

FCC FACT SHEET^{*}
Allowing Earlier Equipment Marketing and Importation Opportunities
Report and Order, ET Docket No. 20-382

Background: The Commission’s equipment authorization program is essential to ensuring that the devices Americans rely on every day, such as their cellphones and Wi-Fi routers, comply with the Commission’s technical rules. Those rules, in turn, provide assurance to all spectrum users that their devices will work as intended and operate free from harmful interference. This Report and Order would adopt updates to the marketing and importation rules in the Commission’s equipment authorization program that will allow manufacturers to better gauge consumer interest and prepare for new product launches. These new rules would provide opportunities to streamline the equipment supply chain, reduce waste, and facilitate the rollout of innovative new devices to allow the United States to maintain its global leadership in these industries.

What the Report and Order Would Do:

- Modernize the Commission’s importation rules by adding a new condition to rule 2.1204 to permit importation of up to 12,000 radiofrequency devices for certain pre-sale activities prior to the devices obtaining equipment authorization.
 - Pre-sale activities would include packaging and shipping devices to retail locations, but not include display or demonstration of devices.
- Modernize the Commission’s marketing rules by amending rule 2.803 to permit conditional sales of radiofrequency devices to consumers prior to equipment authorization, provided those devices will not be delivered to consumers until equipment authorization has been obtained.
- These new rules include conditions necessary to ensure that radiofrequency devices are not sold to consumers or operated prior to obtaining equipment authorization.

* This document is being released as part of a “permit-but-disclose” proceeding. Any presentations or views on the subject expressed to the Commission or its staff, including by email, must be filed in ET Docket No. 20-382, which may be accessed via the Electronic Comment Filing System (<https://www.fcc.gov/ecfs/>). Before filing, participants should familiarize themselves with the Commission’s *ex parte* rules, including the general prohibition on presentations (written and oral) on matters listed on the Sunshine Agenda, which is typically released a week prior to the Commission’s meeting. See 47 CFR § 1.1200 et seq.

Before the
Federal Communications Commission
Washington, D.C. 20554

In the Matter of)
)
Allowing Earlier Equipment Marketing and) ET Docket No. 20-382
Importation Opportunities)

REPORT AND ORDER*

Adopted: []

Released: []

By the Commission:

I. INTRODUCTION

1. In this Report and Order we adopt targeted enhancements that will modernize our marketing and importation rules to allow radiofrequency (RF) equipment manufacturers to better gauge consumer interest and prepare for new product launches. These steps will further the communications sector’s ability to drive innovation that will advance America’s global competitiveness and promote economic growth. As product development cycles have accelerated, new marketplace models and assessment tools have emerged that rely on individual interest to fund products, optimize production, and match imports to anticipated sales. The rules we are adopting will allow manufacturers to better use these tools to quickly deploy new technologies and devices to consumers while ensuring that communications equipment subject to equipment authorization continues to meet our stringent program requirements.¹

II. BACKGROUND

2. The Commission’s rules generally require that RF devices may be marketed within or imported to the United States only after they have been subjected to the appropriate equipment

* This document has been circulated for tentative consideration by the Commission at its June 2021 open meeting. The issues referenced in this document and the Commission’s ultimate resolutions of those issues remain under consideration and subject to change. This document does not constitute any official action by the Commission. However, the Acting Chairwoman has determined that, in the interest of promoting the public’s ability to understand the nature and scope of 4 issues under consideration, the public interest would be served by making this document publicly available. The Commission’s ex parte rules apply and presentations are subject to “permit-but-disclose” ex parte rules. See, e.g., 47 CFR §§ 1.1206, 1.1200(a). Participants in this proceeding should familiarize themselves with the Commission’s ex parte rules, including the general prohibition on presentations (written and oral) on matters listed on the Sunshine Agenda, which is typically released a week prior to the Commission’s meeting. See 47 CFR §§ 1.1200(a), 1.1203.

¹ The equipment authorization program, codified in Part 2 of our rules, ensures that radiofrequency devices comply with the Commission’s technical and equipment authorization requirements before they can be marketed in or imported to the United States. See 47 CFR § 2.803; see also 47 U.S.C. § 302(b) (stating that “[n]o person shall manufacture, import, sell, offer for sale, or ship devices or home electronic equipment and systems, or use devices, which fail to comply with regulations promulgated pursuant to this section.”). The Office of Engineering and Technology (OET) administers day-to-day operation of the equipment authorization program. See 47 CFR § 0.241(b). OET’s Laboratory Division maintains a webpage devoted to the equipment authorization program. See FCC, Equipment Authorization, https://www.fcc.gov/engineering-technology/laboratory-division/general/equipment-authorization.

authorization procedure²—certification or supplier’s declaration of conformity (SDoC). These procedures require, among other things, that RF devices are tested to show compliance with the Commission’s rules and technical standards.³ Currently our rules include some exceptions that provide for limited marketing and importation of RF devices that have not yet been subject to a complete equipment authorization process. For example, some marketing prior to equipment authorization is permitted in the form of conditional sales contracts between manufacturers and retailers of RF devices; and in the early stages of the production process, such devices may be marketed to business, commercial, industrial, scientific, or medical users.⁴ In both instances, marketing to the general public is not permitted and the devices may not be delivered prior to equipment authorization.⁵ Similarly, limited quantities of unauthorized devices may be imported, but not marketed, for testing, demonstration, or personal use.⁶

3. In June 2020, the Consumer Technology Association (CTA) filed a petition seeking to modify the rules pertaining to RF device marketing and importation.⁷ CTA asserted that our current equipment authorization rules can slow the process of developing and deploying new products and services, and it proposed rule revisions targeting the prohibition on conditional sales to consumers and the limited ability to import devices prior to authorization.⁸ In December 2020, after considering the petition, and the general support expressed in the associated record,⁹ the Commission initiated this proceeding, in which it proposed changes to its equipment marketing and importation rules that were informed to a large extent by the CTA Petition.¹⁰

4. In the *NPRM*, the Commission proposed to broaden the existing conditional sales contract marketing exception beyond the limitation of “retailers and wholesalers.”¹¹ The Commission acknowledged that new sales models increasingly involve online marketplaces that provide product developers and manufacturers direct access to consumers, thus involving customers in the product

² See 47 CFR §§ 2.803, 2.1203, 2.1204.

³ 47 CFR Part 2, Subpart J. Certification is an equipment authorization issued by an FCC-recognized Telecommunication Certification Body based on its evaluation of related documentation and test data, subject to the Commission’s certification procedures. Device testing associated with a certification application must be performed by an FCC-recognized accredited testing laboratory, and information for all Certified equipment is posted on a Commission-maintained public database. 47 CFR § 2.907. SDoC is a self-approval procedure wherein the party responsible for an RF device (who must be located in the United States) ensures that it complies with the appropriate FCC and related technical standards. 47 CFR § 2.906. Equipment authorized under the SDoC procedure is not listed in a Commission database.

⁴ 47 CFR §§ 2.803(c)(2)(i)-(ii).

⁵ 47 CFR § 2.803(c).

⁶ 47 CFR § 2.1204(a).

⁷ Petition of Consumer Technology Association to Expand Marketing Opportunities for Innovative Technologies, RM-11857, at 3-6 (filed June 2, 2020) (CTA Petition).

⁸ *Id.*

⁹ On June 9, 2020, the Consumer and Governmental Affairs Bureau’s Reference Information Center issued a Public Notice seeking comment on CTA’s petition. *Petition of Consumer Technology Association to Expand Marketing Opportunities for Innovative Technologies*, RM-11857, Public Notice, Report No. 3150 (CGB June 9, 2020). Eight comments and two reply comments were filed in response.

¹⁰ *Allowing Earlier Equipment Marketing and Importation Opportunities Petition to Expand Marketing Opportunities for Innovative Technologies*, ET Docket No. 20-382, Notice of Proposed Rulemaking, 35 FCC Rcd 14458 (2020) (*NPRM*).

¹¹ See *NPRM*, 35 FCC Rcd at 14478, Appendix A, proposed 47 CFR § 2.803(c)(2)(i).

development process to a greater extent than before.¹² As a result, device developers are provided with investment and incentive to produce innovative products and consumers benefit by seeing new products and features rolled out in a much shorter timeframe. While the Commission proposed the new marketing rule to allow manufacturers to better leverage this new development paradigm, it nonetheless recognized the continued importance of keeping unauthorized RF devices from becoming available, and it proposed that, even under the new rule, delivery or physical transfer of devices to consumers prior to equipment authorization would still be prohibited.¹³

5. In addition, acknowledging industry's desire to speed the launch of new products to keep pace with the increasingly compressed innovation cycle, the Commission also proposed to broaden the conditions under which RF devices can be imported prior to equipment authorization.¹⁴ The Commission proposed to allow up to 4,000 RF devices to be imported prior to equipment authorization for the purposes of certain pre-sale activities, such as packaging and physical transfer to retail locations.¹⁵ Under this proposal, the RF devices could not be displayed to consumers prior to equipment authorization and the party responsible for importation would be required to take steps to ensure that appropriate device control is maintained until authorization is obtained.¹⁶

6. Sixteen comments and one reply comment were filed in response to the *NPRM*. While some commenters suggest modifications to the Commission's proposals, all filers are generally supportive of the overall marketing and importation proposals.

III. DISCUSSION

7. We recognize that, in some instances, developments in the modern device marketplace have outpaced those in our equipment authorization regime. As a result, our rules may limit the ability to market and import RF devices in new efficient and cost-effective ways. We therefore take this opportunity to adopt the rule changes proposed in the *NPRM*, with clarifying revisions, which will provide additional options for taking advantage of modern product development practices while ensuring against the use of unauthorized RF devices. Accordingly, we modify our rules to include an additional option that will allow for more importation of RF devices prior to equipment authorization. Further, we modify our rules to allow conditional sales of RF devices prior to authorization, subject to certain conditions. In both instances, we are adopting rules that are crafted in a manner to not undermine our equipment authorization program by continuing to prevent end users from having access to unauthorized RF devices. We also make targeted changes to our proposals to clarify our intent regarding the interaction between the revised marketing and importation rules. These changes eliminate a potential conflict between the proposed importation and marketing provisions, whereby imported and domestically-produced devices could be subject to disparate requirements. The rules we are adopting remove this disparity and provide more consistent treatment by permitting similar opportunities prior to equipment authorization regardless of the device's origin.

8. In summary, we are adopting a new condition under section 2.1204 and a revised exception under section 2.803 of our rules to allow the importation and marketing of certain RF devices, under specified constraints, prior to equipment authorization. In general, we are allowing the importation of a maximum of 12,000 RF devices for pre-sale activity if those devices: (1) are subject to a certification application that has been submitted to a Telecommunication Certification Body (TCB); (2) include an externally-visible temporary label prohibiting display to consumers, operation, and delivery of the device prior to the grant of certification; and, (3) remain under legal ownership of the device manufacturer,

¹² See, e.g., *NPRM*, 35 FCC Rcd at 14462 at para. 15.

¹³ *NPRM*, 35 FCC Rcd at 14461-63, paras. 14-18.

¹⁴ *Id.* at 14467-69, paras. 31-37.

¹⁵ *NPRM*, 35 FCC Rcd at 14470-71, paras. 41-42.

