are trading on accurate information or noise.

Nevertheless, this noisy exchange remained the primary, if imperfect, coordinator of economic activity until the onset of digitalization. Unprecedented developments in the capacity of firms to collect, organize, and utilize data—capacities encapsulated in the concept of Big Data³⁵—have upended this coordinative function of the price system. With the assistance of machine learning algorithms,³⁶ firms are now capable of processing vast

30. This Note treats studies of, *inter alia*, “administered” prices, “rigid” prices, and “sticky” prices as describing phenomena that are sufficiently analogous to allow use of such terminology interchangeably.

31. ALAN S. BLINDER, ELIE R. D. CANNETTI, DAVID E. LEBOW & JEREMY B. RUDD, *ASKING ABOUT PRICES: A NEW APPROACH TO UNDERSTANDING PRICE STICKINESS*, 298 (1998).

32. Jan De Loecker, Jan Eeckhout & Gabriel Unger, *The Rise of Market Power and the Macroeconomic Implications*, 145 *QUARTERLY J. ECON.* 561, 562 (2020). Moreover, “labor share is inversely proportional” to a firm’s markups, and thus, as economic activity has become concentrated in high-markup firms, the overall labor share has decreased, providing a potential explanation for widening wealth inequality. *See id.* at 607–608.

33. *See* KAI-UWE KÜHN & XAVIER VIVES, *INFORMATION EXCHANGES AMONG FIRMS AND THEIR IMPACT ON COMPETITION*, 2 (1995).

34. *See* Fischer Black, *Noise*, 41 *J. FIN.* 529, 529 (1986). (“[P]eople sometimes trade on noise as if it were information. If they expect to make profits from noise trading, they are incorrect. However, noise trading is essential to the existence of liquid markets.”)

35. Big Data is capitalized herein to emphasize its status as a neologism.

36. A Machine Learning (ML) algorithm uses “statistical learning and optimization methods” to “analyze datasets and identify patterns” while autonomously “improv[ing] with each run as it teaches itself from the data it analyzes.” *See* Michael Tamir, *What is Machine Learning (ML)?*, U.C. BERKELEY SCH. INFO. BLOG (Jun. 26, 2020), <https://ischoolonline.berkeley.edu/blog/what-is-machine-learning/>.

quantities of raw data into useful information.³⁷ Firms thereby minimize their own demand for information conveyed by the price system and convey through their own administered prices ever more indeterminate quantities of noise.³⁸ Big Data incentivizes itself by undermining both the demand for and the utility of information exchanged through the price system, thereby fostering a positive feedback loop in which the integration of information acquisition within the firm increases the demand for such acquisition. Today, Amazon exemplifies this complex dynamic: as a firm becomes more informed, its prices become noisier.

Decisions from the Supreme Court holding certain forms of information exchange between competitors unlawful under section 1 of the Sherman Act demonstrate that antitrust liability related to the use of data depends largely on the means of acquisition.³⁹ While horizontal competitors have been held liable for exchanging data either directly or through third-party intermediaries,⁴⁰ Amazon has avoided liability by developing a vertically integrated informational infrastructure. These different means impute different liability risks, but both tactics seek the same end: a way to acquire information beyond the price system that better enables firms to administer prices according to their broader business strategies. Ongoing digitalization is likely to both accelerate market concentration and promote price administration using algorithms optimized toward those strategies. In turn, both consequences are likely to propel the displacement of the market price system as a decentralized coordinator of economic activity, as firms find it increasingly necessary to integrate information acquisition either within the firm or through horizontal exchange. While only horizontal exchange will subject a firm to antitrust liability under contemporary doctrine, both means of information acquisition demand attention if the current paradigm of decentralized market regulation is to persist.

Part II of this paper develops the concept of price as a medium of information exchange, explains the reality of administered prices, and demonstrates how Big Data practices can enable algorithmic price

37. This Note distinguishes between data and information, as discussed *infra* Section II.B.1.

38. Digital data increasingly conveys, for example, insights into the behaviors and preferences of consumers. If a firm chose to adjust its prices based on such data, the firm would be injecting “noise” into its prices, as this Note uses the term. This is so because the source of such information and its weight in said price adjustment is indeterminate to other actors.

39. See *infra* Section IV.A.

40. For a recent example, see *In re Broiler Chicken Antitrust Litigation*, 290 F. Supp. 3d 772, 793–94 (N.D. Ill. 2017).

administration. Part III argues that Amazon's growth has been directly tied to the development of a vertically integrated informational infrastructure, which not only enables such price administration, but threatens to displace the market price system as a decentralized informational and coordinative mechanism. Part IV critiques contemporary antitrust doctrine and argues for remedying Amazon's anticompetitive impact on retail markets and the broader price system by recognizing Amazon's informational infrastructure as an essential facility. Finally, a brief conclusion synthesizes the argument that Amazon's algorithmic price administration effectively hijacks the market price system itself, displacing and delegitimizing its coordinative function, and that the recreation and preservation of a truly decentralized market demands new forms of equitable information exchange reflecting our digitalized reality.

II. ADMINISTERED PRICES, OLD AND NEW

A. MEANS' ADMINISTERED PRICE THESIS

Well before Hayek's famous exposition of prices as conveyors of market information, Means argued that the disparate behaviors of agricultural and industrial prices in the Great Depression undermined this theorized communicative function and thus posed a fundamental risk to economic stability.⁴¹ While an idealized vision of communication through prices assumes that a market actor is compelled to respond to other prices by maintaining, raising, or lowering their own price to equate supply and demand, certain industries had the capacity to lower production to reduce supply while maintaining their price.⁴² Producers of perishable agricultural commodities facing a drop in demand largely maintained supply, accepted lower prices "made in the market," and failed in significant numbers due to those lower prices.⁴³ Meanwhile, corporations that "administered" prices left buyers to "purchase or not as they wish," and responded to drops in demand by cutting production.⁴⁴ This in turn prompted reduced employment, cutting workers' income share, and thus contributing to a further decline in demand.⁴⁵ "Such maladjustments" resulting from administered prices produced what Means

41. See MEANS, *supra* note 23, at iv.

42. *Id.*

43. *Id.* at 1.

44. See *id.*; *id.* at 8 for figures showing "the relation of price drop and production drop for 10 major industries from 1929 to the spring of 1933"

45. *Id.* at 9.

referred to as an “unbalancing factor” that contributed to economic instability.⁴⁶

Indeed, the prevalence of administered prices signaled a shift in “the control of price-and-production policy from the market to the hands of business administrators,” whose actions were determined by their own business strategies to the detriment of workers and consumers facing lost jobs and greater scarcity but the same old prices.⁴⁷ Production cuts in industries administering prices reduced income share, thereby reducing purchasing power. This in turn imposed “the burden of further price adjustment on the flexibly priced commodities,” which had already reduced prices in response to an initial drop in demand.⁴⁸ Administered prices thus impaired the “adjustability of the economy”—increasing the risk of a downturn spiraling into a depression—and inequitably gave priority to the particular policies of “business administrators” in place of an “industrial policy” determined autonomously by the market, all to the detriment of workers, consumers, and society at large.⁴⁹

In theory, Means agreed with Hayek that “individual self-interest” could cause supply and demand to adjust in relation to each other and converge, such that “the right amount of each thing would tend to be produced at the right price,” thus optimally allocating “human and material resources.”⁵⁰ In this manner, “[t]he business policy of individuals” would interact to produce industrial policy, “but no one individual or enterprise” would significantly control industrial policy at large—that is, a decentralized market price system would ideally produce a decentralized industrial policy.⁵¹ However, the validity of this “traditional picture of automatic balance” only lasted so long as individuals had no ability to affect or control price.⁵² If market actors could control prices, the consequence would be “industrial policy making by individuals”—a disruption of the Hayekian ideal of a decentralized industrial policy determined by atomized adjustments to market prices.⁵³

According to Means, the development of administered prices could be attributed to increasing economic concentration and technological

46. *Id.*

47. Gardiner C. Means, *The Consumer and the New Deal*, 173 ANNALS AMER. ACAD. POL. & SOC. SCI. 7, 10 (1934).

48. *Id.*

49. *Id.* at 10.

50. MEANS, *supra* note 23, at 20.

51. *Id.* at 20.

52. Gardiner C. Means, *Notes on Inflexible Prices*, 26 AMER. ECON. REV. 23, 33 (1936).

53. MEANS, *supra* note 23, at 22.

innovation.⁵⁴ While the market price system may have effectively coordinated the economic activities of many individual farmers and craftspeople, the half-century or so prior to Means' writing saw many of those individuals "drawn into large factories or business organizations" wherein "tens and even hundreds of thousands of individuals have their economic activity coordinated by administrative direction."⁵⁵ This concentration of business activity in large corporations not only wrested economic coordination from the market mechanism to corporate administration, but also "made possible tremendous increases in the efficiency of industrial production,"⁵⁶ due to "the aggregation of capital" in the large corporation, the Taylorist division of labor, and the use of increasingly advanced machinery.⁵⁷ Increased demand for machinery "made for rapid and extensive development of technology and the improving technology in turn has increased the advantages of administrative coordination."⁵⁸ All the while, where the activities of "individuals or small enterprises operating independently" were replaced by those of a single large corporation, "the market. . . to the corresponding extent [was] replaced by administration."⁵⁹

Thus, Means presented something of a Hobson's choice: industrial development—and with it the "possibility of a high standard of living for all"—appeared to be "the joint product of technology and administration,"⁶⁰ but such administration "reduced the flexibility of the market place and perhaps entirely destroyed its effectiveness as an over-all economic coordinator."⁶¹ The failure of the market price system as coordinator meant also that the administrators—the large corporations—would "have a direct power over industrial policy which they exercise in making business policy for their own enterprise."⁶² For Means, the intervention of individual business policies⁶³ in collective industrial policy explained why administered prices

54. *Id.* at 33.

