DISSENTING STATEMENT OF
COMMISSIONER BRENDAN CARR


The Biden Administration’s entire approach to the Internet—its broadband agenda, if you will—can be boiled down to one word: control. You can see it with the Biden Administration’s call for Title II utility-style regulation of the Internet—a move that two of President Obama’s former Solicitors General described as an enormous and transformative expansion of the government’s authority over the Internet. You can see it in the Biden Administration’s campaign to pressure Internet companies into censoring Americans’ protected political speech—a coordinated effort that is now on appeal to the Supreme Court. And you can see it in the Biden Administration’s demand that the FCC adopt these “digital equity” rules today—a framework that gives the FCC a nearly limitless power to veto private sector decisions.

None of these are isolated decisions—they share and advance the same goal of increasing government control. But it is never enough. Consider this: Democrats have been in control of the FCC and administrative agencies in DC for approaching 12 out of the last 16 years. They have had the opportunity, over that stretch of time, to put in place nearly any federal telecom policy of their choosing. In fact, the federal government has allocated hundreds of billions of taxpayer dollars for the purpose of ending the digital divide while Democrats have run the Administrative State. After all of that time and after all of that spending, the Biden Administration has concluded that the Democrats’ policies are not working.

I agree with President Biden on this point. The Administration’s broadband policies are failing. The costs of building Internet infrastructure in this country have skyrocketed thanks to the Biden Administration’s inflationary policies. The Administration has needlessly blocked and delayed new broadband infrastructure builds. Fiber and cell site components are laying fallow in warehouses and laydown yards across the country due to the government’s failure to remove regulatory red tape. Permitting reform has gone nowhere. The Biden Administration is preparing to waste additional taxpayer dollars through its multi-billion dollar “Internet for All” initiative by pursuing extraneous political goals at the expense of connecting Americans. And just this week, the Administration confirmed that it has no plan for filling a now empty spectrum pipeline—one that is vital to America’s economy and geopolitical leadership. Meanwhile, the FCC is just sitting on spectrum that could connect millions of Americans to new, 5G services.

But the Biden Administration is taking away all the wrong lessons from its failed broadband policies. Rather than righting the ship, the Biden Administration is going hard left. It is now blaming the private sector and free market capitalism itself for the Administration’s own policy shortfalls. The problem, the Administration has apparently concluded, is that up to now the FCC has failed to exercise enough authority—it has never tried real command and control regulation when it comes to the Internet.

So last month, President Biden gave the FCC its marching orders.¹ The President called on the FCC to implement a one-page section of the 2021 Infrastructure Investment and Jobs Act (Infrastructure Act) by adopting new rules of breathtaking scope, all in the name of “digital equity.” For the first time ever, those rules would give the federal government a roving mandate to micromanage nearly every

aspect of how the Internet functions—from how ISPs allocate capital and where they build, to the services
that consumers can purchase; from the profits that ISPs can realize and how they market and advertise
services, to the discounts and promotions that consumers can receive. Talk about central planning.

Needless to say, Congress never contemplated the sweeping regulatory regime that President
Biden asked the FCC to adopt—let alone authorized the agency to implement it. Nonetheless, the FCC is
voting to put President Biden’s plan in place. I oppose the plan for several reasons.

First off, President Biden’s plan effectively hands the Administrative State veto power over every
decision about the provision of Internet service in the country. Never before, in the roughly 40-year
history of the public Internet, has the FCC (or any federal agency for that matter) claimed this degree of
control over the Internet. Indeed, President Biden’s plan calls for the FCC to apply a far-reaching set of
government controls that the agency has not applied to any technology in the modern era, including to
Title II common carriers. The closest analog would be the heavy-handed rules the FCC applied to the Ma
Bell telephone monopoly during the height of the New Deal era—a copper wire period of time when it
was hard to distinguish between government regulator and telephone provider.

But do not take my word for it. The text of the order expressly provides that the FCC would be
empowered, for the first time, to regulate each and every ISP’s:

● “network infrastructure deployment, network reliability, network upgrades, network
  maintenance, customer-premises equipment, and installation”;
● “speeds, capacities, latency, data caps, throttling, pricing, promotional rates, imposition of late
  fees, opportunity for equipment rental, installation time, contract renewal terms, service
  termination terms, and use of customer credit and account history”;
● “mandatory arbitration clauses, pricing, deposits, discounts, customer service, language
  options, credit checks, marketing or advertising, contract renewal, upgrades, account termination,
  transfers to another covered entity, and service suspension.”