¹⁶ *Id.*

developer, importer or ultimate consignee, or their designated customs broker (who has a device retrieval process in place). Further, we are revising an existing exception in our rules¹⁷ to expand to consumers the limited marketing and conditional sales of certain RF devices prior to equipment authorization. The existing exception generally allows conditional sales contracts between manufacturers and wholesalers or retailers provided that delivery is made contingent upon compliance with the applicable equipment authorization and technical requirements.¹⁸ Our revisions to this condition expands conditional sales, and advertisements for such sales, to include other entities, including consumers, provided that the prospective buyer is advised at the time of marketing that delivery of the device is conditional upon successful completion of the applicable equipment authorization process. All devices must remain under the legal ownership of the initiating party (*i.e.*, the manufacturer or developer), but physical transfer may be permissible depending on the type of device. Physical transfer is prohibited for devices subject to the Supplier's Declaration of Conformity equipment authorization process. Devices subject to certification can be physically transferred to contracting parties, other than the ultimate user, for pre-sale activity if the devices include a temporary label and the initiating party has retrieval processes in place. We also adopt the proposed revision to section 95.391, which prohibits the manufacturing, importation, and sales of non-certified equipment for the Personal Radio Services, to reflect the marketing exception we adopt and add an additional reference to reflect the import condition we adopt.¹⁹

A. Importation of RF Devices Prior to Equipment Authorization

9. We are adopting the proposal to modernize our rules to allow a limited number of RF devices to be imported into the United States prior to equipment authorization for pre-sale activities, including packaging and transferring physical possession to retail locations, if those devices are subject to equipment authorization via the certification process. The rule we adopt adds a new condition to section 2.1204 of the Commission's rules to allow the importation of up to 12,000 RF devices for pre-sale activity before the equipment successfully completes certification.²⁰ The imported devices must be subject to the equipment authorization certification process (*i.e.*, excluding devices subject to Supplier's Declaration of Conformity process) for which an application has been submitted to a TCB. As noted above, the imported devices must include an externally-visible temporary label noting the prohibition of display to consumers, operation, and delivery of the device prior to the issuance of certification and remain under legal ownership of the device manufacturer, developer, importer or ultimate consignee, or their designated customs broker, who must have in place a device retrieval process to be implemented in the event that the certification process is not successfully completed. We believe this action will allow device manufacturers to better prepare for new product launches while guarding against a mass proliferation of unauthorized and non-compliant devices that might increase the risk of causing harm to consumers or other radio operations.

10. The rule proposed by the Commission in the *NPRM* largely reflected the proposal made by CTA in its petition.²¹ We proposed to allow up to 4,000 RF devices to be imported for pre-sale

¹⁷ 47 CFR § 2.803(c)(2)(i).

¹⁸ *Id.*

¹⁹ 47 CFR § 95.391, Appendix A, *infra*.

²⁰ 47 CFR § 2.1204(a). Subpart K of part 2 of our rules sets out the conditions under which radiofrequency devices may be imported into the United States. *See* Part 2, subpart K of our rules. 47 CFR §§ 2.1201-1207. These rules are designed to provide assurance that RF devices brought into the United States comply with the technical standards that the Commission has developed to minimize the potential for harm to consumers or other radio operations. These rules also recognize narrowly defined conditions where equipment that has not completed the Commission's equipment authorization process nevertheless may be imported under controlled circumstances, such as for compliance testing, repair, or use by the Federal government. 47 CFR § 2.1204(a)(3), (6), and (8), respectively.

²¹ CTA Petition at 14, A-2.

activities prior to being certified.²² In this case, such pre-sale activities would include imaging,²³ packaging,²⁴ and delivery of devices to retail locations, but “exclude the displaying of the device to consumers prior to equipment authorization.”²⁵ Under our proposal, limited importation could occur if the manufacturer has a reasonable belief that the device would receive authorization within thirty days of importation. Additionally, we proposed that the device include a temporary label regarding use restrictions and the manufacturer would be required to maintain legal ownership of the devices, even after delivery to retail locations, until authorization is received, and have a process in place to retrieve the devices in the event that authorization is not obtained.²⁶

11. While all comments received support the proposal’s intent, they include several requests to modify specific aspects, including the numerical limitation on the devices imported, the requirement that a manufacturer have a reasonable belief that authorization will be granted within 30 days of importation, and labeling requirements. We address the various issues below and modify our proposed rules, as appropriate, based on the comments received.²⁷

a. Numerical Limitation

12. We are adopting rules that limit to 12,000 the number of RF devices that can be imported for pre-sale activities. While the Commission proposed to limit this new import condition to 4,000 devices, it asked whether a higher level, such as 8,000, would be more appropriate, whether a smaller number of devices would provide less risk of unauthorized devices becoming available to the general public, and whether any safeguards beyond a simple numerical limit would be necessary in this regard.²⁸ Only HP Enterprise supports the proposed 4,000 device limit.²⁹ Otherwise, commenters generally suggest that we increase the device limit. Suggestions ranged from a non-specific increase,³⁰ to a 10,000 device limit,³¹ and a more widely supported 12,000 device limit.³² Comments proposing 12,000 devices generally state the larger limit would account for the number of potential retailers throughout the country based upon the estimated numbers of “big box” stores and wireless provider locations, among others.³³ Comments also note that a limit greater than 10,000 devices would increase the likelihood of more even

²² *NPRM*, 35 FCC Rcd at 14478, Appendix A, proposed 47 CFR § 2.1204(a)(11).

²³ CTA notes that “imaging means loading the devices with specific software to demonstrate specific features of the devices when displayed in a retail location.” CTA Petition at 12 n.42.

²⁴ CTA notes that “packaging means the box and the entire contents of a package in which the device is delivered for distribution, including in-box material.” *Id.* at 12 n.43.

²⁵ *Id.* at 12, n.44.

²⁶ *NPRM*, 35 FCC Rcd at 14478-79, Appendix A, proposed 47 CFR § 2.1204(a)(11)(iii)-(v).

²⁷ See 47 CFR § 2.1204(a)(11), Appendix A, *infra*.

²⁸ *NPRM*, 35 FCC Rcd at 14470-71, para. 41.

²⁹ HP Enterprise Comments at 1-2.

³⁰ CTIA-The Wireless Association (CTIA) Comments at 5; Information Technology and Innovation Foundation (ITIF) Comments at 4; and Computer & Communications Industry Association (CCIA) Comments at 4.

³¹ Garmin International Inc. Comments at 3 (Garmin); Qualcomm Incorporated Comments at 3-4 (Qualcomm).

³² INCOMPAS Comments at 5; U.S. Chamber of Commerce at 3; Mobile and Wireless Forum (MWF) Comments at 4-5; Samsung Comments at 9-10; Information Technology Industry Council (ITI) Comments at 2; CTA Comments at 10; Telecommunications Industry Association, Association of Home Appliance Manufacturers, Engine, The Internet Association, INCOMPAS, the Rural & Agriculture Council of America, and TechFreedom (collectively, Joint Commenters) Comments at 2-3; and Amazon.com Inc. (Amazon) Reply Comments at 3.

³³ See, e.g., Samsung Comments at 9-10; MWF Comments at 4-5; and ITI Comments at 2.

distribution to both urban and rural areas while still being small enough to mitigate the potential risk of unauthorized widescale distribution.³⁴

13. Based on the record, we find that the proposed importation limit of 4,000 devices would not be sufficient to achieve the intended benefits. We therefore adopt rules permitting up to 12,000 units of a particular device to be imported for pre-sale activities prior to the equipment being certified. As proposed, we also adopt a provision to allow the importation of devices in excess of 12,000 subject to prior written approval from the Chief of the Office of Engineering and Technology.³⁵ Overall, we find that a device limit of 12,000 will meet manufacturer and importer needs while not compromising the integrity of our equipment authorization program. The 12,000-unit limit is a maximum limit for a particular device across all ports of entry into the United States. Importation in excess of 12,000 units without written approval of the FCC is prohibited and may subject the manufacturer or importer to enforcement action.

14. Our proposal did not specifically address how to differentiate devices for complying with the maximum import quantity. Garmin provided comments suggesting that, in defining the importation limit for a device, we apply the permissible quantity based on SKU number rather than to general product names or model brands.³⁶ It notes that restricting the importation limit to product name or model brand would restrict manufacturers from importing the full range of a new product, such as different sizes and product options.³⁷ We agree with Garmin that additional clarification is necessary to provide certainty to manufacturers and importers that take advantage of the additional flexibility we are providing regarding importation for pre-sale activity. As such, we are adopting an additional provision to clarify that devices with different FCC IDs are considered to be separate devices; *i.e.*, up to 12,000 devices with the same FCC ID number may be imported for pre-sale activities.³⁸ We adopt this requirement as opposed to a SKU number based requirement as suggested by Garmin because FCC ID is the officially recognized method for identifying equipment, is required by FCC rules to be labelled on the device, and can be tracked through the FCC equipment authorization system database;³⁹ SKU numbers, on the other hand, have no regulatory meaning under FCC rules. Moreover, use of FCC ID will not be burdensome for manufacturers and importers because, as discussed below, devices subject to our new rules may not be imported until an application for certification has been submitted and therefore an FCC ID will already be associated with such equipment.⁴⁰

b. Submission of Application for Certification

15. In the *NPRM*, the Commission proposed to require that manufacturers importing devices under the proposed exception have “a reasonable belief that authorization will be granted within 30 days of importation”⁴¹ We asked several questions related to how manufacturers could comply with this

³⁴ Samsung Comments at 9-10; ITIF Comments at 4.

³⁵ The existing rules already contain this same method for requesting devices in excess of 4,000. *See* 47 CFR § 2.1204(a)(3)(i). We expect that parties seeking to avail themselves of this process will provide specific information in their request, including the exact number of devices to be imported and a detailed explanation indicating why 12,000 units is not sufficient under the particular circumstances.

³⁶ Garmin Comments at 3.

³⁷ *Id.*

³⁸ *See* 47 CFR § 2.1204(a)(11), Appendix A, *infra*. The FCC Identifier (FCC ID), which consists of a grantee code assigned by the FCC and an equipment product code assigned by the grantee, is an integral component of the certification process. *See* 47 CFR § 2.926.

³⁹ *See* 47 CFR § 2.925.

⁴⁰ *See* 47 CFR § 2.1033 (requiring the FCC ID to be provided in an application for certification).

⁴¹ *See NPRM*, 35 FCC Rcd at 14478, Appendix A, proposed 47 CFR § 2.1204 (a)(11)(ii); and *NPRM*, 35 FCC Rcd at 14471, paras. 42-44.

requirement. Most commenters stating that 30 days would not be sufficient suggest that 90 days would be more appropriate.⁴² Two filers, ITI and the Joint Commenters, suggest that 60-90 days would be generally sufficient and, for devices that require a TCB to coordinate with the OET Lab prior to taking action on the certification application, via the pre-approval guidance procedure, 120-180 days would be “reasonable.”⁴³ One commenter, ITIF, states that the increased complexity of devices would make enforcing an expectation requirement difficult and suggests that the Commission allow manufacturers options for “demonstrating reasonable belief of imminent authorization,” such as relying on process milestones.⁴⁴ Similarly, Samsung suggests that delivery to an accredited test lab or TCB for testing would be an appropriate basis for a reasonable expectation of authorization.⁴⁵ R Street Institute (R Street) also notes that determining compliance with the criterion would be difficult and suggests that we provide manufacturers flexibility in this regard, provided that they maintain documentation “demonstrating their internal logic regarding authorization.”⁴⁶

16. We continue to believe that parties who avail themselves of the new importation exception should only be permitted to do so if they reasonably believe that a certification will be issued as close to the importation date as is possible. However, based upon the record, we decline to adopt the 30-day timeframe. As many commenters suggest that the timeframe needed for certification can be unpredictable depending on device complexity and other factors, we are adopting a rule that does not include a specific timeframe but is instead based on the beginning of the equipment certification process. As the commenters’ recommendations are informed by their experiences with the equipment authorization process, requiring a reasonable belief of completion of certification activities within a specific timeframe would not accurately reflect the “real world” process in many circumstances. Similarly, if we were to specify multiple timeframes to cover different situations, there would still be numerous scenarios not covered, thus adding an unnecessary level of complexity to the rule that could limit its utility and result in confusion and inconsistent applicability.

17. Accordingly, we are adopting a requirement that importation for pre-sale activities prior to the device receiving certification can only occur after compliance testing is complete and an application for certification has been submitted, in good faith, to a TCB. At that point, an applicant will have expended considerable time, effort, and money to develop a product as well as entered into a testing and approval process that requires expending additional resources.⁴⁷ We find that this specific milestone reflects a point in the certification process by which the applicant can reasonably expect a grant. Allowing importation prior to the completion of compliance testing would increase the risk associated with distributing the unauthorized devices because the testing could reveal compliance issues that require device modification. We will not require any additional process milestones to be tracked to demonstrate compliance with the adopted rule. We note that some aviation and maritime devices subject to the equipment certification process require additional reviews and approvals, such as from the Federal Aviation Administration and the United States Coast Guard.⁴⁸ In some cases those additional approvals from other agencies must be done prior to submitting an application for FCC equipment certification and in some instances approval may be obtained concurrently. The rule we adopt here has no impact on those requirements, but entities intending to avail themselves of this new import condition should consider the

⁴² INCOMPAS Comments at 5; Garmin Comments at 3; Qualcomm Comments at 4; Amazon Reply Comments at 3-4; and Samsung Comments at 4.