55. MEANS, *supra* note 23, at 9.

56. *Id.* at 10.

57. Mean, *supra* note 47, at 8.

58. *Id.* What Means described was a process of industrial development defined by two phenomena associated today with developments in the digital economy: economies of scale and feedback loops.

59. *Id.* at 7–8.

60. *See* MEANS, *supra* note 23, at 10.

61. Means, *supra* note 46, at 9.

62. MEANS, *supra* note 23, at 11.

63. Borrowing from Means, the term "business policy" is used throughout this paper, but it is at times used interchangeably with "strategic policy," "business strategy," and like terms. All such uses are intended to convey essentially the same meaning.

contributed to economic instability: “when the business man has the power to affect industrial policy, he almost necessarily makes wrong industrial decisions.”⁶⁴ Because the “business man is expected to make business policy in a way to maximize the profits of his own enterprise,” when faced with declining demand, “good business policy” may require curtailing production.⁶⁵ While the rewards of cutting prices are uncertain and often negligible—particularly in a time of economic crisis—cutting production by laying off workers is quick and easily reversed, and its costs and benefits are more easily quantifiable.

Means presented two possible responses to the problem of administered prices. First, the large corporations could be broken up such that administered prices would disappear and a *laissez faire* market could convey more accurate information and thus become again an effective coordinator.⁶⁶ But, following this route, “productive efficiency would have to be greatly impaired and a lower standard of living accepted than is made possible by modern industrial organization and modern technology.”⁶⁷ Second, the market could be supplemented “with institutional arrangements . . . sufficient to allow the economy to function effectively in the presence of and in spite of inflexible prices.”⁶⁸ Arguing that this second response did not necessarily imply government ownership or “economic dictatorship,” Means cited the recently instituted Agricultural Adjustment Administration and National Recovery Administration as examples of “institutional framework[s] through which certain key industrial decisions are made and within which private or corporate enterprise and initiative can function effectively.”⁶⁹ Such institutions would have to “devise techniques of control for establishing the necessary elements of industrial policy,” with the aim of effecting “what the market is supposed to accomplish, namely, a balance of the interests of the various interest groups which constitute industry so as to produce the most effective use of human and material resources.”⁷⁰

Since Means, economists have lent further support to the thesis, offering a coherent yet multifaceted understanding of rigid prices and the motivations driving them. Some have found that firms face significant uncertainty as to both their marginal revenue and marginal demand curves—that is, it is difficult

64. MEANS, *supra* note 23, at 11.

65. *Id.*

66. *Id.* at 12.

67. *Id.*

68. *Id.*

69. *Id.*

70. *Id.* at 14.

if not impossible for firms to predict the reactions of consumers and competitors to a price change.⁷¹ Price changes are costly both to enact and to bear the risk inherent in uncertainty.⁷² Perhaps due to this risk aversion, firms may not pursue profit maximization, but instead may seek to maximize other ends complementary to a broader strategic policy.⁷³ For example, firms may choose to maximize revenue⁷⁴ or security⁷⁵ in order to promote long-term growth or the maintenance of their position within the industry.⁷⁶

Critically, these interrelated rationales are all rooted in the problem of dispersed information that Hayek described. The onset of price rigidity fundamentally undermined the efficacy of the market price system as conveyor of information and coordinator of a decentralized industrial policy. Whatever the reason for its failure, the inadequacy of the market price system drove firms to acquire information through other means and to adjust their business strategies accordingly. Indeed, the tendency of firms to pursue concentration should be understood as a natural response to the inadequate information attained through prices. Concentration offers a means of informed coordination that market prices cannot offer so long as price rigidity persists. That concentration and the attendant power to administer prices enable firms to tailor prices towards their strategic ends is a mere surplus. Yet such administration furthers the displacement of a decentralized industrial policy coordinated through the market in favor of private business policies. Such displacement harms workers and consumers who lack the firm's capacity to coordinate and lose out on the theoretically equitable information exchange that the Hayekian market price system is supposed to facilitate.

B. THE NEW ADMINISTERED PRICES

1. *Big Data, Algorithms, and Digitalized Information*

The market price system is a medium of information exchange whether it is subject to a perfectly competitive market or to administration.⁷⁷ However, digitalization has fundamentally transformed the information problems that

71. See R. L. Hall & C. J. Hitch, *Price Theory and Business Behavior*, OXFORD ECON. PAPERS 12, 22 (1939).

72. See *id.*

73. See Nina Shapiro & Malcolm Sawyer, *Post Keynesian Price Theory*, 25 J. POST KEYNESIAN ECON. 355, 356 (2003) (“The ends of the enterprise decide the markup on products.”).

74. See WILLIAM BAUMOL, *BUSINESS BEHAVIOR, VALUE, AND GROWTH* 45–48 (1959).

75. See K. W. Rothschild, *Price Theory and Oligopoly*, 57 ECON. J. 299, 308 (1947).

76. See *id.* at 309–11.

77. See KÜHN & VIVES, *supra* note 33, at 2.

Hayek confronted along with the rest of the economy. Engagement with Big Data practices has undermined both the demand for and the utility of information conveyed through the price system. These practices mitigate the need for information exchange between market actors and incentivize the integration of information acquisition within the firm.

If, as Marc Porat defined it, “[i]nformation is data that have been organized and communicated,” then data is the raw material—facts and figures, bits and bytes.⁷⁸ The organization of data into information requires the application of a “system of logic”—statistical methods, for example.⁷⁹ But where such organization was once performed largely by “information workers,”⁸⁰ today, algorithms encoded in software execute the organization and analysis of data. Put simply, an algorithm is “a sequence of computational steps that transform the input into the output.”⁸¹ If a firm wants to communicate to a customer the monetary value it ascribes to a good, an algorithm could be programmed to calculate that value as its output based on relevant data as its input, and then to communicate that value by establishing a numerical price.⁸² Today’s algorithms can more efficiently organize data before communicating it as useful information.

The use of algorithms as organizers and communicators of information has proliferated in tandem with the development of Big Data. Big Data is often defined by way of the “3 Vs”: data that is so large in volume, so diverse in variety, or moving with such velocity, that older modes of capturing and analyzing the data are inadequate.⁸³ The declining costs of collection, storage, and processing of data have produced an unprecedented volume of data collected, especially due to new sources of data like “sensors, cameras, geospatial and other observational technologies.”⁸⁴ Increasing quantities of audiovisual data captured by phones and physical activity data captured by wearable devices further bring forth data in a broader variety of formats.⁸⁵ Collection and organization of said data is being “conducted at a velocity that

78. MARC URI PORAT, DEP’T COM., THE INFORMATION ECONOMY: DEFINITION AND MEASUREMENT 2 (1977).

79. *See id.*

80. *See* PORAT, *supra* note 78, at 104–35.

81. THOMAS H. CORMEN, CHARLES E. LEISERSON, RONALD L. RIVEST & CLIFFORD STEIN, INTRODUCTION TO ALGORITHMS 5 (3d ed. 2009).

82. This is a simple description of algorithmic pricing, discussed *infra* Section II.B.2.

83. *Big Data: Seizing Opportunities, Preserving Values*, EXEC. OFF. PRESIDENT 3 (May 2014), https://obamawhitehouse.archives.gov/sites/default/files/docs/big_data_privacy_report_may_1_2014.pdf.

84. *Id.* at 4.

85. *See Big Data: Seizing Opportunities, Preserving Values*, *supra* note 83.

is increasingly approaching real time,” which means there is a growing potential for “big data analytics” to immediately affect an entity’s decision-making.⁸⁶ Each of these three Vs—the volume, variety, and velocity of data—is developing rapidly as technological advances permit new methods of collection and new uses, including the equally rapidly developing predictive power of organized data.⁸⁷

The “life cycle” of Big Data can be divided into four phases: (1) collection, (2) compilation and consolidation, (3) data mining and analytics, and (4) use.⁸⁸ As noted, firms and other entities collect the bits of data that make up Big Data in a variety of ways. When consumers browse the internet or shop online, companies can track and link their activities, either because consumers log into services or otherwise identify themselves or because sites deploy techniques like cookies, “browser or device fingerprinting,” and “history sniffing.”⁸⁹ Today, consumers are tracked across multiple devices and products—from their computers, phones, and tablets, to the increasing number of products that fall within the “Internet of Things.”⁹⁰ Of course, data collection happens offline as well, whether through credit card transactions or the increasing ubiquity of cameras on buildings, cars, and persons. After collection, that data is compiled into a usable form, before it is analyzed or “mined” in order “to uncover and summarize patterns,” or deployed for use by algorithms “to generate new data” that itself will be mined—metadata on a demographic group, for example.⁹¹ Ultimately, firms and other entities can discover a wide variety of applications for such Big Data practices. But Big Data’s most significant impact may be how it enables certain firms to use increasingly vast quantities and varieties of data to acquire and analyze market information, and thereby causes the price system’s role as a medium of information exchange to become increasingly superfluous.