⁴³ ITI Comments at 4 and Joint Commenters Comments at 3. The pre-approval guidance procedure is specified in Section 2.964 of the Commission’s rules. 47 CFR § 2.964.

⁴⁴ ITIF Comments at 4-5.

⁴⁵ Samsung Comments at 12.

⁴⁶ R Street Comments at 2.

⁴⁷ See 47 CFR §§ 2.911, 2.1033.

⁴⁸ See e.g., 47 CFR §§ 80.231, 87.145.

processing time and technical requirements of those reviews and approvals in relation to the certification process to determine when to begin importation under the new condition. Further, we note that parties must satisfy all conditions required for their equipment and comply with all conditions imposed by all relevant agencies under which the equipment is regulated; permission to market devices under FCC rules does not provide similar approval from other relevant agencies and all requirements must be satisfied in accordance with those agencies' rules. We expect applications to be filed in good faith, with accurate data and as completely as possible, and applicants must be responsive to any TCB requests for additional data.⁴⁹

B. Marketing of RF Devices Prior to Equipment Authorization

18. We are adopting our proposal to allow expanded conditional sales of RF devices prior to authorization, with appropriate clarifications regarding applicability and conditions. The Internet provides today's consumer with numerous opportunities to obtain innovative new products both directly—via crowd-funding platforms at the developmental stages, and through sales and distribution services offered by manufacturers and developers—and indirectly, through third party marketplaces, both online and in person. This new-found ability to more easily obtain the latest products has led to savvy consumers, who have a greater awareness of technological developments and expect to obtain the newest products as soon as possible.⁵⁰ At the same time, the ability to deal directly with consumers at the earliest stages of development has created new efficiencies and investment opportunities that provide smaller entities a chance to enter the competitive marketplace.⁵¹ Our new rule will allow innovators to take advantage of modern product development practices and better satisfy the expectations of today's consumer without diminishing the protections that our overall marketing rules provide.

19. In the *NPRM*, the Commission proposed to modify its marketing rules in a manner that would allow consumers to participate in the conditional sales of devices that have not received authorization.⁵² We did not receive any comments objecting to our overall marketing proposal. Commenters did note generally that, in addition to allowing consumers to receive new devices sooner, the proposal would provide benefits throughout the supply chain that would allow production to better match expected demand, thus providing efficiencies that would lower costs and reduce waste in raw materials and energy.⁵³ One comment suggests that the new marketing exception apply to the broadest category of devices and no commenters suggest excluding any devices.⁵⁴

20. We remain mindful that we must continue to protect against the possibility of unauthorized RF devices making their way to consumers and adopt rules intended to prevent such occurrences while expanding marketing opportunities for innovators. Additionally, the rules we proposed in the *NPRM* to allow pre-sale activities for imported devices would not have permitted similar flexibility for domestically produced devices. Thus, in adopting rules to permit marketing activities prior to equipment certification, we also provide flexibility in our marketing provisions to allow for pre-sale activities similar to those that we are allowing for imported devices. This action implements more consistent measures between similarly-situated devices with similar safeguards to prevent unauthorized devices from getting to consumers. Further, our action will also benefit consumers, who will be able to

⁴⁹ Failure to provide requested data may result in dismissal of the application for certification. See 47 CFR § 2.917(c).

⁵⁰ R Street Comments at 3-4; U.S. Chamber of Commerce Comments at 2; and CCIA Comments at 2-3.

⁵¹ R Street Comments at 4; Lincoln Network Comments at 3; and New America's Open Technology Institute, Public Knowledge, Consumer Reports, and Access Humboldt Comments at 4 (Public Interest Organizations).

⁵² *NPRM*, 35 FCC Rcd at 14460-67, paras. 12-30.

⁵³ Public Interest Organizations Comments at 2, 4; INCOMPAS Comments at 4; and ITIF Comments at 2.

⁵⁴ Telecommunications Industry Association, Association of Home Appliance Manufacturers, Engine, The Internet Association, INCOMPAS, Rural & Agriculture Council of America, TechFreedom Comments at 2 (Joint Commenters).

see and examine devices earlier so that they can make more timely purchase decisions, and retailers, who will gain the opportunity to become familiar with the features associated with new devices to better prepare those devices for display and sale once they are certified and may be operated.⁵⁵

21. As proposed in the *NPRM*, we are broadening the applicability of the prior conditional sales contract provision found in section 2.803(c) of our rules, which now will allow for conditional sales to consumers.⁵⁶ Specifically, we are modifying section 2.803(c)(2)(i) to allow conditional sales contracts and advertising for RF devices that have not yet received authorization, under particular delivery and physical transfer conditions⁵⁷ and a requirement that the contracting party advises the buyer at the time of marketing that the equipment is subject to FCC rules and delivery is conditional upon successful completion of the applicable equipment authorization process.⁵⁸

22. In the *NPRM*, the Commission proposed to allow conditional sales contracts between manufacturers and potential customers.⁵⁹ The intent was to broaden the rule that originally limited conditional sales to contracts between manufacturers and wholesalers or retailers, which was based on a concern that unauthorized devices that made their way to consumers could cause harmful interference to radio communications.⁶⁰ Ensuring that unauthorized RF devices do not cause harm remains among our highest concerns. However, recognizing that product marketing and distribution methods have evolved due to the Internet and new crowd-funding practices which bring the consumer into direct contact with the developer or manufacturer, and based on the comments received in response to the *NPRM*, we are adopting a more flexible rule that does not limit conditional sales contracts to transactions only between manufacturers and potential customers.

23. In the *NPRM*, the Commission declined to propose a rule that included the term “responsible party” in lieu of “manufacturer” as suggested by CTA,⁶¹ and instead proposed conditional sales contracts between manufacturers and potential customers. The Commission explained its concerns that, given the specific meaning of the term, “responsible party” would not be appropriate in this context.⁶² Further, it asked for comment on this determination and asked questions about more suitable

⁵⁵ *NPRM*, 35 FCC Rcd at 14469, para. 36.

⁵⁶ 47 CFR § 2.803(c)(2)(i). Section 2.803 of the Commission’s rules sets out the conditions under which RF devices that are capable of causing harm to consumers or other radio operations may be marketed in the United States. Marketing is broadly defined to include “sale or lease, or offering for sale or lease, including advertising for sale or lease, or importation, shipment, or distribution for the purpose of selling or leasing or offering for sale or lease.” 47 CFR § 2.803(a). In general, parties may not market RF devices unless the devices have been properly authorized or otherwise comply with all applicable technical, labeling, identification, and administrative requirements. 47 CFR § 2.803(b). There are exceptions to the overall prohibition in 47 CFR § 2.803(c).

⁵⁷ For purposes of this Report and Order, “delivery” refers to the transfer of physical possession and legal ownership of a device from one party to another and “physical transfer” refers to the transfer of physical possession of a device from one party to another.

⁵⁸ See 47 CFR § 2.803(c)(2)(i), Appendix A, *infra*.

⁵⁹ *NPRM*, 35 FCC Rcd at 14478, Appendix A, proposed 47 CFR § 2.803(c)(2)(i).

⁶⁰ *Revision of Part 15 of the Rules regarding the operation of radio frequency devices without an individual license*, First Report and Order, 4 FCC Rcd 3493, 3516, para. 127 (1989).

⁶¹ *NPRM*, 35 FCC Rcd at 14466-67, para. 27.

⁶² Under section 2.909, the party to whom a grant of equipment certification is issued is responsible for the compliance of the equipment with the applicable standards. 47 CFR § 2.909(a). A party other than the grantee may manufacture the equipment covered by the grant, provided that the equipment bears the FCC Identifier (FCC ID) as set out in its authorization grant and that the original grantee maintains responsibility for equipment compliance. 47 CFR § 2.929(b). If equipment is modified subsequent to authorization, and no new authorization is obtained, the modifying party becomes responsible for compliance and must include a label noting that the equipment has been

(continued....)

alternatives.⁶³ While no commenter suggests replacing “manufacturer” with “responsible party,” Samsung Electronics America (Samsung) suggests that we clarify that affiliates and related corporate entities should be considered acceptable in the context of “manufacturer.”⁶⁴ Additionally, while not providing specific rule changes, Samsung and CTA suggest we clarify that the rule would also cover contracts between manufacturers and retailers/wholesalers.⁶⁵

24. Our intent in proposing to expand conditional sales contract to “manufacturers and potential customers” was to broaden the pool of parties allowed to enter into conditional sales contracts with manufacturers, specifically to include consumers. Considering the information in the record, we find that inclusion of the phrase “between manufacturers and potential customers” would raise confusion as to who may enter into conditional sales contracts. We recognize that modern product development and distribution systems can be complex and involve multiple entities in various roles. As discussed in the *NPRM*, we understand that, with the proliferation of Internet-based direct-to-consumer sales and e-commerce platforms, various entities can access multiple distribution models to reach consumers.⁶⁶ To ensure that the language of our revised marketing regulation does not hinder innovation or provide unfair advantage or disadvantage to particular entities, we find that it is not necessary to specify the permissible parties to the conditional sales contracts. Thus, manufacturers, developers, or other entities responsible for new device creation, development, or production will be able to define their own role in the distribution and supply chain of their devices. We find this to be particularly important for smaller or new device developers who may not manufacture their devices but wish to engage in the sale and distribution process so they can appropriately plan for manufacturing and distribution. By expanding the pool of parties to the conditional sales contracts, we are implementing rules that encourage and expand opportunities for innovation and allow developers or other parties that are not themselves a manufacturer to participate in the sale and marketing of a device. At the same time, as noted below, we continue to prohibit delivery to consumers prior to completion of the equipment authorization process.

25. In this regard, we modify section 2.803(c)(2)(ii), a separate provision that allows limited marketing, in the form of sales, to a narrow class of specialized entities.⁶⁷ As noted in the *NPRM*, CTA had asked that the provision be deleted or replaced with language specifically addressing manufacturers’ ability to engage in activities related to its importation proposal.⁶⁸ The Commission in the *NPRM* sought comment on whether a change to the provision was necessary to achieve the proposal’s discrete objective and whether doing so could eliminate an important avenue for limited marketing that exists outside the conditional sales contract context.⁶⁹ In response to the *NPRM*, CTIA requests that we delete section

modified and providing contact information for the modifying party. 47 CFR § 2.909(d). These rules ensure that compliance responsibility is maintained throughout the design and manufacturing process for equipment.

⁶³ *NPRM*, 35 FCC Rcd at 14466-67, para. 27.

⁶⁴ Samsung Comments at 6-7.

⁶⁵ Samsung Comments at 11 and CTA Comments at 10-11.

⁶⁶ See *NPRM*, 35 FCC Rcd at 14462, para. 15.

⁶⁷ Specifically, “A radio frequency device that is in the conceptual, developmental, design or pre-production stage may be offered for sale solely to business, commercial, industrial, scientific or medical users (but not an offer for sale to other parties or to end users located in a residential environment) if the prospective buyer is advised in writing at the time of the offer for sale that the equipment is subject to the FCC rules and that the equipment will comply with the appropriate rules before delivery to the buyer or to centers of distribution.” 47 CFR § 2.803(c)(2)(ii).

⁶⁸ *NPRM*, 35 FCC Rcd at 14467, para. 28.

⁶⁹ *Id.*

2.803(c)(2)(ii), as it believes the new rule would eliminate the need for this section and retaining it in the rules would be confusing.⁷⁰

26. In light of the information in the record and the changes we are making to section 2.803(c)(2)(i) by expanding applicability to all parties, we find that section 2.803(c)(2)(ii) is no longer necessary and we remove it. The language that we are adopting in section 2.803(c)(2)(i) encompasses conditional sales to all parties, including business, commercial, industrial, scientific, or medical users, thereby negating the need for a separate exception targeted at those users.

27. We also clarify the conditions under which conditional sales contracts may be made. The proposed rule would have provided that delivery of devices subject to conditional sales contracts would be conditional upon *a determination* that the equipment complies with the applicable equipment authorization and technical requirements.⁷¹ To clarify the requirement, the rule we are adopting instead states that delivery is conditional upon “successful completion of the equipment authorization process.”⁷² This change does not eliminate the need for determining compliance with our technical requirements, but it more accurately reflects both of our equipment authorization processes⁷³ and the required milestone for delivery. This better conveys our intent by removing the ambiguity of a subjective condition referenced only to “a determination that the equipment complies with the applicable equipment authorization and technical requirements” rather than the actual completion of the equipment authorization process.

C. Device Delivery and Possession

28. While we now will permit conditional sales of RF devices prior to equipment authorization, we reiterate the importance of continuing to ensure that unauthorized RF devices do not reach consumers. No commenter suggests otherwise and several explicitly express support for retaining the prohibition.⁷⁴ Thus, the rule we are adopting continues to prohibit delivery of RF devices to consumers prior to completion of the equipment authorization process. We expect that the disclosure requirements discussed below will ensure that there is no consumer expectation of early delivery.⁷⁵ Likewise, the other process safeguards we discuss below should ensure that sellers take all necessary steps to prevent operation of unauthorized devices and delivery to consumers. These safeguards include provisions, previously introduced in the *NPRM*'s proposed importation provision, to allow devices subject to certification to physically move through the supply chain as far as the retailer, stopping short of the consumer.

29. In the *NPRM*, the Commission noted that the proposed rule could be seen as lessening the barriers between device developers, manufacturers, distributors, and consumers and asked whether any additional safeguards would be warranted to protect against harmful interference.⁷⁶ Specifically, the Commission asked, with regard to both marketing and importation, whether there are certain types of devices for which conditional sales to consumers would not be appropriate, citing as examples devices that would operate in bands that are subject to rigorous coordination or installation requirements and devices that operate to ensure safety of life onboard ships and aircraft.⁷⁷ The Commission also asked whether there are ways to prevent devices from being marketed that have no likelihood of being approved

⁷⁰ CTIA—The Wireless Association (CTIA) comments at 3.

⁷¹ *NPRM*, 35 FCC Rcd at 14478, Appendix A, proposed 47 CFR 2.803(c)(2)(i).

⁷² See 47 CFR 2.803(c)(2)(i), Appendix A, *infra*.

⁷³ While both SDoC and certification require devices to be tested for compliance with our rules, certification is only complete once an authorization is issued by a TCB upon its review of the appropriate test data. See note 3, *supra*.

⁷⁴ CTA Comments at 3; Public Interest Organizations Comments at 2; and U.S. Chamber of Commerce at 2.

⁷⁵ See, *infra*, section III.D.

⁷⁶ *NPRM*, 35 FCC Rcd at 14463-64, para. 19.

⁷⁷ *NPRM*, 35 FCC Rcd at 14463-64, 14473, paras. 19, 50.

due to compliance issues and whether equipment that could operate only under a Commission waiver should be prohibited from marketing prior to the Commission granting a waiver.⁷⁸ One comment suggests that the new rule permitting conditional sales apply to the broadest category of devices and no commenters suggest excluding any devices.⁷⁹

30. Equipment authorization of RF devices can be completed by one of two processes. Certification involves rigorous testing by an FCC-recognized accredited testing laboratory and listing in a Commission database. By contrast, SDoC is a self-certification process that gives the manufacturer substantially greater control over determining when a product meets our equipment authorization requirements.⁸⁰ While we are not adopting any specific device exclusions at this time, we find that requiring devices to complete our existing equipment authorization processes will facilitate movement of devices through the supply chain while maintaining controls to ensure against unauthorized use and delivery to consumers. Specifically, we see the two equipment authorization processes as providing a means by which to distinguish between types of devices in implementing various controls to limit physical access to unauthorized RF devices.

31. Upon further analysis of our proposals, we observe that the proposal to permit conditional sales prior to completion of the applicable equipment authorization process applied to all devices whether they originated from domestic or foreign sources. However, our new importation rules as adopted herein allow for pre-sale activities where certain imported devices can be physically transferred to retail locations, but the same flexibility was not specifically proposed for other devices. Allowing transfer of physical possession of certain imported devices to retailers, but not other devices, would result in a disparity in the treatment of similar devices based on whether they are imported or manufactured or developed in the U.S. To ensure consistent measures between similarly-situated devices regardless of their origin, we will permit devices subject to the equipment authorization certification process to engage in the same pre-sale activities and under similar conditions we adopt for imported devices. Specifically, we will allow the physical possession of devices subject to certification to be transferred to distributors and retailers. Neither in our import nor our marketing provision do we extend this flexibility to devices subject to SDoC because, unlike the more rigorous requirements associated with the certification process, the SDoC process provides manufacturers more flexibility in determining compliance with the FCC's technical requirements.

32. The marketing rule provision we are adopting will permit physical transfer of devices subject to certification procedures, and for which an application has been submitted to a TCB and compliance testing is complete, for the sole purpose of pre-sale activity, which includes packaging and transferring physical possession of devices to distribution centers and retailers. Pre-sale activity does not include display or demonstration of devices to consumers. This provision prohibits physical transfer of RF devices subject to Supplier Declaration of Conformity prior to completion of that process. It also requires that the party initiating the first conditional sales contract maintain legal ownership of the relevant devices.

33. The *NPRM* proposed to require manufacturers that engage in pre-sale activities to maintain legal ownership of imported RF devices that had not received equipment authorization, even after physically transferring them to retailers.⁸¹ When it made the proposal, the Commission asked whether the requirement would further its goal of keeping unauthorized devices from causing harm to

⁷⁸ *Id.*

⁷⁹ Telecommunications Industry Association (TIA), Association of Home Appliance Manufacturers, Engine, The Internet Association, INCOMPAS, Rural & Agriculture Council of America, TechFreedom Comments at 2. (Joint Commenters).

⁸⁰ The appropriate process is specified in the part of the Commission's rules that is applicable to the specific device. A device may receive certification even if the rules permit the use of the SDoC process. See 47 CFR § 2.906(c).

⁸¹ See 47 CFR § 2.1204(a)(11)(v), Appendix A, *infra*.

consumers or other radio operations, whether additional restrictions related to the delivery and location of devices after importation would be necessary, and about the manufacturer's responsibility in the event of unauthorized operation. The Commission also asked several questions related to the specific process of complying with the requirement and whether the benefits of the rule would outweigh any burdens that it would place on those involved in the process, such as manufacturers and retailers.⁸²

34. Samsung states that requiring manufacturers to retain legal ownership of imported RF devices will incentivize manufacturers to ensure that retailers and other partners abide by the labeling rules and other safeguards. Samsung recommends that the Commission clarify that agreements exercising the new importation condition to deliver devices to retail locations prior to authorization do not violate the section 2.803 marketing rules. Samsung argues that the current text of section 2.803(c)(2) may constrain the ability of manufacturers and retailers (as well as others in the distribution chain) to exercise the new importation condition to deliver devices to retail locations while extracting representations and warranties to abide by the Commission's safeguards. As an alternative to adding a new subsection to section 2.803, Samsung recommends that we clarify that contracts exercising the new condition, including physical transfer to retail partner locations, do not constitute marketing pursuant to section 2.803.⁸³ Similarly, CTA recommends that we clarify that the proposed new importation condition does not violate our marketing rules, but rather allows physical transfer of RF devices to retail locations with the safeguard of a manufacturer retaining legal ownership of those devices. CTA observes that manufacturers and retailers must have agreements in place to ensure that those devices are properly labeled, delivered, and stored until they are authorized for consumer use.⁸⁴

35. The intent of the Commission's proposed rule on ownership of imported RF devices was to protect consumers by ensuring that devices that have not yet been authorized are not operated. We find that we can achieve that important goal for both marketed and imported devices that have completed certification testing and been submitted to a TCB for approval by providing a process that allows for physical transfer of marketed devices while legal ownership is maintained by the first party to initiate a conditional sales contract (*i.e.*, a developer or manufacturer, or similar party) or, in the case of imported devices, by the device manufacturer, developer, importer or ultimate consignee, or their designated customs broker.

36. By permitting the physical transfer of devices, we will allow entities to take full advantage of modern marketing and importation practices while still protecting against unauthorized use of devices that have not completed the equipment authorization process. We are adding a new subsection to section 2.803 of our rules establishing the requirements applicable to ownership and physical transfer of such devices.

D. Disclosures and labeling

37. We believe that most consumers today are generally familiar with conditional sales and delayed delivery of new devices. However, we need to ensure that consumers purchasing devices that have not yet received authorization are aware of the conditions for delivery before entering into a conditional sales agreement. We are therefore adopting, as proposed, a requirement that the prospective buyer be advised at the time of marketing, through a prominent disclosure, that the equipment is subject to FCC rules and delivery to the end user is conditional upon successful completion of the applicable equipment authorization process.

38. In the *NPRM*, the Commission asked several questions regarding the implementation and scope of this disclosure requirement. For example, the Commission asked whether additional disclosures should be required throughout the equipment authorization process and, in the event that authorization is

⁸² *NPRM*, 35 FCC Rcd at 14472, para. 47.

⁸³ Samsung Comments at 11.

⁸⁴ CTA Comments at 10-11.

not obtained, how consumers would be notified, and whether we should require refund information to be provided in the required disclosure.⁸⁵ The Commission also asked about the responsibility of online retailers to ensure that all device advertisements involving conditional sales include the required disclosures, and whether unique identifying information (*e.g.*, model numbers, expected FCC ID) that may be known at the time of marketing, should be required in online advertisements.⁸⁶ Finally, the Commission asked whether we should require manufacturers to include a label on device packaging noting that it must not be delivered to consumers prior to obtaining equipment authorization and, if so, what additional information to require on the label.⁸⁷

39. While two commenters suggest that the Commission provide specific disclosure language,⁸⁸ most commenters suggest a more general Commission requirement.⁸⁹ However, INCOMPAS suggests that we specifically require a refund for consumers when device authorization is not obtained and the Public Interest Organizations went further, requesting we require companies utilizing the marketing exception to establish escrow funds for such refunds.⁹⁰ Similarly, regarding a consumer refund process, many commenters state the Commission should not adopt specific requirements or, generally, that no additional requirements beyond the proposal are necessary.⁹¹

40. We find that it is necessary and appropriate for parties initiating conditional sales contracts to advise buyers at the time of marketing, through a prominent disclosure, that the equipment is subject to FCC rules and delivery is conditional upon successful completion of the appropriate equipment authorization process.⁹² To ensure that our new rules for conditional sales to consumers do not lead to unanticipated problems, we will also require this disclosure to make clear that these rules do not address the applicability of consumer protection, contractual, or other provisions under federal or state law. The contractual nature of these conditional sales, along with the relevant contractual remedies available to the buyers, should provide sufficient incentive for the sellers to ensure that buyers are adequately informed of the conditions of sale, including a refund process, if device authorization is not successfully completed. We do not find that it is necessary to require standardized language for the disclosures nor do we believe that we need to take any additional measures to ensure that buyers are informed of the conditional nature of the sales contracts. We strongly encourage the initiating parties to provide for and notify conditional buyers as to the seller's established refund procedures in the event equipment authorization is not successful.

41. However, we do find that it is important to ensure that devices are not delivered to consumers and that distributors, retailers, consumers, and other relevant entities are aware that the devices must not be operated before equipment authorization is complete. In addition to disclosures, we are adopting the temporary labeling requirement for RF devices when parties engage in pre-sale activities that we proposed for imported devices and extending that requirement to devices under the marketing provisions adopted by this Order for those same pre-sale activities. In the *NPRM*, the Commission requested comment about requiring a temporary label on device packaging and what information that label should include.⁹³ The Commission went on to propose that devices imported prior to certification under the new exception include a temporary removable label that includes a specific warning against

⁸⁵ *NPRM*, 35 FCC Rcd at 14464, para. 20.

⁸⁶ *NPRM*, 35 FCC Rcd at 14464, para. 21.

⁸⁷ *NPRM*, 35 FCC Rcd at 14464-65, para. 22.

⁸⁸ INCOMPAS Comments at 6 and R Street Comments at 5.

⁸⁹ *See, e.g.*, CCIA Comments at 3-4; CTA Comments at 5; and Amazon Reply Comments at 4.

⁹⁰ INCOMPAS Comments at 7 and Public Interest Organizations Comments at 2.

⁹¹ CTA Comments at 5; CTIA Comments at 3,4-5; and Qualcomm Comments at 3.

⁹² *See* para. 11, *supra*.