86. *Id.*

87. *Big Data: A Tool for Inclusion or Exclusion?*, FED. TRADE COMM’N 1–2 (Jan. 2016), <https://www.ftc.gov/system/files/documents/reports/big-data-tool-inclusion-or-exclusion-understanding-issues/160106big-data-rpt.pdf>.

88. *See id.* at 3.

89. *See Big Data: A Tool for Inclusion or Exclusion?*, *supra* note 87, at 3–4.

90. *Id.* at 4.

91. *Id.*

2. *Algorithmic Price Administration*

Consider two gas stations positioned three miles apart on the same road.⁹² When one station raised its price by three-and-a-half cents, the station down the road followed suit soon after.⁹³ Did the operator of the second station take a drive daily to assess competitors' prices? No. Instead, both stations used machine learning software to determine the "optimal price" based on predictions of "what competitors are charging and what consumers are willing to pay."⁹⁴ Both gas stations used the same software—based on "mountains of historical and real-time data" and optimized to maximize revenue—to gain "almost superhuman insight into market dynamics," including the capacity to predict reactions from consumers and competitors to any price change.⁹⁵ According to the software's developer, the goal is to make "margin on people who don't care" about small price differences, and give away that margin "to people who do care."⁹⁶ How did this work in practice? Most likely, the developer's data analysis showed that rates of gasoline sales increase later in the day—perhaps as buyers are on their way home from work—and thus the price was raised as the day went along. If a buyer "care[d]," they could have made sure to get to the gas station earlier in the day.⁹⁷

Indeed, pricing algorithms can seem rather simple. One third-party developer offers a rule for its algorithm labeled "Beat Competitor by 10%," which instructs the algorithm: "If the competitor's price is greater than the cost of making the item, and the competitor isn't running a onetime promotion, then undercut the competitor by 10 percent."⁹⁸ But most algorithms are not so simple, and instead interlay rules on top of each other, often including "guardrails"—rules designed to avert calamities like price wars.⁹⁹

92. See Sam Schechner, *Why Do Gas Station Prices Constantly Change? Blame the Algorithm*, WALL ST. J. (May 8, 2017, 6:41 PM ET), <https://www.wsj.com/articles/why-do-gas-station-prices-constantly-change-blame-the-algorithm-1494262674>.

93. See *id.*

94. *Id.*

95. *Id.*

96. *Id.*

97. Of course, such a response depends on the buyer having the means to get to the gas station early in the day, to say nothing of the buyer's ability to notice the pricing pattern.

98. Jerry Useem, *How Online Shopping Makes Suckers of Us All*, ATLANTIC (May 2017), <https://www.theatlantic.com/magazine/archive/2017/05/how-online-shopping-makes-suckers-of-us-all/521448/>.

99. *Id.* Retailers have long feared the prospect of online price wars. See, e.g., Michael D. Smith, *The Impact of Shopbots on Electronic Markets*, 30 J. ACAD. MKTG. SCI. 446, 446 (2002).

Critically, pricing algorithms are “built to manage consumers’ perception of price.”¹⁰⁰ Developers now input enormous volumes of data from a wide variety of sources that enable them to predict consumer perceptions and behaviors. This process often begins with the “segmentation” of users.¹⁰¹ Segmentation splits users into groups based on information including demographics and behavioral patterns extracted from interaction data, such as how many times a user has visited a website and what the user has clicked on, liked, purchased, or left in their shopping cart.¹⁰² Once users have been segmented into groups predictive of their interests and perceptions, that information becomes an input for the pricing algorithm. Contextual data can be added like the weather, the time of day or year, the user’s zip code, or even the device used to browse the given website.¹⁰³ For example, a user’s interaction data may signal their thriftiness from the length of their shopping sessions or any tendency they may have to shop more during sales seasons. Demographic information like race and gender or a zip code might support such a prediction or contradict it. All these inputs help an algorithm to better predict the price at which a user will buy.

Big Data practices have vastly expanded the capacity of market actors to acquire information outside the price system. Algorithmic pricing deploys that information in pursuit of the firm’s strategic policies. Meanwhile, comparably effective means of information acquisition are unavailable to consumers and many competitors, who instead acquire little more than the information—and noise—conveyed by prices. Moreover, prices are likely to become *noisier* due to the strategic injection of information unrelated to market conditions. Such developments are likely to upend the status quo of economic coordination through the price system and displace decentralized industrial “policymaking” in favor of the business policies of powerful firms.

III. AMAZON’S ALGORITHMIC PRICE ADMINISTRATION

While algorithmic pricing may be increasingly adopted by businesses across industries, Amazon is arguably its most significant adopter. Amazon’s share of gross merchandise volume in the U.S. e-commerce market has grown

100. Useem, *supra* note 98.

101. Dan Foley, Debarshi Raha, Ge Liu, Haizhou Fu & Yifei Ma, *Improve the Return on Your Marketing Investments with Intelligent User Segmentation in Amazon Personalize*, AWS MACH. LEARNING BLOG (Nov. 29, 2021), <https://aws.amazon.com/blogs/machine-learning/improve-the-return-on-your-marketing-investments-with-intelligent-user-segmentation-in-amazon-personalize/>.

102. *Id.*

103. *Amazon Personalize*, AWS, <https://aws.amazon.com/personalize/>.

from 34% in 2016 to a projected 50% in 2021,¹⁰⁴ while total e-commerce industry revenue has grown from nearly \$286 billion in 2017 to nearly \$470 billion in 2021,¹⁰⁵ all while the percentage of total retail sales through e-commerce in the U.S. has grown from 8% in 2016 to 9% in 2017 to 15% in 2021.¹⁰⁶ These figures demonstrate not only the remarkable growth of both Amazon and e-commerce broadly, but also that Amazon is eating up an ever greater share of this growth as the transition from in-person to online retail continues. Two factors explain how Amazon has managed to achieve this enormous growth: a strategic policy oriented towards this growth instead of short-term profit maximization, and the development of a marketplace and complementary products that function effectively as massive data farms. The critical link between these two factors is Amazon's developing use of algorithmic pricing.

Amazon wields pricing algorithms and other pricing policies to effect both supply- and demand-side economies of scale. Supply-side economies of scale refer to positive feedback loops in production: as the rate of production grows, the relative cost of production diminishes.¹⁰⁷ As sales increase with growing retail market share, the relative costs of manufacturing¹⁰⁸ and logistics are likely to decrease. However, it is demand-side economies of scale that are of particular importance to Amazon—that is, positive feedback loops in adoption of the platform itself by both vendors and customers.¹⁰⁹ As more customers become regular Amazon users, vendors are more incentivized to sell on Amazon, which in turn causes even more customers to turn to Amazon as their retail platform of choice. Thus, the platform's popularity and value compound in tandem.¹¹⁰

104. *Projected Retail e-Commerce GMV Share of Amazon in the United States from 2016 to 2021*, STATISTA, <https://www.statista.com/statistics/788109/amazon-retail-market-share-usa/> (last visited May 14, 2023).

105. *Retail e-Commerce Revenue in the United States from 2017 to 2025*, STATISTA, <https://www.statista.com/statistics/272391/us-retail-e-commerce-sales-forecast/> (last visited May 14, 2023).

106. *E-Commerce as Percentage of Total Retail Sales in United States from 2013 to 2024*, STATISTA, <https://www.statista.com/statistics/379112/e-commerce-share-of-retail-sales-in-us/> (last visited May 14, 2023).

107. See CARL SHAPIRO & HAL R. VARIAN, INFORMATION RULES 179 (1999).

108. Amazon maintains dozens of private label brands including AmazonBasics, which accounted for \$7.5 billion in sales in 2018. See Joshua Fruhlinger, *AmazonBasics Products Are Now Best-Sellers in 22 of Amazon's 51 Categories*, BUS. BUS. (Jun. 14, 2019), <https://www.businessofbusiness.com/articles/how-amazon-is-gobbling-up-profits-with-its-amazon-basics-house-brand/>.

109. See SHAPIRO & VARIAN, *supra* note 107, at 180.

110. See *id.*

The result of supply- and demand-side economies of scale coming together for one company is a “double whammy,” as Shapiro and Varian put it, “in which growth on the demand side both reduces cost on the supply side and makes the product more attractive to other users—accelerating the growth in demand even more.”¹¹¹ Amazon is likely to continue growing at an increasing rate, increasing its rate of data collection in tandem. This ever-increasing rate of data collection and application facilitates Amazon’s pricing algorithms and policies, which in turn facilitate the economies of scale that produce ever more data.

Algorithmic pricing facilitates this positive feedback loop as one component of a broader strategy of predatory pricing.¹¹² Arguably, algorithmic pricing is *the* critical component in its predation because it enables Amazon to act as price leader in the retail market and easily absorb vendors on its platform into its scheme. While it is up to the judiciary to determine whether Amazon has had the requisite intention to be held liable for such predation,¹¹³ there should be little doubt that Amazon’s rapid growth in market share has come from undercutting competitors’ prices and selling products below cost—and pricing algorithms enable Amazon to do both.¹¹⁴

A. “GREY MARKETS” ON AMAZON

Amazon has propelled their price-leading power through policies enacted to simultaneously absorb vendors into its pricing strategy while monitoring compliance and disciplining any lack thereof. These policies further the efficacy of Amazon’s predation and broader strategic policy. Amazon has worked to compel ever greater numbers of brands and their distributors to join Amazon as vendors, both to promote its position as the first stop for online shoppers by expanding access to desirable brands and to better control prices across the retail market.

111. *Id.*, at 182. Shapiro and Varian go on: “The result is especially strong positive feedback, causing entire industries to be created or destroyed far more rapidly than during the industrial age.” *Id.*

112. See Lina M. Khan, *Amazon’s Antitrust Paradox*, 126 YALE L.J. 710, 747–53, 756–68 (2017) (“[F]or the vast majority of its twenty years in business, losses—not profits—were the norm.”).

113. According to Areeda and Turner, predatory pricing is “the deliberate sacrifice of present revenues for the purpose of driving rivals out of the market and then recouping the losses through higher profits earned in the absence of competition.” Phillip Areeda & Donald F. Turner, *Predatory Pricing and Related Practices Under Section 2 of the Sherman Act*, 88 HARV. L. REV. 697, 698 (1975).

114. See generally Christopher R. Leslie, *Predatory Pricing Algorithms*, 98 N.Y.U. L. REV. 49 (2023) (explaining how pricing algorithms facilitate predatory pricing).

While Amazon's demand-side economies of scale partially account for the increasing prevalence of well-known brands selling directly through Amazon, another cause is the problem of unauthorized third-party sellers on Amazon Marketplace—a phenomenon referred to as a “grey market.”¹¹⁵ For example, Nike began direct sales on the platform in 2017 partially to gain protection from Amazon's “Brand Registry” that eases the process for brands to remove counterfeits offered by virtually anonymous third-party sellers.¹¹⁶ Resigned to decreased revenue from its own e-commerce site and in-person retail, Nike compromised with the expectation that it could rely on Amazon to remove unauthorized vendors.

Yet, as soon as one third-party vendor offering Nike-branded goods was removed, another would pop up offering the same products, “akin to [a] game of whack-a-mole.”¹¹⁷ Indeed, there is evidence that Amazon has “deliberately turned to and empowered the ‘grey market’” in order to capture desirable brands to further its broader strategy.¹¹⁸ Former employees have reported that Amazon “actively sought out and recruited unauthorized sellers.”¹¹⁹ Unauthorized third-party vendors may deal in diverted or counterfeit products, or may merely resell products from brands or their distributors, which often violates those brands' Minimum Advertised Price (MAP) policies.¹²⁰ According to one account, Amazon vendor managers have helped such unauthorized vendors become “official Amazon partners by providing them with Vendor Central Accounts, which transformed them into suppliers who sell to Amazon in bulk.”¹²¹ That is, Amazon may have deliberately created the very problem of unauthorized sales in order to eventually compel large brands like Nike to negotiate, if only to capture some of their lost revenue. And, as Nike found, once the brands arrive as first-party sellers, the problem of unauthorized sales does not necessarily abate. Amazon has at times refused

115. See Shaoul Sussman, *How Amazon's Pricing Policies Squeeze Sellers and Result in Higher Prices for Consumers*, PROMARKET (Aug. 23, 2019), <https://promarket.org/2019/08/23/how-amazons-pricing-policies-squeeze-sellers-and-result-in-higher-prices-for-consumers/>.

116. *Why Nike and Birkenstock Are Cautionary Tales for Brands on Amazon*, BUY BOX EXPERTS (July 10, 2018), <https://www.buyboxexperts.com/blog/why-nike-and-birkenstock-are-cautionary-tales-for-brands-on-amazon/>.

117. *Id.*

118. See Sussman, *supra* note 115.

119. See *id.*

120. See *id.* “MAP policies impose restrictions on the price at which a product or service may be advertised without restricting the actual sales price.” Benjamin H. Diessel & Timothy Cowan, *Why Correctly Understanding Antitrust Risk is Crucial to Properly Addressing Brand Dilution in the E-Commerce Age*, NAT'L L. REV. (June 11, 2019), <https://www.natlawreview.com/article/why-correctly-understanding-antitrust-risk-crucial-to-properly-addressing-brand>.

121. See Sussman, *supra* note 115.

to “comply with brands’ suspension demands on various grounds, or simply ignores them.”¹²² Essentially, Amazon has developed another predatory tool beyond below-cost prices to promote its unequal bargaining power in relation to desirable brands. Meanwhile, these brands draw in more consumers, which in turn draw in more brands, contributing to Amazon’s positive feedback-driven growth.

B. “PRICE ALERTS” AND THE “BUY BOX”

Once those brands, their distributors, and other vendors join the platform, Amazon exerts further control in order to ensure compliance with its predatory pricing scheme. Due to the costs of shipping, particularly the high costs of fulfillment for Prime members, many vendors could sell their products for lower prices through other platforms—including their own e-commerce sites, in-person retail, and competing platforms like Walmart and Target.¹²³ Amazon, however, has enacted policies to compel vendors to offer the lowest price on their products on Amazon’s platforms, while also requiring those vendors to “bundle the costs of Prime fulfillment” into that price.¹²⁴ Algorithms track competitors’ prices and upon discovering that a product—say, a Nike shoe—is offered at a lower price on another platform, Amazon sends “pricing alerts” to its vendor that show “the product, the price on Amazon and the price found elsewhere on the web.”¹²⁵ Amazon then warns the vendor that their product “is currently ineligible for being a featured offer on the product detail page because those items are priced higher on Amazon than at other retailers.”¹²⁶ Rather than merely beating prices with direct sales, Amazon’s algorithms enforce compliance with its predatory pricing upon virtually all vendors big and small.

In fact, such tactics may lead to higher prices for consumers. Because vendors are required to meet Amazon’s fulfillment requirements and bundle that cost into their advertised price on Amazon, vendors may not be able to cut their prices to ensure uniformity across platforms. Instead, vendors’ MAP policies work to Amazon’s advantage, as the vendors instead raise their prices elsewhere to match the break-even price they charge on Amazon.¹²⁷ The price

122. *Id.*

123. *See id.*

124. *Id.*

125. Spencer Soper, *Amazon is Squeezing Sellers That Offer Better Prices on Walmart*, BLOOMBERG, (Aug. 5, 2019), <https://www.bloomberg.com/news/articles/2019-08-05/amazon-is-squeezing-sellers-that-offer-better-prices-on-walmart>.

126. *Id.*

127. Sussman, *supra* note 115.

of a product on Walmart's platform may include the costs associated with Prime fulfillment on Amazon. Indeed, "Walmart routinely fields requests from merchants to raise prices on its marketplace because they worry a lower price on Walmart will jeopardize their sales on Amazon."¹²⁸

The threat that products may be ineligible to be "featured offers" communicated by "price alerts" acts as an automated enforcement mechanism. In the past, when a customer searched for a general product on Amazon, there were often numerous vendors offering it. Based on a number of factors, including the vendors' "past performance, price, delivery speed, and other factors," an algorithm would select one particular vendor's offer of the product to be featured in its "Buy Box."¹²⁹ That is, when a customer chooses to "buy now" or "add to cart" upon their initial search, the vendor with the "featured offer" would get the order.¹³⁰ "Over 80% of Amazon sales" are executed through the Buy Box, which emphasizes the significance of Amazon's threat to vendors via its "price alerts."¹³¹ If vendors want to sell effectively on Amazon, they need access to the Buy Box, which requires them to ensure uniformity of prices across retail platforms. But to recoup the higher costs of Amazon fulfillment, this uniformity may require vendors to raise their prices elsewhere, not lower them on Amazon.

Amazon's Buy Box is not just a tool to promote its own bargaining power. The underlying Buy Box algorithm works together with the algorithms that track competitors' prices and send out "price alerts" to constitute a critical component of Amazon's algorithmic price administration. As noted, the algorithm that determines the Buy Box winner does not simply give customers the lowest price, but instead factors in other strategic considerations like fulfillment time and previous customer reviews. Amazon is no longer simply a predatory price leader—always offering the lowest price to undercut competition—rather, it is a price *maker*. Amazon may be offering up the lowest prices around, but those prices, compelled upon other platforms and retailers, now incorporate unknown quantities and varieties of data compiled by Amazon and channeled through its algorithms. When a customer buys a pair of Nikes, potentially from any retailer at all, the price they pay likely includes a

128. Soper, *supra* note 125.

129. Adrienne Jeffries & Leon Yin, *When Amazon Takes the Buy Box, It Doesn't Give It Up*, MARKUP (Oct. 14, 2021), <https://themarkup.org/amazons-advantage/2021/10/14/when-amazon-takes-the-buy-box-it-doesnt-give-it-up>.

130. *Id.*

131. Matt Juul, *The 2021 Amazon Buy Box Playbook for Sellers and Resellers*, FEEDVISOR (July 20, 2021), <https://feedvisor.com/resources/e-commerce-strategies/the-amazon-buy-box-playbook-for-sellers-and-retailers/>.

hidden premium that effectively subsidizes Amazon and its broader growth strategy: its speedy fulfillment times, its ostensibly generous benefits to Prime members, and, of course, its ability to undercut competitors' prices where it cannot compel a vendor to do the work for them.