⁹³ *NPRM*, 35 FCC Rcd at 14464-65, para. 22.

premature operation, display, offers for sale, marketing, or sales and asked whether additional information should be incorporated into such a label.⁹⁴ Garmin, INCOMPAS, and Hewlett Packard Enterprise specifically opposed such a requirement, generally stating that it would not be worth the investment in time and material.⁹⁵ While R Street agreed with the requirement,⁹⁶ other supportive comments generally suggested that existing labeling requirements would be sufficient,⁹⁷ or pointed to Commission guidance for temporary physical labels under the e-labeling procedures for RF devices.⁹⁸ No comments supported a temporary labeling requirement beyond that proposed by the Commission.

42. We continue to believe that a temporary label indicating the status of RF devices will provide a necessary safeguard against the inadvertent transfer of such devices to consumers and we are adopting the rule in both the importation and marketing provisions with some modifications to the required language for consistency with other provisions in the new rules.⁹⁹ Specifically, when parties engage in pre-sale activities, we clarify that the device or its packaging must prominently display a visible temporary label. This will ensure that the temporary label is not hidden inside the device packaging where it would not be visible. We also clarify that the device cannot be displayed to consumers, operated, or delivered to end users until successful completion of the applicable FCC equipment authorization process. We are not adopting our proposal that the label on imported devices include language prohibiting offers of sale and marketing, thus ensuring consistency in labeling for both imported and domestic devices. The devices must not be available to consumers until after the successful completion of the certification process and we expect that at the time of sale they will be in compliance with all pertinent information, technical, labeling, and other requirements within our rules. Because the labels are temporary, we find that it would be unduly burdensome to require the inclusion of any additional information such as authorization status or specific contact information or otherwise include any specific compliance guidance with the rules. As to compliance via our existing requirements for electronic labeling (e-labeling) of RF devices, it appears likely that commenters are referring to section 2.935(f) of our rules which requires an external removable label that addresses compliance with any applicable Commission requirements.¹⁰⁰ However, in this case, as the temporary label requirement is specifically codified in our new rule, strict compliance with section 2.935(f) is not necessary and would likely not be desirable.¹⁰¹

⁹⁴ *NPRM*, 35 FCC Rcd at 14478-79, Appendix A, proposed 47 CFR 2.1204 (a)(11)(iii); and *NPRM*, 35 FCC Rcd at 14471-72, paras. 45-46.

⁹⁵ Garmin Comments at 4; INCOMPAS Comments at 7; and Hewlett Packard Enterprise Comments at 2

⁹⁶ R Street Comments at 6-7.

⁹⁷ Amazon Reply Comments at 4-5; Joint Commenters Comments at 3; and ITI Comments at 2.

⁹⁸ CTA Comments at 9; Joint Commenters Comments at 3.

⁹⁹ See 47 CFR § 2.1204(a)(iii), Appendix A, *infra*.

¹⁰⁰ 47 CFR § 2.935(f).

¹⁰¹ There are numerous Commission rules that require specific regulatory information to be provided via physically attached label. For example, the FCC identifier must be placed on Certified RF devices, 47 CFR § 2.925, and certain devices that are operated without an FCC license must include a warning about interference, 47 CFR § 15.19. RF devices that have integrated electronic display screens or can only operate in conjunction with an electronic display screen have the option under section 2.935 (47 CFR § 2.935) to provide the required regulatory information electronically. Under section 2.935, the required regulatory information is intended to be permanently programmed into the device and a temporary external package label must be attached, as the device display is not accessible when devices are packaged. This external label may only be removed by a customer upon purchase. See 47 CFR § 2.935(f). In the instant case, the required label would be removed prior to the commencement of marketing, before entering into the customer's possession. Further, as the packaged device is not accessible and there is no ongoing requirement to provide the information, programming the label information into the device would not provide a practical means for complying with the new rule.

43. Once authorization has been completed, the RF devices must comply with all pertinent Commission labeling and disclosure requirements. We adopt our proposal to allow, but not require that, the anticipated FCC ID to be included if obscured by a temporary label until equipment authorization is successfully completed. Otherwise, we are not adopting requirements that specifically detail actions required to ensure compliance in this regard.

E. Retrieval and Tracking of Unauthorized Devices

44. As proposed in the importation provision of the *NPRM*, we are requiring processes to retrieve equipment when pre-sale activities are conducted, and clarifying that those processes must be implemented, in the event that authorization is not successfully completed.¹⁰² In this regard, the Commission also asked several questions about the level of detail of the process that should be codified and the requirements for records retention and submission.¹⁰³ With the exception of R Street, commenters do not offer any specific suggestions regarding retrieving equipment if authorization were to be denied, but generally indicate that existing Commission processes are adequate, and advocate a “light touch” regulatory approach. R Street recommends that we require RF device manufacturers to submit formal plans to retrieve devices to limit the ability for bad actors to let devices simply remain in the public sphere, rather than bear the cost of retrieving the devices. R Street suggests that these risks could be further limited by features such as a remote shutdown requirement on the devices, but notes that the benefits of such an approach may be limited by the costs of implementing it.¹⁰⁴ We had asked about this remote shutdown approach, noting some similarity to scenarios in which unauthorized devices operate under a part 5 experimental authorization.¹⁰⁵

45. In light of the expanded physical transfer provisions we are adopting in our marketing rule, we find it necessary that the marketing provisions also require a process for retrieval of devices, and completion of that process, in the event that authorization is not successfully completed when parties engage in pre-sale activities. Although we are adopting this retrieval requirement in both our importation and marketing rules, the language of the two provisions varies slightly to accurately designate the party responsible for the retrieval activities. For marketed devices, the burden is on the first party to initiate a conditional sales contract or to physically transfer devices, while for imported devices, the burden is on the device manufacturer, developer, importer or ultimate consignee, or their designated customs broker. In both instances, this will ensure that the party in legal ownership of the devices, regardless of the devices’ physical location, will be responsible for maintaining and implementing a process for retrieval if the applicable equipment authorization cannot be successfully completed. The language we adopt in the importation provision, which was limited to the manufacturer in our proposal, is consistent with party designations referenced in our other existing importation conditions.

F. Recordkeeping

46. In the *NPRM*, the Commission proposed a recordkeeping requirement for devices imported prior to equipment authorization that would require manufacturers to maintain, for a period of 5 years, records identifying the recipient of the devices along with information about the devices and the shipping.¹⁰⁶ The Commission asked several questions related to the need for recordkeeping and related reporting and responsibility issues.¹⁰⁷ The Commission’s recordkeeping questions were informed by its concerns about situations where pre-ordered devices are not ultimately authorized and enforcement

¹⁰² See 47 CFR § 2.1204(a)(11)(v), Appendix A, *infra*.

¹⁰³ *NPRM*, 35 FCC Rcd at 14472-73, paras. 48-49.

¹⁰⁴ R Street Comments at 9.

¹⁰⁵ *NPRM*, 35 FCC Rcd at 14473, para 51.

¹⁰⁶ *NPRM*, 35 FCC Rcd at 14479, Appendix A, proposed 47 CFR § 2.1204(a)(11)(vi).

¹⁰⁷ *NPRM*, 35 FCC Rcd at 14465, para. 23.

actions may be required.¹⁰⁸ Commenters generally recommend either no new recordkeeping or minimal requirements.¹⁰⁹ No commenter supporter additional reporting requirements. Samsung states that adopting new record retention requirements is not necessary because manufacturers regularly retain records related to equipment authorization that must be presented to the Commission upon request.¹¹⁰ Amazon states that an overly prescriptive approach or burdensome reporting and recordkeeping requirements are not necessary to protect consumers.¹¹¹

47. We find that the recordkeeping requirement proposed in the NPRM is the minimal required to ensure that, should it become necessary, the Commission will have access, as needed for enforcement or other purposes, to information regarding devices imported prior to authorization. We therefore adopt the recordkeeping requirement with a change to the party responsible for recordkeeping. That change provides that recordkeeping will be the responsibility of the device manufacturer, developer, importer or ultimate consignee, or their designated customs broker. In addition to being consistent with other importation recordkeeping requirements in our rules, this change also conforms to our recognition that entities other than a device manufacturer may be responsible for the importation of these devices.

48. Because the new marketing exception we adopt here expressly prohibits the delivery to end users any of the subject devices prior to authorization, it follows that compliant entities would maintain possession of the pre-ordered devices as provided in our rules. Thus, we do not see a benefit to imposing reporting requirements, as they would not directly further our underlying goal of keeping unauthorized devices from becoming available to the general public. Further, we believe that it is good business practice to maintain sales documentation and thoroughly track customers, particularly when, as with our marketing exception, sales are conducted through conditional sales contracts. We expect that sellers, through the normal course of business, will maintain records of the conditional sales contract permitted by the marketing rule we are adopting through this Report and Order. So, we are not adopting any new reporting requirements, but we are adopting a recordkeeping requirement consistent with that adopted for devices imported prior to equipment authorization. The party initiating a conditional sales contract or physically transferring devices under our new marketing exception must maintain, for a period of 5 years, records identifying each entity to whom a device is conditionally sold or physically transferred, the device name and product identifier, the quantity conditionally sold or physically transferred, the date on which the device authorization was submitted, and the expected FCC ID number. The party initiating the conditional sales contract or physically transferring devices must provide these records upon the request of Commission personnel.

G. Enforcement

49. In the *NPRM*, the Commission asked several questions about the appropriate enforcement actions that should be taken in the event of non-compliance with any of the new importation requirements¹¹² and the effect the marketing proposal would have on enforcement activities.¹¹³ It specifically asked questions about appropriate sanctions for instances where unauthorized devices are delivered to consumers prior to receipt of the equipment authorization, including, for example, whether the base forfeiture for such violations should be based on the number of units delivered and whether the Commission should deny future equipment authorization applications from grantees who deliver

¹⁰⁸ *Id.*

¹⁰⁹ See INCOMPAS Comments at 6-7; CTIA Comments at 6; CTA Comments at 7-8; Amazon Reply Comments at 4.

¹¹⁰ Samsung Comments at 12.

¹¹¹ Amazon Reply Comments at 4.

¹¹² *NPRM*, 35 FCC Rcd at 14474, para. 54.

¹¹³ *NPRM*, 35 FCC Rcd at 14465, para. 24.

unauthorized devices to consumers.¹¹⁴ Additionally, the Commission asked about how to hold online vendors accountable and what penalties would apply to any consumer who operates an unauthorized device that was obtained through a violation of our conditional sale procedure.¹¹⁵

50. Commenters did not specifically address enforcement related to the importation proposal. While some commenters expressed concerns about risks to consumers in the event that equipment authorization is not ultimately obtained, none cited this concern as a reason to not adopt the proposed rule.¹¹⁶ No commenters provided specific recommendations regarding the consideration of violations or the determination of appropriate penalties. Any comments that addressed enforcement generally stated that existing enforcement tools would provide sufficient means to address compliance issues without any modification.¹¹⁷

51. Commenters generally concurred that the FTC and state agencies and courts would be appropriate venues for consumer contractual complaints.¹¹⁸ ITIF states that there is always a risk of bad actors knowingly flouting regulations or small, unsophisticated parties unknowingly failing to comply, but that the risk of non-compliant radios becoming publicly available does not seem to increase with our proposed rule changes. However, ITIF recommends that we should always view enforcement as a primary concern.¹¹⁹ ITI notes existing safeguards that are currently in place via not only the Commission, but also the FTC and States' Attorneys General, and argues that new Commission enforcement mechanisms are not necessary.¹²⁰ Similarly, CTA argues that consumer redress mechanisms are in place, if necessary, and that if a manufacturer does not deliver a device where a customer remitted some consideration, the FTC and state consumer protection agencies are experts in redressing such harms.¹²¹

52. We find that other agencies, including the Federal Trade Commission and the various states' attorneys general, would be the appropriate venues for consumer complaints about these issues and we will not implement additional enforcement measures at this time. Our rules already include exceptions for marketing prior to equipment authorization. Although the exception that we adopt today provides for a greater scale of pre-authorization device marketing, we believe that our existing enforcement measures will be sufficient to mitigate and address potential harm.

H. Open proceeding

53. In the *NPRM*, the Commission acknowledged an open equipment authorization proceeding, ET Docket 15-170,¹²² which also asked questions about importation, and tentatively

¹¹⁴ *Id.*

¹¹⁵ *NPRM*, 35 FCC Rcd at 14465, para. 24.