C. FROM PREDATORY PRICING TO PRICE ADMINISTRATION

Patterns in Amazon's pricing policies signal that its long-term growth strategy is aimed at attaining and maintaining monopsony power in the retail market.¹³² While the monopolist seeks to be the single seller in a market, the monopsonist seeks to be the single buyer.¹³³ The strategy of undercutting competitors' prices by tracking and automatically matching or beating said prices was only the beginning. Customer growth consequent to this strategy propelled the positive feedback loop that has transformed Amazon into *the* essential platform for sellers of retail products—making Amazon the essential buyer. Amazon has wielded its increasingly monopsonistic bargaining power to ensure its continued price leadership with incentives for price uniformity among third-party vendors and with punishment for those who failed to comply.

The immediate consequences of Amazon's monopsonistic price leadership have been *higher* prices for consumers “in order to accommodate the need of third-party sellers to pay the ever-increasing fees involved in selling through Amazon.”¹³⁴ One third-party bookseller showed that the minimum advertised price for one of their products, “at any and all outlets, ha[d] increased more than 30 percent” in the previous four years.¹³⁵ And “[d]espite this fact, this seller's margins” were “tighter than ever due to Amazon's fee increases.”¹³⁶ Amazon's predatory prices enabled its attainment of a position tending toward monopsony power in the retail market such that it could attain sufficient dominance over pricing to recoup on its strategy.

Indeed, Amazon has likely been recouping for some time. A recent report reveals that Amazon now “pockets an average of 34 percent of each sale” from

132. See Khan, *supra* note 112, at 765–68.

133. Antitrust enforcers are increasingly attending to the growing trend of monopsony power, particularly in labor markets. See, e.g., Jonathan Kanter, Assistant Attorney General, Dep't of Justice, Antitrust Div., *Remarks to the New York State Bar Association Antitrust Section* (Jan. 24, 2022), <https://www.justice.gov/opa/speech/assistant-attorney-general-jonathan-kanter-antitrust-division-delivers-remarks-new-york>.

134. Sussman, *supra* note 115.

135. *Id.*

136. *Id.*

third-party vendors, “up from 30 percent in 2018, and 19 percent in 2014.”¹³⁷ This increased take has caused revenue from vendor fees to increase “from \$60 billion in 2019, to \$90 billion in 2020, to a projected \$121 billion in 2021”—a revenue stream growing faster than even Amazon Web Services (AWS), which was long thought to be propping up Amazon’s predatory pricing.¹³⁸ Due to both its pricing dominance and its increasingly monopsonistic position in retail, Amazon is capable of recouping any costs of its previous predation. But Amazon is doubling down and reinvesting in its own growth to cement its dominance. Vendor fees add to Amazon’s war chest that funds its below-cost prices for everything from Prime memberships and rapid fulfillment to its private label brands, its acquisitions that target competitors¹³⁹ and new markets¹⁴⁰ alike, and its 70 percent expansion of its logistics network over the last two years.¹⁴¹

Amazon’s overarching strategic policy has been to capture retail market share in pursuit of monopsony power, and Amazon’s developing capacity to administer prices is the foundation of this strategy. This capacity is a product of Amazon’s informational infrastructure that collects an unprecedented volume and variety of data and feeds off network effects to grow in tandem with the firm itself. Amazon’s algorithms organize this data into useful information and deploy it through administered prices that Amazon enforces. These machine learning algorithms benefit from network effects of their own because feedback from every algorithmic action provides further data from which the algorithm can learn.¹⁴²

What Amazon has accomplished is far more radical than the price administration of large corporations described by Means a century ago. The capacity to administer prices has always been tied to market concentration, the aggregation of capital in the firm, and investment in technology—the former two enabling discretion as to pricing, and the latter often requiring it. Although

137. Stacy Mitchell, *Amazon’s Toll Road: How the Tech Giant Funds Its Monopoly Empire by Exploiting Small Businesses*, INST. FOR LOCAL SELF-RELIANCE, 4 (Dec. 2021), <https://ilsr.org/wp-content/uploads/2021/11/ILSR-AmazonTollRoad-Final.pdf>.

138. *Id.*

139. *See, e.g.*, Brad Stone, *Amazon’s Expanding with Deal for Zappos*, N.Y. TIMES (July 22, 2009), <https://www.nytimes.com/2009/07/23/technology/companies/23amazon.html>.

140. *See, e.g.*, Darrell Etherington, *Amazon to Acquire Autonomous Driving Startup Zoox*, TECHCRUNCH (June 26, 2020), <https://techcrunch.com/2020/06/26/amazon-to-acquire-autonomous-driving-startup-zoox/>.

141. Mitchell, *supra* note 137, at 4.

142. *See* Tejas Narechania, *Machine Learning as Natural Monopoly*, 107 IOWA L. REV. 1543, 1577–81 (2022).

this discretionary “area of choice”¹⁴³ as to prices may have undermined the coordinative function of the price system, it did not threaten to render it entirely superfluous. But that is exactly what Amazon’s algorithmic price administration threatens. Through the development of its data infrastructure, its use of machine learning algorithms, and its exploitation of network effects to compound the value of both, Amazon has effectively hijacked the price system’s informational mechanism. Amazon is likely to have little need for the information aggregated and exchanged through prices, and is likely to have free rein to displace a decentralized industrial policy in favor of its own business policies.

IV. INFORMATION EXCHANGE AS ANTITRUST PROBLEM AND REMEDY

Amazon’s build-out of its data infrastructure has achieved the vertical integration of an informational network that effectively replaces the informational mechanism of the price system. There is good reason to believe that this method of information acquisition is more effective than that offered by the price system; the information available to Amazon is likely more accurate and less noisy. Just as algorithms enable this information acquisition, algorithms execute Amazon’s pricing policy. Predatory pricing algorithms implement Amazon’s strategic policy of positive feedback-driven growth and enforcement algorithms ensure compliance with its policies both on Amazon’s platforms and across markets. Because algorithmic price administration negates Amazon’s need for the price system as a medium of information exchange, it threatens to negate that function for all market actors as well. Amazon’s power over both prices and markets threatens the coordinative capacity of said information exchange, displacing the decentralized industrial policy that is its product in favor of Amazon’s own business policies. Amazon threatens to effectively integrate the price system within itself, which will enable unprecedented intrafirm coordination, minimize any need to coordinate with competitors, and undermine the capacity of competitors to coordinate beyond the noise of Amazon’s administration.

The price system enables coordination among competitors, and the antitrust laws regulate such coordination outside the price system. Section 1 of the Sherman Antitrust Act prohibits “[e]very contract, combination in the form of trust or otherwise, or conspiracy, in restraint of trade or commerce among the several States.”¹⁴⁴ Section 1 does not explicitly prohibit the

143. See Means, *supra* note 52, at 34.

144. 15 U.S.C. § 1.

exchange of information between horizontal competitors, nor does it describe such as evidence of a “contract,” “combination,” or “conspiracy.” But in 1921’s *American Column & Lumber Co. v. United States*, a majority of the Supreme Court concluded that certain forms of information exchange between competitors—outside that facilitated by the idealized price system—could qualify as an illegal restraint of trade under Sherman Act § 1.¹⁴⁵

A. INFORMATION EXCHANGE AS PRICE-FIXING

In 1918, 365 members of the American Hardwood Manufacturers’ Association, whose total membership produced approximately one third of the hardwood in the United States, joined in what was referred to as an “Open Competition Plan.”¹⁴⁶ The Plan’s purpose was to “disseminate among members accurate knowledge of production and market conditions” so as “to enable each member to intelligently make prices and . . . govern his production.”¹⁴⁷ The Plan required regular reporting from the members on sales, shipping, production, stock, price-lists, and inspection reports that would police members by “promptly expos[ing]” any deviation “from the tacit understanding that all were to act together.”¹⁴⁸ The participants claimed they had no other means beyond this information exchange to gain clarity as to true “market conditions,”¹⁴⁹ the Plan was to be “a central clearing house,” and coordination would “only replace *undesirable competition*”: competition blinded by noise and information asymmetries between horizontal or vertical competitors, buyers, and sellers.¹⁵⁰

After the government alleged this exchange violated the Sherman Act, Justice Clarke found that the organization behind the Plan “[o]bviously” constituted “a combination,” but that the question for the Court was whether this combination resulted in an “undue restraint of interstate commerce.”¹⁵¹ Clarke answered affirmatively, finding evidence of such “undue restraint” in the repeated calls from the Plan’s organizers to *avoid increases in production*, “thereby keeping the supply low and the prices high”¹⁵² This was the Plan’s “fully realized” purpose: “a concerted effort to raise prices regardless of

145. *See* *Am. Column & Lumber Co. v. United States*, 257 U.S. 377, 412 (1921).

146. *Id.* at 391. For a contemporaneous survey of debates in the 1920s over trade associations and the legality of their activities under the Sherman Act, see generally Herman Oliphant, *Trade Associations and the Law*, 26 COLUM. L. REV. 381 (1926).

147. *Am. Column*, 257 U.S. at 392–93.

148. *Id.* at 394–95, 411.

149. *Id.* at 393.

150. *Id.*

151. *Id.* at 399–400.

152. *Id.* at 403–04.

cost or merit.”¹⁵³ At work in the decision was a particular conception of the sort of competition the Sherman Act sought to preserve unrestrained. Clarke’s vision of competition foreclosed any notion of “harmony” in a market made up of “naturally competing dealers.”¹⁵⁴ Section 1 of the Sherman Act, the Court’s majority insisted, demands survival-of-the-fittest.

While Clarke defended a Darwinian vision of “natural” competition, Justices Holmes and Brandeis raised separate defenses of *reasonable* information exchange among horizontal competitors in dissent. Justice Holmes countered Clarke’s notion of “natural” competition with an “ideal of commerce” in which both buyer and seller engaged in “an intelligent interchange made with full knowledge of the facts”¹⁵⁵ While Clarke’s treatment of information exchange as effective price-fixing implied that the trade association’s activities were unlawful *per se*, Holmes implicitly argued for application of the rule of reason,¹⁵⁶ and asserted that a combination to “distribute such knowledge . . . is very far from a combination in *unreasonable* restraint of trade.”¹⁵⁷ Holmes rightly noted that information asymmetries undermine efficiency, and thus argued that there is nothing unreasonable *per se* about a combination seeking to overcome such asymmetries.

Justice Brandeis followed, agreeing with Holmes that there was no evidence of a “restraint of trade.”¹⁵⁸ In an illuminating passage, Brandeis revealed the basic principle grounding his reading of the antitrust laws—that “the essence of restraint is power; and power may arise merely out of position.”¹⁵⁹ Thus, “[w]herever a dominant position has been attained, restraint necessarily arises.”¹⁶⁰ Here, according to Brandeis, were individually small manufacturers who together made up less than a third of the market, and clearly had no such dominant position and thus little *power* to coerce other market actors.¹⁶¹ Noting that the Sherman Act does not demand blind competition, nor does it prohibit regulation of competition,¹⁶² Brandeis argued

153. *Id.* at 409.

154. *Id.* at 411.

155. *Id.* at 412 (Holmes, J., dissenting).

156. Under the “rule of reason,” plaintiffs must “plead and prove that defendants with market power have engaged in anticompetitive conduct,” while under the “*per se*” rule, “power generally need not be proven and anticompetitive effects are largely inferred from the conduct itself.” Herbert J. Hovenkamp, *The Rule of Reason*, 70 FLA. L. REV. 81, 83 (2018).

157. *Am. Column*, 257 U.S. at 412 (Holmes, J., dissenting) (emphasis added).

158. *Id.* at 414 (Brandeis, J., dissenting).

159. *Id.*

160. *Id.*

161. *Id.*

162. *Id.* at 415 (citing *Bd. of Trade v. United States*, 246 U.S. 231 (1918)).

that the Plan's members had no intention to regulate competition, but only "to make rational competition possible, by supplying data not otherwise available."¹⁶³ Therefore, the Plan promoted competition by enabling a collection of small manufacturers to survive to compete at all.¹⁶⁴ Indeed, manufacturers may see their only opportunity to engage in "rational competition" to require concentration if such an exchange were prohibited.¹⁶⁵ Enforcers of the Sherman Act, Brandeis insisted, must be flexible enough to foresee such possibilities and to mitigate them.

After reaffirming *American Column* at its first opportunity,¹⁶⁶ the Court's treatment of information exchange shifted in 1925's *Maple Flooring Manufacturers' Association v. United States*, where Justice Stone reframed the analysis by asking whether an exchange without an explicit agreement to fix prices produced a "necessary tendency" to unreasonably restrain competition.¹⁶⁷ Addressing a similar exchange of costs and sales data as in *American Column*, the trial court had found that the association's "controlling influence" risked "impeding the economic laws of supply and demand."¹⁶⁸ But Stone disagreed, finding that the particular exchange of information at issue offered no basis to infer that "concerted action" to "curtail production or raise prices" would "necessarily result."¹⁶⁹

Like Brandeis and Holmes, Stone explained the utility of information gathering and dissemination in markets, while recognizing that information exchange "tends to produce uniformity of prices" and "to prevent overproduction." Therefore, information exchange can stabilize both of these elements of the market for better or worse.¹⁷⁰ Stone pointed to a "consensus of opinion of economists and . . . the most important agencies of government that the public interest is served by the gathering and dissemination" of such information, precisely because this exchange "tends to stabilize trade and industry, to produce fairer price levels and to avoid the waste which inevitably attends the unintelligent conduct of economic enterprise."¹⁷¹ Just as Holmes'

163. *Id.* at 415–16 (Brandeis, J., dissenting).

164. *Id.*

165. *Id.* at 418–19.

166. *See* *United States v. Am. Linseed Oil Co.*, 262 U.S. 371 (1923).

167. *Maple Flooring Mfrs. Ass'n. v. United States*, 268 U.S. 563, 578 (1925) (quoting *Linseed Oil Co.*, 262 U.S. at 390).

168. *Id.* at 576.

169. *Id.* at 584–86.

170. *Id.* at 582.

171. *Id.* at 582–83. In an opinion handed down the same day regarding a similar case, Stone noted that price uniformity may naturally result from "active, free and unrestrained competition" due to the particular flow of information within the market through the "reports

American Column dissent envisioned commerce as an “intelligent interchange,” Stone argued that the “free distribution of knowledge” of the market’s “essential factors” did not make competition “less free,” but left *all* market actors “more intelligent.”¹⁷² For an exchange of information to qualify as an unlawful restraint under the Sherman Act, the *Maple Flooring* Court ruled that the exchange at issue must support an inference of an inevitable and arbitrary impact on the market, thus extending Brandeis’ notion in *American Column* of restraint as an abuse of power.¹⁷³

While additional cases involving information exchange by trade associations arose in the interim,¹⁷⁴ it was not until 1969 that the Supreme Court significantly amended its guidance on the issue in *United States v. Container Corporation of America*.¹⁷⁵ According to Justice Douglas, an information exchange between competing producers of shipping containers was distinct from and simpler than the earlier trade association cases: the defendants merely requested from competitors their most recent prices and those competitors generally complied, with the expectation of reciprocity.¹⁷⁶ According to Douglas, “[t]he result of this reciprocal exchange of prices was to stabilize prices though at a downward level,” since the knowledge generally caused defendants to either match or beat their competitor’s price.¹⁷⁷ That some price-reducing competition was apparent, however, did not undermine the greater problem of stabilization, according to Douglas. Indeed, when Douglas cited *American Column*, he and the majority largely ignored Justice Stone’s nuanced analysis in *Maple Flooring* and held the defendants liable, because “interference with the setting of price by free market forces is unlawful per se.”¹⁷⁸

Unlike the Justices of the 1920s, Justice Douglas treated an agreement to exchange information as equivalent to an “agreement” as contemplated by section 1.¹⁷⁹ Any apparent change in prices under such an exchange constituted

of salesmen, agents, and dealers,” and “the prompt meeting of changes in price by competing sellers.” *Cement Mfrs. Protective Ass’n v. United States*, 268 U.S. 588, 605 (1925).

172. *Maple Flooring*, 268 U.S. at 583.

173. *See id.* at 585; *Am. Column & Lumber Co. v. United States*, 257 U.S. 377, 414 (1921) (Brandeis, J., dissenting).

174. *See, e.g., Sugar Inst. v. United States*, 297 U.S. 553, 600 (1936) (affirming *Cement Manufacturers’* in holding that exchange must be “part of a plan to impose unwarrantable restrictions”).

175. *United States v. Container Corp. Am.*, 393 U.S. 333 (1969).

176. *Id.* at 335.

177. *Id.* at 336–37.

178. *Id.* at 337 (citing *United States v. Socony-Vacuum Oil Co.*, 310 U.S. 150, 224 n.59 (1940)).

179. *See id.* at 337.

price-fixing and was unlawful *per se*.¹⁸⁰ Douglas doubted the efficacy of intervention in markets to render them more “intelligent,” especially by private groups like trade associations. Like the idealized price system, antitrust offered a decentralized form of market regulation, wherein competition would ensure social welfare rather than coordination within a given industry. Thus, any effect of this coordination on prices constituted a restraint. As Douglas put it, “[p]rice is too critical, too sensitive a control to allow it to be used even in an informal manner to restrain competition.”¹⁸¹ An institutional choice favoring the antitrust laws carried with it a commitment to Hayek’s solution to the dispersed knowledge problem: a market system in which prices *must* be set by “free market forces” with strict rules of competition crafted to ensure the efficacy of that process.¹⁸²

B. ANTITRUST DOCTRINE’S PRICE-FIXING PARADOX

Every case of price-fixing involves some exchange of information that facilitates the conspiracy. That exchange enables the conspirators to effectively integrate the price system within their group, dominate and manipulate the exchange of information within the given market, and therefore harm out-group competitors, workers, and consumers reliant on that noisy information. Applying Douglas’s reasoning, where out-groups rely on the market price system to coordinate their economic activities this in-group information exchange is inherently anticompetitive, no matter how reasonable the desire of said in-group to avoid “unintelligent conduct of economic enterprise,” to borrow Stone’s language.¹⁸³

Yet a platform like Amazon can achieve the same capacity to dominate and manipulate the exchange of information within a given market through vertical integration while avoiding charges of price-fixing. This distinction drawn in the antitrust laws between the horizontal coordination of ostensible competitors and the vertical coordination of a single firm is rendered illogical by recognition of the identical goal of both tactics: the administration of prices. While Amazon’s administered prices may not look like those of hardwood or container manufacturers—who often fix artificially low rather than high prices—price administration in either form should be understood as price-fixing. Despite this reality, the Court’s premise that price-fixing is unlawful *per se* due to the risk of “interference with the setting of price by free market

180. See *Socony-Vacuum Oil Co.*, 310 U.S. at 223.

181. *Container Corp.*, 393 U.S. at 338.

182. *Id.* at 337.