¹¹⁶ *See, e.g.*, Public Interest Organizations Comments at 2 and of INCOMPAS Comments at 6-7. We address these suggestions in this regard as we discuss the retrieval process. *See* section III.E, *supra*.

¹¹⁷ MWF Comments at 2-3; Lincoln Network Comments at 4; ITI Comments at 4; and CTA Comments at 7.

¹¹⁸ R Street Comments at 6; CTA Comments at 6-7; INCOMPAS Comments at 8; Lincoln Network Comments at 2, 4; and ITI Comments at 4.

¹¹⁹ ITIF Comments at 5.

¹²⁰ ITI Comments at 3.

¹²¹ CTA Comments at 6.

¹²² *See Amendment of Parts 0, 1, 2, 15 and 18 of the Commission's Rules regarding Authorization of Radiofrequency Equipment*, ET Docket No. 15-170, Notice of Proposed Rulemaking, 30 FCC Rcd 7725 (2015) (*2015 Equipment Authorization Notice*); and *Amendment of Parts 0, 1, 2, 15 and 18 of the Commission's Rules regarding Authorization of Radiofrequency Equipment*, ET Docket No. 15-170, First Report and Order, 32 FCC Rcd 8746 (2017) (*2017 Equipment Authorization Order*). In the *2017 Equipment Authorization Order*, the Commission, among other things, codified contemporary electronic labeling (e-label) practices, modified importation procedures to remove an outdated filing requirement, and changed the rules governing how personal devices and those used in

(continued....)

concluded that its new marketing and importation proposals may be acted upon separately.¹²³ Two commenters specifically requested that we also take action on two proposals from ET Docket 15-170.

54. In the context of our importation exception, Garmin suggests that we revisit the Commission's outstanding proposal for "provisional certification."¹²⁴ In the *2015 Equipment Authorization Notice*, the Commission discussed the idea of a "provisional certification" as a potential method for addressing the confidentiality concerns of applicants for certification in which granted certifications would not be included in the Commission's public database before the RF device is made available for sale. The Commission also suggested that a provisionally certified device could also be imported prior to its acknowledgement in its database.¹²⁵ Garmin submitted several filings in support of the proposal in ET Docket 15-170.¹²⁶ As a provisional grant of certification procedure would affect all stakeholders in the equipment authorization process, it goes beyond the narrow focus of this proceeding, the marketing and importation rules. Thus, we do not believe that this Report and Order provides an appropriate venue for the proposal's consideration.¹²⁷ Additionally, as an alternative to the provisional grant proposal, Garmin also includes an entirely new proposal for a "deferred grant eligibility confirmation letter" which would be issued by a TCB prior to the grant of certification. Such a letter would indicate the device has met the equipment authorization requirements and the grant would not occur until a date specified by the applicant.¹²⁸ This proposal would similarly impact many aspects of the equipment authorization process, and the responsibilities of TCBs, in particular, so we likewise believe it is beyond the scope of this proceeding.

55. Additionally, one commenter, CTIA suggested that the Commission also act on outstanding proposals related to the certification of modular transmitters.¹²⁹ A modular transmitter is a completely self-contained RF transmitter device that typically is incorporated into another product and is subject to, among others, the requirements of section 15.212 of the Commission's rules.¹³⁰ The *2015 Equipment Authorization Notice* included proposed changes to these requirements and compliance with such requirements in the context of the certification process.¹³¹ These proposals relate to the certification process and it is not necessary for us to take action at this time to allow us to adopt the instant marketing and importation rules.

trade shows may be brought into the country. The Commission left several matters open for further considerations, including when equipment subject to certification can be imported and how the certification information is made available to the public; how to ensure that the certification process is optimized for today's more complex devices that often include numerous transmitters configured in increasingly varied manners; and whether to require manufacturers to certify that a device cannot be modified by third-party RF controlling software that could cause those devices to create harmful interference.

¹²³ *NPRM*, 35 FCC Rcd at 14474, para. 56.

¹²⁴ Garmin Comments at 4-7.

¹²⁵ See *2015 Equipment Authorization Notice*, 30 FCC Rcd at 7757-58, 7767, paras. 92, 121.

¹²⁶ See, e.g., Letters from Timothy J. Cooney, Esq. Counsel, Garmin International, Inc. to Marlene H. Dortch, Secretary, FCC, ET Docket No. 15-170 (filed Oct. 19, 2019 and Nov. 4, 2019).

¹²⁷ In any event, we note that a provisionally certified device would have theoretically completed the equipment authorization. Thus, the exceptions that we have adopted herein would not be relevant and the proposal would not provide any increased efficiencies to the marketing or importation processes.

¹²⁸ Garmin Comments at 7-8.

¹²⁹ CTIA Comments at 7.

¹³⁰ 47 CFR § 15.212.

¹³¹ *2015 Equipment Authorization Notice*, 30 FCC Rcd at 7739-41, paras. 39-43.

IV. PROCEDURAL MATTERS

56. *Final Regulatory Flexibility Act Analysis.* As required by the Regulatory Flexibility Act of 1980, as amended (RFA),¹³² the Commission has prepared a Final Regulatory Flexibility Analysis (FRFA) regarding the possible significant economic impact on small entities of the policies and rules adopted in this Report and Order. The FRFA is set forth in Appendix B. The Commission's Consumer and Government Affairs Bureau, Reference Information Center, will send a copy of the Report and Order, including the FRFA, to the Chief Counsel for Advocacy of the Small Business Administration.¹³³ In addition, the Report and Order and FRFA (or summaries thereof) will be published in the *Federal Register*.¹³⁴

57. *Paperwork Reduction Act.* This document contains new or modified information collection requirements subject to the Paperwork Reduction Act of 1995 (PRA), Public Law 104-13.¹³⁵ It will be submitted to the Office of Management and Budget (OMB) for review under Section 3507(d) of the PRA. OMB, the general public, and other Federal agencies will be invited to comment on the new or modified information collection requirements contained in this proceeding. In addition, we note that pursuant to the Small Business Paperwork Relief Act of 2002, Public Law 107-198, *see* 44 U.S.C. § 3506(c)(4), we previously sought specific comment on how the Commission might further reduce the information collection burden for small business concerns with fewer than 25 employees. We have described impacts that might affect small businesses, which includes most businesses with fewer than 25 employees, in the FRFA, attached as Appendix B.

58. *Congressional Review Act.* The Commission will submit this draft Report and Order to the Administrator of the Office of Information and Regulatory Affairs, Office of Management and Budget, for concurrence as to whether this rule is "major" or "non-major" under the Congressional Review Act, 5 U.S.C. § 804(2). The Commission will send a copy of this Report and Order to Congress and the Government Accountability Office pursuant to 5 U.S.C. § 801(a)(1)(A).

V. ORDERING CLAUSES

59. **IT IS ORDERED** that, pursuant to Sections 4(i), 301, 302, 303(c), 303(f), and 303(r) of the Communications Act of 1934, as amended, 47 U.S.C. §§ 154(i), 301, 302a, 303(c), 303(f), and 303(r), this Report and Order **IS ADOPTED** as set forth above.

60. **IT IS FURTHER ORDERED** that the amendments of the Commission's rules as set forth in Appendix A ARE ADOPTED, effective thirty days from the date of publication in the Federal Register, except for sections 2.803(c)(2) and 2.1204(a)(11), which contain new or modified information collection requirements that require approval by the Office of Management and Budget under the Paperwork Reduction Act and WILL BECOME EFFECTIVE after the Commission publishes a notice in the Federal Register announcing such approval and the relevant effective date.

61. **IT IS FURTHER ORDERED** that the Commission's Consumer & Governmental Affairs Bureau, Reference Information Center, **SHALL SEND** a copy of this Report and Order, including the Final Regulatory Flexibility Analysis, to the Chief Counsel for Advocacy of the Small Business Administration.

¹³² *See* 5 U.S.C. § 603. The RFA, *see* 5 U.S.C. § 601 *et seq.*, has been amended by the Small Business Regulatory Enforcement Fairness Act of 1996 (SBREFA), Pub. L. No. 104-121, Title II, 110 Stat. 857 (1996). The SBREFA was enacted as Title II of the Contract with America Advancement Act of 1996 (CWAAA).

¹³³ *See* 5 U.S.C. § 603(a).

¹³⁴ *Id.*

¹³⁵ 44 U.S.C. §§ 3501-3520.

62. **IT IS FURTHER ORDERED** that the Commission **SHALL SEND** a copy of this Report and Order in a report to be sent to Congress and the Government Accountability Office pursuant to the Congressional Review Act, see 5 U.S.C. § 801(a)(1)(A).

FEDERAL COMMUNICATIONS COMMISSION

Marlene H. Dortch
Secretary

APPENDIX A

Final Rules

For the reasons set forth in the preamble, the Federal Communications Commission amends part 2 of Title 47 of the Code of Federal Regulations as follows:

Part 2 — FREQUENCY ALLOCATIONS AND RADIO TREATY MATTERS; GENERAL RULES AND REGULATIONS

1. The authority citation for part 2 continues to read as follows:

Authority: 47 U.S.C. 154, 302a, 303, and 336, unless otherwise noted.

2. In section 2.803(c)(2), remove and reserve paragraph (ii) and revise paragraph (i) to read as follows:

§ 2.803 Marketing of radio frequency devices prior to equipment authorization.

* * * * *

(c) * * *

(2) * * *

(i) Conditional sales contracts (including agreements to produce new devices manufactured in accordance with designated specifications), and advertisements for such sales, are permitted provided that the initiating party advises the prospective buyer at the time of marketing, through a prominent disclosure, that the equipment is subject to the FCC rules and delivery to the end user is conditional upon successful completion of the applicable equipment authorization process.

(A) For devices subject to Supplier Declaration of Conformity procedures under subpart J, physical transfer of equipment from the initiating party to other entities, including delivery to the end user, prior to successful completion of the equipment authorization process is prohibited.

(B) For devices subject to Certification procedures under subpart J, delivery to the end user prior to successful completion of the equipment authorization process is prohibited; transfer of physical possession of devices to other entities for the sole purpose of pre-sale activity is permitted only after compliance testing by an FCC-recognized accredited testing laboratory is completed and an application for Certification is submitted to an FCC-recognized Telecommunication Certification Body pursuant to section 2.911. Pre-sale activity includes packaging and transferring physical possession of devices to distribution centers and retailers. Pre-sale activity does not include display or demonstration of devices.

1. Each device, or its packaging, physically transferred for the purpose of pre-sale activity must prominently display a visible temporary removable label stating:

“This device cannot be delivered to end users, displayed, or operated until the device receives certification from the FCC. Under penalty of law, this label must not be removed prior to the FCC issuing a certification grant.”

2. The first party to initiate a conditional sales contract under paragraph (c)(2)(i) of this section or to physically transfer devices must have processes in place to retrieve the equipment in the event that the equipment is not successfully certified and must complete such retrieval immediately after a determination is made that the equipment certification cannot be successfully completed.

(C) Notwithstanding § 2.926, radiofrequency devices marketed pursuant to paragraph (c)(2)(i) of this section may include the expected FCC ID if obscured by the temporary label described in paragraph (c)(2)(i)(B)(1) of this section or, in the case of electronic labeling, if the expected FCC ID cannot be viewed prior to authorization.

(D) All radiofrequency devices marketed under paragraph (c)(2)(i) of this section must remain under legal ownership of the first party to initiate a conditional sales contract.

(E) The first party to initiate a conditional sales contract or any party that physically transfers devices under paragraph (c)(2)(i) of this section must maintain, for a period of sixty (60) months, records of each conditional sale contract. Such records must identify the device name and product identifier, the quantity conditionally sold, the date on which the device authorization was sought, the expected FCC ID number, and the identity of the conditional buyer, including contact information. The first party to initiate a conditional sales contract or any party that physically transfers devices under paragraph (c)(2)(i) of this section must provide these records upon the request of Commission personnel.

* * * * *

3. Amend section 2.1204 by adding paragraph (a)(11) to read as follows:

§ 2.1204 Import Conditions.

(a) * * *

* * * * *

(11) The radio frequency device is subject to Certification under section 2.907 and is being imported in quantities of 12,000 or fewer units for pre-sale activity. For purposes of this paragraph, quantities are determined by the number of devices with the same FCC ID.

(i) The Chief, Office of Engineering and Technology, may approve importation of a greater number of units in a manner otherwise consistent with paragraph (a)(11) of this section in response to a specific request.

(ii) Pre-sale activity includes packaging and transferring physical possession of devices to distribution centers and retailers. Pre-sale activity does not include display or demonstration of devices. Except as provided in § 2.803(c)(2)(i), the devices must not be delivered to end users, displayed, operated, or sold until equipment Certification under § 2.907 has been obtained.

(iii) Radiofrequency devices can only be imported under the exception of paragraph (11) of this section after compliance testing by an FCC-recognized accredited testing laboratory is completed and an application for certification is submitted to an FCC-recognized Telecommunication Certification Body pursuant to section 2.911 of this part, after completion of compliance testing;

(iv) Each device, or its device's packaging, imported under this exception must prominently display a visible temporary removable label stating:

“This device cannot be delivered to end users, displayed, or operated until the device receives certification from the FCC. Under penalty of law, this label must not be removed prior to the FCC issuing a certification grant.”

(v) Notwithstanding § 2.926, radiofrequency devices imported pursuant to paragraph (a)(11) of this section may include the expected FCC ID if obscured by the temporary label described in paragraph (a)(11)(iii) this section or, in the case of electronic labeling, if it cannot be viewed prior to authorization.

(vi) The radiofrequency devices must remain under legal ownership of the device manufacturer, developer, importer or ultimate consignee, or their designated customs

broker, and only transferring physical possession of the devices for pre-sale activity as defined in paragraph (a)(11) of this section is permitted prior to Grant of Certification under section 2.907. The device manufacturer, developer, importer or ultimate consignee, or their designated customs broker must have processes in place to retrieve the equipment in the event that the equipment is not successfully certified and must complete such retrieval immediately after a determination is made that certification cannot be successfully completed.

(vii) The device manufacturer, developer, importer or ultimate consignee, or their designated customs broker must maintain, for a period of sixty (60) months, records identifying the recipient of devices imported for pre-sale activities. Such records must identify the device name and product identifier, the quantity shipped, the date on which the device authorization was sought, the expected FCC ID number, and the identity of the recipient, including contact information. The device manufacturer, developer, importer or ultimate consignee, or their designated customs broker must provide records maintained under this provision upon the request of Commission personnel.

Part 95 — PERSONAL RADIO SERVICES

4. The authority citation for part 95 continues to read as follows:

Authority: 47 U.S.C. 154, 303, 307, unless otherwise noted.

5. Revise section 95.391 to read as follows:

§ 95.391 Manufacturing, importation, and sales of non-certified equipment prohibited.

No person shall manufacture, import, sell, or offer for sale non-certified equipment for the Personal Radio Services except as provided for in § 2.803(c)(2)(i) and 2.1204(a)(11) of this chapter. *See* § 302(b) of the Communications Act (47 U.S.C. 302a(b)). *See also* part 2, subpart I (§ 2.801 et seq.) of this chapter for rules governing marketing of radiofrequency devices; part 2, subpart K (§ 2.1201 et seq.) of this chapter for rules governing import conditions.

APPENDIX B

FINAL REGULATORY FLEXIBILITY ANALYSIS

1. As required by the Regulatory Flexibility Act of 1980, as amended (RFA),¹ an Initial Regulatory Flexibility Analysis (IRFA) was incorporated in *Allowing Earlier Equipment Marketing and Importation Opportunities*, Notice of Proposed Rulemaking (NPRM), ET Docket 20-382.² The Commission sought written public comment on the proposals in the *NPRM*, including comment on the IRFA. This present Final Regulatory Flexibility Analysis (FRFA) conforms to the RFA.³

A. Need for, and Objectives of, the First Report and Order

2. In June 2020, the Consumer Technology Association (CTA) filed a petition for rulemaking seeking modification of the Commission's rules pertaining to the marketing and importation of radiofrequency (RF) devices. CTA argued that those rules were out-of-date and may hinder development and deployment of state-of-the-art RF products and services. In December 2020, after considering the petition, and the general support expressed in the associated record,⁴ the Commission initiated this proceeding, proposing changes to our marketing and equipment rules that were informed to a large extent by the CTA Petition.⁵

3. In this Report and Order we adopt targeted enhancements to our marketing and importation rules that will allow equipment manufacturers to better gauge consumer interest and prepare for new product launches. Given the rapid and widespread deployment of the radiofrequency (RF) devices integral to nearly all aspects of modern life, these steps will further the communications sector's ability to drive innovation and promote economic growth. As product development cycles have accelerated, new marketplace models and assessment tools have emerged that rely on individual interest to fund products and allow sellers to optimize the number of products they produce or import to match anticipated sales. The rules we adopt will allow manufacturers to better utilize these tools to speed the newest technologies and must-have devices to consumers. We have crafted these rules in a manner that will not harm the underlying goals of the Commission's equipment authorization program: ensuring that the communications equipment Americans rely on every day, such as their cellphones and Wi-Fi devices, comply with the Commission's technical rules; and providing assurance to all spectrum users that their devices will work as intended and operate free from harmful interference.

B. Summary of Significant Issues Raised by Public Comments in Response to the IRFA

4. There were no comments filed that specifically addressed the rules and polices proposed in the IRFA.

¹ See 5 U.S.C. § 603. The RFA, see 5 U.S.C. §§ 601 – 612, has been amended by the Small Business Regulatory Enforcement Fairness Act of 1996 (SBREFA), Pub. L. No. 104-121, Title II, 110 Stat. 857 (1996).

² See *Allowing Earlier Equipment Marketing and Importation Opportunities*, ET Docket No. 20-382, Notice of Proposed Rulemaking, 35 FCC Rcd 14458 (2020) (*NPRM*).

³ See 5 U.S.C. § 604.

⁴ On June 9, 2020, the Consumer and Governmental Affairs Bureau's Reference Information Center issued a Public Notice seeking comment on CTA's petition, *Petition of Consumer Technology Association to Expand Marketing Opportunities for Innovative Technologies*, RM-11857, Public Notice, Report No. 3150 (CGB June 9, 2020).

⁵ The Commission granted the CTA Petition to the extent described in the *NPRM*. See *NPRM*, 35 FCC Rcd at 14476, para. 64.

C. Response to comments by the Chief Counsel for Advocacy of the Small Business Administration

5. Pursuant to the Small Business Jobs Act of 2010, which amended the RFA, the Commission is required to respond to any comments filed by the Chief Counsel for Advocacy of the Small Business Administration (SBA), and to provide a detailed statement of any change made to the proposed rules as a result of those comments.⁶ The Chief Counsel did not file any comments in response to the proposed rules in this proceeding.

D. Description and Estimate of the Number of Small Entities to Which Rules Will Apply

6. The RFA directs agencies to provide a description of, and where feasible, an estimate of the number of small entities that may be affected by the proposed rules, if adopted.⁷ The RFA generally defines the term “small entity” as having the same meaning as the terms “small business,” “small organization,” and “small governmental jurisdiction.”⁸ In addition, the term “small business” has the same meaning as the term “small business concern” under the Small Business Act.⁹ A “small business concern” is one which: (1) is independently owned and operated; (2) is not dominant in its field of operation; and (3) satisfies any additional criteria established by the Small Business Administration (SBA).¹⁰

7. *Small Businesses, Small Organizations, Small Governmental Jurisdictions.* Our actions, over time, may affect small entities that are not easily categorized at present. We therefore describe here, at the outset, three broad groups of small entities that could be directly affected herein.¹¹ First, while there are industry specific size standards for small businesses that are used in the regulatory flexibility analysis, according to data from the Small Business Administration’s (SBA) Office of Advocacy, in general a small business is an independent business having fewer than 500 employees.¹² These types of small businesses represent 99.9% of all businesses in the United States, which translates to 30.7 million businesses.¹³

8. Next, the type of small entity described as a “small organization” is generally “any not-for-profit enterprise which is independently owned and operated and is not dominant in its field.”¹⁴ The Internal Revenue Service (IRS) uses a revenue benchmark of \$50,000 or less to delineate its annual electronic filing requirements for small exempt organizations.¹⁵ Nationwide, for tax year 2018, there

⁶ 5 U.S.C. § 604 (a)(3).

⁷ See 5 U.S.C. § 603(b)(3).

⁸ 5 U.S.C. § 601(6).

⁹ 5 U.S.C. § 601(3) (incorporating by reference the definition of “small-business concern” in the Small Business Act, 15 U.S.C. § 632). Pursuant to 5 U.S.C. § 601(3), the statutory definition of a small business applies “unless an agency, after consultation with the Office of Advocacy of the Small Business Administration and after opportunity for public comment, establishes one or more definitions of such term which are appropriate to the activities of the agency and publishes such definition(s) in the Federal Register.”

¹⁰ 15 U.S.C. § 632.

¹¹ See 5 U.S.C. § 601(3)-(6).

¹² See SBA, Office of Advocacy, “What’s New With Small Business?”, <https://cdn.advocacy.sba.gov/wp-content/uploads/2019/09/23172859/Whats-New-With-Small-Business-2019.pdf> (Sept. 2019).

¹³ *Id.*

¹⁴ 5 U.S.C. § 601(4).

¹⁵ The IRS benchmark is similar to the population of less than 50,000 benchmark in 5 U.S.C § 601(5) that is used to define a small governmental jurisdiction. Therefore, the IRS benchmark has been used to estimate the number small

(continued....)

were approximately 571,709 small exempt organizations in the U.S. reporting revenues of \$50,000 or less according to the registration and tax data for exempt organizations available from the IRS.¹⁶

9. Finally, the small entity described as a “small governmental jurisdiction” is defined generally as “governments of cities, counties, towns, townships, villages, school districts, or special districts, with a population of less than fifty thousand.”¹⁷ U.S. Census Bureau data from the 2017 Census of Governments¹⁸ indicate that there were 90,075 local governmental jurisdictions consisting of general purpose governments and special purpose governments in the United States.¹⁹ Of this number there were 36,931 general purpose governments (county,²⁰ municipal and town or township²¹) with populations of less than 50,000 and 12,040 special purpose governments—independent school districts²² with enrollment

organizations in this small entity description. *See* Annual Electronic Filing Requirement for Small Exempt Organizations — Form 990-N (e-Postcard), “Who must file,” <https://www.irs.gov/charities-non-profits/annual-electronic-filing-requirement-for-small-exempt-organizations-form-990-n-e-postcard>. We note that the IRS data does not provide information on whether a small exempt organization is independently owned and operated or dominant in its field.

¹⁶ *See* Exempt Organizations Business Master File Extract (EO BMF), “CSV Files by Region,” <https://www.irs.gov/charities-non-profits/exempt-organizations-business-master-file-extract-eo-bmf>. The IRS Exempt Organization Business Master File (EO BMF) Extract provides information on all registered tax-exempt/non-profit organizations. The data utilized for purposes of this description was extracted from the IRS EO BMF data for Region 1-Northeast Area (76,886), Region 2-Mid-Atlantic and Great Lakes Areas (221,121), and Region 3-Gulf Coast and Pacific Coast Areas (273,702) which includes the continental U.S., Alaska, and Hawaii. This data does not include information for Puerto Rico.

¹⁷ 5 U.S.C. § 601(5).

¹⁸ *See* 13 U.S.C. § 161. The Census of Governments survey is conducted every five (5) years compiling data for years ending with “2” and “7.” *See also* Census of Governments, <https://www.census.gov/programs-surveys/cog/about.html>.

¹⁹ *See* U.S. Census Bureau, 2017 Census of Governments – Organization Table 2. Local Governments by Type and State: 2017 [CG1700ORG02]. <https://www.census.gov/data/tables/2017/econ/gus/2017-governments.html>. Local governmental jurisdictions are made up of general purpose governments (county, municipal and town or township) and special purpose governments (special districts and independent school districts). *See also* Table 2. CG1700ORG02 Table Notes_Local Governments by Type and State_2017.

²⁰ *See id.* at Table 5. County Governments by Population-Size Group and State: 2017 [CG1700ORG05]. <https://www.census.gov/data/tables/2017/econ/gus/2017-governments.html>. There were 2,105 county governments with populations less than 50,000. This category does not include subcounty (municipal and township) governments.

²¹ *See id.* at Table 6. Subcounty General-Purpose Governments by Population-Size Group and State: 2017 [CG1700ORG06]. <https://www.census.gov/data/tables/2017/econ/gus/2017-governments.html>. There were 18,729 municipal and 16,097 town and township governments with populations less than 50,000.