183. *Maple Flooring*, 268 U.S. at 582–83.

forces”¹⁸⁴ paradoxically applies only to price-fixing by horizontal competitors under current antitrust doctrine, while price-fixing that is the product of single firm conduct is subject to the entirely different standards set out under § 2 of the Sherman Act.¹⁸⁵

Under § 2, a single firm will only be held liable for “charging monopoly prices” where the firm willfully acquired or maintained “monopoly power.”¹⁸⁶ Moreover, monopoly prices are expected to be artificially high, while artificially low prices are presumed to benefit consumers and pose no threat to competition “so long as they are above predatory levels.”¹⁸⁷ Proving a price to be predatory requires demonstrating that the firm not only injured competition, but was capable of recouping its costs by raising “prices above a competitive level . . . sufficient to compensate for the amounts expended on the predation, including the time value of the money invested in it.”¹⁸⁸ To avoid setting “standards of predatory pricing liability . . . so low that antitrust suits themselves became a tool for keeping prices high”¹⁸⁹—an example of what Robert Bork famously referred to as the “Antitrust Paradox”¹⁹⁰—federal courts have imposed upon antitrust enforcers a second paradox: price-fixing is presumed to unduly restrain trade when achieved through horizontal coordination, but not when achieved through single firm conduct.

This is not to say that the reasoning behind this doctrinal second paradox is entirely nonsensical. Louis Kaplow has noted “coordinated oligopolistic price elevation is qualitatively different” than that of a single firm because the oligopoly rewards horizontal colluders “not for outperforming their rivals but rather to the extent that they refrain from such competition.”¹⁹¹ Horizontal coordination suppresses the need to innovate to gain comparative advantage, whereas a single firm—like Amazon—is more likely to innovate to win a struggle for a vertical position that would enable unilateral price-fixing.¹⁹² While a predatory pricing strategy undermines this latter argument since the

184. *Container Corp.*, 393 U.S. at 337.

185. See 15 U.S.C. § 2 (“Every person who shall monopolize, or attempt to monopolize . . . any part of the trade or commerce among the several States . . . shall be deemed guilty of a felony . . .”).

186. See *Pac. Bell Tel. Co. v. linkLine Commc’ns, Inc.*, 555 U.S. 438, 448 (2009) (citing *United States v. Grinnell Corp.*, 384 U.S. 563, 570–71 (1966)).

187. *Atl. Richfield Co. v. USA Petroleum Co.*, 495 U.S. 328, 340 (1990).

188. *Brooke Group Ltd. v. Brown & Williamson Tobacco Corp.*, 509 U.S. 209, 225 (1993).

189. *Id.* at 226–27.

190. See ROBERT H. BORK, *THE ANTITRUST PARADOX* (2d ed., 1993).

191. Louis Kaplow, *Price-Fixing Policy*, 61 INT’L J. INDUS. ORG. 749, 758 (2018).

192. *Id.*

single firm wins the struggle for position through superior pricing rather than superior products, the concern of courts to avoid chilling good faith price-cuts is a reasonable one.¹⁹³ Highlighting these complex considerations, Amazon likely has achieved its dominance through a predatory pricing policy founded on an innovative informational infrastructure.

Whether or not Amazon's predatory pricing can be proven to the satisfaction of the federal courts, its position of dominance—unlawfully acquired or the product of “business acumen”—poses a fundamental challenge to the logic of antitrust doctrine.¹⁹⁴ As Brandeis warned in *American Column*, “[w]herever a dominant position has been attained, restraint necessarily arises.”¹⁹⁵ Contemporary antitrust doctrine's paradoxical approach to price-fixing fails to comprehend how Amazon's dominance extends not only over retail markets, but also over the information exchanged through those markets that other market actors must rely on.

C. MANDATING EQUITABLE INFORMATION EXCHANGE

While Amazon's liability under the antitrust laws under contemporary doctrine is open for debate, the profound impact of Amazon's algorithmic price administration on the informational quality of market prices and the overall efficacy of the price system as a decentralized coordinative mechanism is not. Means warned nearly a century ago that administered prices in any context threaten to displace the collective industrial policy of decentralized coordination in favor of the business policies of price administrators. This displacement occurs when the administrator injects noise, as opposed to information, into their marked-up prices. While prices aggregate dispersed information, the noise a price administrator injects through markups represents an aggregate of centralized, *private* information irrelevant to the efficient allocation of resources but crucial to the business policies of the administrator. Concentration of both capital and information within the administering firm enable its capacity to administer prices, which extends to the firm an area of price choice beyond the equations of supply and demand that the price system communicates. While a trade association's facilitation of horizontal information exchange was a prerequisite to price administration in the past, Amazon's vertically integrated informational infrastructure enables unilateral price administration precisely tailored to its business policies. In turn,

193. See *Brooke Group*, 509 U.S. at 226.

194. See *Grinnell Corp.*, 384 U.S. at 572 (distinguishing the “willful acquisition or maintenance” of monopoly power from “growth or development as a consequence of a superior product, business acumen, or historic accident”).

195. *Am. Column*, 257 U.S. at 414 (Brandeis, J., dissenting).

Amazon's price administration supports its positive feedback-driven growth and therefore extends the concentration of capital and information that had enabled the price administration in the first instance. In this manner, Amazon's algorithmic price administration has captured a positive feedback loop of its own that only creates more noise in the market.

However, none of these considerations deny the potential benefits of algorithmic pricing and even price administration. Means argued that industrial development may depend on the concentration of capital in large firms and the technological progress that this concentration arguably enables. Administered prices may be a necessary and worthwhile consequence of these benefits. Particularly where prices are administered so they undermine the coordinative efficacy of the price system, algorithmic pricing and other Big Data practices may encourage improvements upon, if not revolutionize, the allocation of both information and resources. Indeed, Stone argued the "free distribution of knowledge" is likely to leave all market actors "more intelligent."¹⁹⁶ Market actors therefore might be more capable of achieving Holmes' "ideal of commerce" as an "intelligent interchange."¹⁹⁷ And, as Brandeis noted, "rational competition" is only possible where information asymmetries are minimized.¹⁹⁸ The problem is that, absent intervention, such conceivable benefits are likely to accrue disproportionately to corporate administrators and investors, while harms like Amazon's predatory pricing are likely to accrue disproportionately to those lacking the means to acquire information outside the price system.

However, this inequity can be remedied. Means presented two potential responses to the problem of administered prices that are still relevant today. First, the antitrust laws could be deployed to break up highly concentrated firms and therefore disable their capacities to administer prices and build out informational infrastructures that threaten the coordinative role of the price system. Second, "institutional arrangements" could be developed to supplement the market price system. Means pointed to the Agricultural Adjustment Administration and National Recovery Administration as examples of "institutional frameworks" in which public and private interests could be mediated and economic activity coordinated without unfairly advantaging any particular party.¹⁹⁹

196. *Maple Flooring*, 268 U.S. at 583.

197. *Am. Column*, 257 U.S. at 412 (Holmes, J., dissenting).

198. *Id.* at 415–16 (Brandeis, J., dissenting).

199. See GARDINER C. MEANS, INDUSTRIAL PRICES AND THEIR RELATIVE INFLEXIBILITY, S. DOC. NO. 74-13, at 12–13 (1st Sess. 1935).

Amazon's informational infrastructure is a *private* attempt at such a framework because it supplements the inadequate information conveyed through market prices, promotes its own intrafirm coordination, and compels the participation of other market actors pursuant to its business policies. It is comparable to the idealized price system that directs the economic activities of market actors in line with its decentralized industrial policy. In fact, Amazon has provided a third way between the paths Means illuminated since it has displaced the public institution that is the price system in favor of a private substitute. Pursuant to the essential facilities doctrine, the antitrust laws could compel Amazon to put its private infrastructure to work in service of the public interest.

The essential facilities doctrine recognizes that access to and use of certain facilities may be essential to compete in a given market, and that these facilities may be subject to monopolization.²⁰⁰ As the Seventh Circuit formulated it, establishing liability under the essential facilities doctrine requires showing “(1) control of the essential facility by a monopolist; (2) a competitor’s inability practically or reasonably to duplicate the essential facility; (3) the denial of the use of the facility to a competitor; and (4) the feasibility of providing the facility.”²⁰¹ Admittedly, the essential facilities doctrine is disfavored, if not definitively rejected, under contemporary antitrust law. While some scholars have found that the doctrine “has a long and respected history as part of U.S. antitrust law,”²⁰² Phillip Areeda critically noted that “most Supreme Court cases invoked in support” of the doctrine “do not speak of it and can be explained without reference to it.”²⁰³ In *Trinko*, Justice Scalia cited Areeda’s critique favorably, and added “[w]e have never recognized such a doctrine . . . and we find no need either to recognize it or to repudiate it here.”²⁰⁴ Despite *Trinko*’s pronouncement, many have highlighted the doctrine’s relevance to the digital economy in recent years.²⁰⁵ Though the

200. See Brett Frischmann & Spencer Weber Waller, *Revitalizing Essential Facilities*, 75 ANTITRUST L.J. 1, 2–3 (2008).

201. *MCI Commc’ns Corp. v. Am. Tel. and Tel. Co.*, 708 F.2d 1081, 1133 (7th Cir. 1983).

202. Robert Pitofsky, Donna Patterson & Jonathan Hooks, *The Essential Facilities Doctrine Under U.S. Antitrust Law*, 70 ANTITRUST L.J. 443, 445 (2002).

203. Phillip Areeda, *Essential Facilities: An Epithet in Need of Limiting Principles*, 58 ANTITRUST L.J. 841, 841 (1989).

204. *Verizon Commc’ns Inc. v. Law Offices of Curtis V. Trinko, LLP*, 540 U.S. 398, 411 (2004).

205. See, e.g., Frischmann & Waller, *supra* note 200; Marina Lao, *Search, Essential Facilities, and the Antitrust Duty to Deal*, 11 NW. J. TECH. & INTELL. PROP. 275 (2013); Zachary Abrahamson, *Essential Data*, 124 YALE L.J. 867 (2014); Maxwell Meadows, *The Essential Facilities Doctrine in Information Economies: Illustrating Why the Antitrust Duty to Deal is Still Necessary*

doctrine has generally been applied to cases involving restriction of access to physical infrastructure for railroads²⁰⁶ or telecommunications,²⁰⁷ the doctrine is equally relevant to developing digital infrastructures.

The doctrine is particularly applicable to Amazon's informational infrastructure—its tools of data acquisition, its algorithms that transform that data into useful information through machine learning, and the data itself. First, unlike a railroad bridge,²⁰⁸ data and algorithmic learning are nonrivalrous—that is, capable of being “used by any number of firms or people simultaneously, without being diminished.”²⁰⁹ Second, while developing its informational infrastructure has certainly involved significant and ongoing investment, sharing access and use would be relatively costless.²¹⁰ Therefore, provision of the essential facility likely is feasible, with minimal need for the sort of “day-to-day” administration that concerned the *Trinko* court.²¹¹ Third, machine learning algorithms promote demand-side network effects, since each use of the algorithm “increases the application's value for future uses by improving the application's predictive functions.”²¹² Even leaving aside the additional network effects that compound Amazon's acquisition of data through positive feedback-driven growth, the relative informational value of Amazon's infrastructure is likely to compound at a rate that competitors will not be able to match, and thus will not be replicable. By enabling algorithmic price administration and therefore undermining the coordinative function of the market price system, Amazon's informational infrastructure now constitutes an essential facility in retail markets—one entirely under Amazon's control.

A recent study from the European Commission has addressed the possibility of applying the essential facilities doctrine to data infrastructures, where it proposed mandatory data exchange as one potential remedy.²¹³ For example, this remedy could require Amazon to share some or all of its raw

in the New Economy, 25 FORD. INTELL. PROP. MEDIA & ENT. L.J. 795 (2015); Nikolas Guggenberger, *Essential Platforms*, 24 STAN. TECH. L. REV. 247 (2021).

206. See, e.g., *U.S. v. Terminal R.R. Ass'n of St. Louis*, 224 U.S. 383 (1912).

207. See, e.g., *Trinko*, 540 U.S. 398.

208. See *Terminal R.R.*, 224 U.S. at 391–92.

209. Charles I. Jones & Christopher Tonetti, *Nonrivalry and the Economics of Data*, 110 AM. ECON. REV. 2819, 2819 (2020).

210. See Abrahamson, *supra* note 205, at 877–78.

211. See *Trinko*, 540 U.S. at 415.

212. Narechania, *supra* note 142, at 1577–81.

213. See Jacques Crémer, Yves-Alexandre de Montjoye & Heike Schweitzer, *Competition Policy for the Digital Era*, EUR. COMM'N 73 (2019), <https://op.europa.eu/en/publication-detail/-/publication/21dc175c-7b76-11e9-9f05-01aa75ed71a1/language-en>.

data inputs in an open-access pool.²¹⁴ If a court found that Amazon were owed compensation for costs associated with maintaining its infrastructure or otherwise, access to the pool could be granted through non-exclusive licenses with fair, reasonable, and non-discriminatory (FRAND) terms.²¹⁵

However, Michal Gal and Nicolas Petit have recently proposed a “radical” remedy that “has some similarities with data sharing remedies, but goes one step further”: it mandates an exchange of algorithmic learning.²¹⁶ The algorithms themselves, parts of their code, and other “essential” components of Amazon’s informational infrastructure would be subject to mandatory exchange rather than the data inputs.²¹⁷

As noted, algorithmic learning and raw data both are nonrivalrous and likely cost little to exchange, but Gal’s and Petit’s radical remedy would be superior to the exchange of raw data in at least three further respects. First, an exchange of data alone would still leave competitors at a potentially insuperable disadvantage due to the network effects of machine learning, whereas an exchange of said learning would capture and share that positive feedback loop.²¹⁸ Sharing algorithms could quickly level the coordinative capacities of all competitors, thus restoring some degree of competition with greater immediacy.²¹⁹ Second, sharing algorithms could potentially be a “one-time remedy,” whereas data exchange may require ongoing supervision of FRAND licensing, data provision from Amazon, and more.²²⁰ Finally, the sharing of algorithms and their outputs could minimize concerns for consumer privacy that may attach to the widespread sharing of data inputs.²²¹ Recognizing Amazon’s informational infrastructure as an essential facility and mandating the exchange of algorithms that constitute said infrastructure offers a compelling third way between disablement of Amazon through structural antitrust remedies and direct control of Amazon through public regulation.

Unlike either of those equally radical remedies, this third way conveys an additional prize: a decentralized mechanism for resource allocation aligned with the purposes and values of Hayek’s idealized market price system. Hayek highlighted the epistemic *needs* of a society in allocating resources and planning

214. *See id.* at 97.

215. *Id.*

216. Michal S. Gal & Nicolas Petit, *Radical Restorative Remedies for Digital Markets*, 36 BERKELEY TECH. L.J. 617, 622 (2021).

217. *See id.* at 637.

218. *See id.* at 625–629; *see also* Narechania, *supra* note 142, at 1577–81.

219. *See* Gal & Petit, *supra* note 216, at 635.

220. *Id.*

221. *See id.* at 622.

its economic activities and the epistemic *power* of market prices in rendering efficient that allocation and planning.²²² In theory, the price system's decentralization drives its communicative—and thus coordinative—efficiency, which in turn enables broader economic efficiency.²²³ Because decentralization channels widely dispersed information through an impersonal and omnipresent numerical price, the spatial and temporal limits of communication are extended and the interjection of noise is minimized.

While direct regulation may undermine such decentralization, break-ups of inordinately large firms like Amazon would theoretically effect decentralization. As written, “the antitrust laws represent a fundamental national economic policy”²²⁴ that prefers decentralized markets in which competition will compel self-regulation.²²⁵ The Hayekian vision of decentralization arguably legitimates capitalism itself. Unlike the socialist central planning that Hayek polemicized, the “social force, hierarchies, cruelties, and damages” of ostensibly decentralized markets are not perceived as “imposed from above.”²²⁶ Decentralization leads to depoliticization of the market, which lends airs of legitimacy and accountability to economic institutions like the price system.²²⁷

Yet the ubiquity of administered prices undermines both this vision of decentralized economic coordination through the price system and the antitrust laws founded upon that vision. Though Amazon's informational infrastructure mimics such decentralization by channeling massive volumes of data through pricing algorithms, it could never mimic the market's legitimacy while subject to Amazon's unilateral control. Recognition that this infrastructure is an essential facility in light of its disruption of the price system, then mandated access to and exchange of Amazon's algorithms and algorithmic learning, could lend to algorithmically administered prices the impersonal and mutualistic character of decentralized market prices. Such a mandate would acknowledge that the informational function of the price system has been superseded in an era of digitalization by the epistemic power of Big Data and machine learning, but that the full and equitable use of that power demands its democratization.

222. See Elizabeth Anderson, *The Epistemology of Democracy*, 3 J. SOC. EPISTEMOLOGY 8, 8–9 (2006) (categorizing Hayek as “a pioneer theorist of institutional epistemology”).

223. See HAYEK, *supra* note 10, at 86–88.

224. *Carnation Co. v. Pac. Westbound Conference*, 383 U.S. 213, 218 (1966).

225. See *Ohio v. Am. Express Co.*, 138 S. Ct. 2274, 2290 (2018) (Breyer, J., dissenting).

226. Wendy Brown, *Why Is Democracy So Hard? University of California, Berkeley Memorial Lecture for Erik Olin Wright, January 2020*, 48 POL. & SOC. 539, 545 (2020).

227. See *id.*

V. CONCLUSION

In theory, the market price system is a medium of information exchange. As equations of supply and demand, prices convey exactly that information to market actors, and thereby coordinate those actors' economic activities. Contemporary antitrust doctrine rests upon this theory, and seeks to preserve competition in order to facilitate this decentralized coordination. Thus, information exchange between competitors outside the price system may be proscribed where it poses an unreasonable threat to that coordinative function.

However, due to a paradoxical approach to price-fixing where the collection and use of information within a single firm is distinguished from that exchanged between competitors, Amazon has escaped liability despite effectively hijacking the price system's coordinative function. Under a guise of procompetitive low prices, Amazon has in fact deployed an unprecedented informational infrastructure—made possible by rapid developments in Big Data practices—to dominate price-making in the e-commerce market.

A response is needed if the current paradigm of market regulation through decentralized enforcement of competition is to persist. The essential facilities doctrine offers one avenue for potential remediation. Amazon could be compelled to share its algorithmic learning with competitors, contributing to a democratized and effectively decentralized mechanism of information exchange, moving beyond the price system while retaining some aspect of its legitimacy.