²² *See id.* at Table 10. Elementary and Secondary School Systems by Enrollment-Size Group and State: 2017 [CG1700ORG10]. <https://www.census.gov/data/tables/2017/econ/gus/2017-governments.html>. There were 12,040 independent school districts with enrollment populations less than 50,000. *See also* Table 4. Special-Purpose Local Governments by State Census Years 1942 to 2017 [CG1700ORG04], CG1700ORG04 Table Notes_Special Purpose Local Governments by State_Census Years 1942 to 2017.

populations of less than 50,000.²³ Accordingly, based on the 2017 U.S. Census of Governments data, we estimate that at least 48,971 entities fall into the category of “small governmental jurisdictions.”²⁴

10. *Radio Frequency Equipment Manufacturers (RF Manufacturers)*. Neither the Commission nor the SBA has developed a small business size standard applicable to Radio Frequency Equipment Manufacturers (RF Manufacturers). There are several analogous SBA small entity categories applicable to RF Manufacturers—Fixed Microwave Services, Other Communications Equipment Manufacturing, and Radio and Television Broadcasting and Wireless Communications Equipment Manufacturing. A description of these small entity categories and the small business size standards under the SBA rules are detailed below.

11. *Fixed Microwave Services*. Microwave services include common carrier,²⁵ private-operational fixed,²⁶ and broadcast auxiliary radio services.²⁷ They also include the Upper Microwave Flexible Use Service,²⁸ Millimeter Wave Service,²⁹ Local Multipoint Distribution Service (LMDS),³⁰ the Digital Electronic Message Service (DEMS),³¹ and the 24 GHz Service,³² where licensees can choose between common carrier and non-common carrier status.³³ There are approximately 66,680 common carrier fixed licensees, 69,360 private and public safety operational-fixed licensees, 20,150 broadcast auxiliary radio licensees, 411 LMDS licenses, 33 24 GHz DEMS licenses, 777 39 GHz licenses, and five 24 GHz licenses, and 467 Millimeter Wave licenses in the microwave services.³⁴ The Commission has not yet defined a small business with respect to microwave services. The closest applicable SBA category is Wireless Telecommunications Carriers (except Satellite)³⁵ and the appropriate size standard for this category under SBA rules is that such a business is small if it has 1,500 or fewer employees.³⁶ For this industry, U.S. Census Bureau data for 2012 show that there were 967 firms that operated for the

²³ While the special purpose governments category also includes local special district governments, the 2017 Census of Governments data does not provide data aggregated based on population size for the special purpose governments category. Therefore, only data from independent school districts is included in the special purpose governments category.

²⁴ This total is derived from the sum of the number of general purpose governments (county, municipal and town or township) with populations of less than 50,000 (36,931) and the number of special purpose governments - independent school districts with enrollment populations of less than 50,000 (12,040), from the 2017 Census of Governments - Organizations Tables 5, 6, and 10.

²⁵ See 47 CFR part 101, subparts C and I.

²⁶ See 47 CFR part 101, subparts C and H.

²⁷ Auxiliary Microwave Service is governed by part 74 of Title 47 of the Commission’s Rules. See 47 CFR part 74. Available to licensees of broadcast stations and to broadcast and cable network entities, broadcast auxiliary microwave stations are used for relaying broadcast television signals from the studio to the transmitter, or between two points such as a main studio and an auxiliary studio. The service also includes mobile TV pickups, which relay signals from a remote location back to the studio.

²⁸ See 47 CFR part 30.

²⁹ See 47 CFR part 101, subpart Q.

³⁰ See 47 CFR part 101, subpart L.

³¹ See 47 CFR part 101, subpart G.

³² See *id.*

³³ See 47 CFR §§ 101.533, 101.1017.

³⁴ These statistics are based on a review of the Universal Licensing System on September 22, 2015.

³⁵ See U.S. Census Bureau, 2017 NAICS Definition, “517312 Wireless Telecommunications Carriers (except Satellite),” <https://www.census.gov/naics/?input=517312&year=2017&details=517312..>

³⁶ See 13 CFR § 121.201, NAICS Code 517312 (previously 517210).

entire year.³⁷ Of this total, 955 firms had employment of 999 or fewer employees and 12 had employment of 1000 employees or more.³⁸ Thus under this SBA category and the associated size standard, the Commission estimates that a majority of fixed microwave service licensees can be considered small.

12. The Commission does not have data specifying the number of these licensees that have more than 1,500 employees, and thus is unable at this time to estimate with greater precision the number of fixed microwave service licensees that would qualify as small business concerns under the SBA's small business size standard. Consequently, the Commission estimates that there are up to 36,708 common carrier fixed licensees and up to 59,291 private operational-fixed licensees and broadcast auxiliary radio licensees in the microwave services that may be small and may be affected by the rules and policies discussed herein. We note, however, that the microwave fixed licensee category includes some large entities.

13. *Other Communications Equipment Manufacturing.* This industry comprises establishments primarily engaged in manufacturing communications equipment (except telephone apparatus, and radio and television broadcast, and wireless communications equipment).³⁹ Examples of such manufacturing include fire detection and alarm systems manufacturing, Intercom systems and equipment manufacturing, and signals (e.g., highway, pedestrian, railway, traffic) manufacturing.⁴⁰ The SBA has established a size standard for this industry as all such firms having 750 or fewer employees.⁴¹ U.S. Census Bureau data for 2012 shows that 383 establishments operated in that year.⁴² Of that number, 379 operated with fewer than 500 employees and 4 had 500 to 999 employees.⁴³ Based on this data, we conclude that the majority of Other Communications Equipment Manufacturers are small.

14. *Radio and Television Broadcasting and Wireless Communications Equipment Manufacturing.* This industry comprises establishments primarily engaged in manufacturing radio and television broadcast and wireless communications equipment.⁴⁴ Examples of products made by these establishments are: transmitting and receiving antennas, cable television equipment, GPS equipment, pagers, cellular phones, mobile communications equipment, and radio and television studio and broadcasting equipment.⁴⁵ The SBA has established a small business size standard for this industry of

³⁷ See U.S. Census Bureau, *2012 Economic Census of the United States*, Table ID: EC1251SSSZ5, *Information: Subject Series, Estab and Firm Size: Employment Size of Firms for the U.S.: 2012*, NAICS Code 517210, <https://data.census.gov/cedsci/table?text=EC1251SSSZ5&n=517210&tid=ECNSIZE2012.EC1251SSSZ5&hidePreview=false&vintage=2012>.

³⁸ *Id.* The available U.S. Census Bureau data does not provide a more precise estimate of the number of firms that meet the SBA size standard.

³⁹ See U.S. Census Bureau, *2017 NAICS Definition*, "334290 Other Communications Equipment Manufacturing," <https://www.census.gov/naics/?input=334290&year=2017&details=334290>.

⁴⁰ *Id.*

⁴¹ See 13 CFR 121.201, NAICS Code 334290.

⁴² See U.S. Census Bureau, *2012 Economic Census of the United States*, Table ID: EC1231SG2, *Manufacturing: Summary Series: General Summary: Industry Statistics for Subsectors and Industries by Employment Size: 2012*, NAICS Code 334290, <https://data.census.gov/cedsci/table?text=EC1231SG2&n=334290&tid=ECNSIZE2012.EC1231SG2&hidePreview=false&vintage=2012>.

⁴³ *Id.* The available U.S. Census Bureau data does not provide a more precise estimate of the number of firms that meet the SBA size standard.

⁴⁴ See U.S. Census Bureau, *2017 NAICS Definition*, "334220 Radio and Television Broadcasting and Wireless Communications Equipment Manufacturing," <https://www.census.gov/naics/?input=334220&year=2017&details=334220>.

⁴⁵ *Id.*

1,250 employees or less.⁴⁶ U.S. Census Bureau data for 2012 show that 841 establishments operated in this industry in that year.⁴⁷ Of that number, 828 establishments operated with fewer than 1,000 employees, 7 establishments operated with between 1,000 and 2,499 employees and 6 establishments operated with 2,500 or more employees.⁴⁸ Based on this data, we conclude that a majority of manufacturers in this industry are small.

E. Description of Projected Reporting, Recordkeeping, and Other Compliance Requirements for Small Entities

15. In the Report and Order, we adopt rules that affect reporting, recordkeeping, and other compliance requirements for small entities. Regarding marketing of RF devices, the Report and Order will require that the seller of a conditionally-purchased RF device advise the conditional purchaser that the device is subject to FCC rules, and that delivery of the device to the purchaser is contingent upon device compliance with applicable FCC equipment authorization and technical requirements. Regarding importation of RF devices into the United States prior to equipment authorization for pre-sale activities—including imaging, packaging, and delivery to retail locations—the Report and Order will require that each imported RF device display a temporary removable label stating that it cannot be displayed, operated, offered for sale, marketed to consumers, or sold prior to proper FCC equipment authorization has been granted, and will further require that importing manufacturers have processes in place to retrieve any equipment transferred to a conditional purchaser, in the event that such authorization is denied by the FCC. Moreover, importing manufacturers will be required to maintain, for a period of 60 months, records identifying the recipients of RF devices imported for pre-sale activities. Such records must identify several factors such as the device name and product identifier, the quantity shipped, the date on which the device authorization was sought, the expected FCC ID number, and the identity of the recipient, including address and telephone number.

16. The Report and Order also particular recordkeeping requirements that will be imposed on RF manufacturers so that RF equipment that is conditionally sold can be accounted for if equipment authorization is ultimately not granted or enforcement action needs to be taken, and the period of time that manufacturers should be required to retain those records and provide them to the FCC upon request. Additionally, the Report and Order requests that a manufacturer that imports an RF device should be required to document (and provide such documentation to the FCC upon request) the basis for its belief that the FCC will authorize that device.

F. Steps Taken to Minimize the Significant Economic Impact on Small Entities, and Significant Alternatives Considered

17. The RFA requires an agency to describe any significant alternatives that it has considered in reaching its proposed approach, which may include the following four alternatives (among others): (1) the establishment of differing compliance or reporting requirements or timetables that take into account the resources available to small entities; (2) the clarification, consolidation, or simplification of compliance or reporting requirements under the rule for small entities; (3) the use of performance, rather

⁴⁶ See 13 CFR § 121.201, NAICS Code 334220.

⁴⁷ See U.S. Census Bureau, *2012 Economic Census of the United States*, Table ID: EC1231SG2, *Manufacturing: Summary Series: General Summary: Industry Statistics for Subsectors and Industries by Employment Size: 2012*, NAICS Code 334220, <https://data.census.gov/cedsci/table?text=EC1231SG2&n=334220&tid=ECNSIZE2012.EC1231SG2&hidePreview=false>.

⁴⁸ *Id.* The available U.S. Census Bureau data does not provide a more precise estimate of the number of firms that meet the SBA size standard.

than design, standards; and (4) an exemption from coverage of the rule, or any part thereof, for small entities.⁴⁹

18. The Report and Order rules set forth are minimal, and we believe would significantly assist RF equipment manufacturers, some of which may be small entities, to market and import RF equipment. Although we believe that our rules are not unduly burdensome, we sought comment on a number of alternatives or supplements to those rules and procedures, such as whether we should require marketing disclosures at all or just some points of the pre-authorization process, whether we should require specific language or instead permit parties to choose how they word their disclosures, and whether all or only certain importation safeguards are needed.

19. We believe that the regulatory burdens that we are implementing are necessary in order to ensure that the public receives the benefits of innovative products and technologies in a prompt and efficient manner, and those burdens apply equally to large and small entities, thus without differential impact. We will continue to examine alternatives in the future with the objectives of eliminating unnecessary regulations and minimizing any significant impact on small entities.

G. Report to Congress

20. The Commission will send a copy of the Report and Order, including this FRFA, in a report to be sent to Congress pursuant to the Congressional Review Act.⁵⁰ In addition, the Commission will send a copy of the Report and Order, including this FRFA, to the Chief Counsel for Advocacy of the SBA. A copy of the Report and Order, including this FRFA (or summaries thereof), will also be published in the Federal Register.⁵¹

⁴⁹ 5 U.S.C. § 603(c)(1)-(4).

⁵⁰ See 5 U.S.C. § 801(a)(1)(A).

⁵¹ See 5 U.S.C. § 604(b).