As exhausting as it is to read that list, the FCC says it is not an exhaustive list. The Biden
Administration’s plan empowers the FCC to regulate every aspect of the Internet sector for the first time
ever. The plan is motivated by an ideology of government control that is not compatible with the
fundamental precepts of free market capitalism.

But it gets worse. The FCC reserves the right under this plan to regulate both “actions and
omissions, whether recurring or a single instance.” In other words, if you take any action, you may be
liable, and if you do nothing, you may be liable. There is no path to complying with this standardless
regime. It hangs together like an M.C. Escher drawing does—on paper only.

President Biden’s plan also sweeps entire industries within the FCC’s jurisdiction for the first
time in the agency’s 90-year history. It would be one thing if the FCC cabined its intrusive new regime to
ISPs or even businesses within the communications sector. It does not. The Order says that “we are not
explicitly tasked with regulating entities outside the communications industry” (a rare moment of
regulatory humility) but it then goes on to say that the FCC will do so in this case nonetheless (the
moment passed). Landlords are now covered, construction crews are now covered, unions are now
covered, marketing agencies are now covered, banks are now covered, the government itself is now
covered—all newly subject to these FCC rules and liable under them for both acts and omissions.
Congress never authorized the FCC to regulate all of these industries or entities. So, to everyone that will
be subject to FCC regulation for the first time ever, welcome, I hope you have good lawyers.
One reason those lawyers will be needed is because President Biden’s plan allows the FCC to impose unfunded build mandates and unlimited monetary fines on every covered entity. Section 60506 does not authorize the Commission to create or enforce new punitive liability rules or compel builds. Instead, it directs the FCC to “facilitate equal access to broadband internet access service.” Nonetheless, the item determines that the agency will apply the full suite of the Communications Act’s enforcement powers to any act or omission that violates its new regime. This means that ISPs could very well be compelled to build out Internet infrastructure without any compensation. And every decision from the C-Suite to the call center will be subject to FCC second-guessing.

In this regard, the Order’s approach runs afoul of several limits Congress imposed on the FCC’s enforcement authority. For one, Congress did not codify Section 60506 in the Communications Act or otherwise indicate that the FCC’s Title V enforcement provisions apply here. Indeed, the FCC’s Title V authority is limited by Congress to violations of the Communications Act (except in limited cases where Congress has expressly provided otherwise). For another, Congress imposed several meaningful restrictions on the FCC’s Title V enforcement powers that the agency simply ignores as it transplants that authority into this new context. For instance, Congress included ceilings on forfeitures, which the agency does not carry over here. Congress also included restraints on the Commission’s authority to fine people and businesses that do not hold FCC licenses or authorizations, which the agency ignores here.

But these are not the only lines that the FCC crosses today. Despite the repeated refrain that the agency has no interest in regulating broadband rates, the Commission votes today to regulate broadband rates. This comes on the heels of last month’s meeting where, at the eleventh hour, the FCC slightly softened its proposal to use its Title II proceeding to impose price controls. Now we know why. The order before us today expressly states that the FCC can regulate broadband pricing and even an ISP’s profitability. Title II is no longer necessary to achieve that end.

But as a legal matter, the statute is clear. Congress did not include the word “price” or the term “rate regulation” in the text of Section 60506. Nor does it reference “affordability.” Instead, Congress chose to use the phrase “terms and conditions.” In context, it is clear that Congress used that phrase—as opposed to “rates, terms, and conditions”—because Congress decided not to give the FCC rate regulation authority in Section 60506. This is confirmed by other Infrastructure Act provisions that do use the phrase “rates, terms, and conditions” and, similarly, the Infrastructure Act’s multiple references to the phrase “terms and conditions,” all of which focus on non-price details or components of a service.

The Communications Act and the FCC’s own rules and precedent confirm this point. In the Communications Act, Congress routinely distinguished between “rates” on the one hand and “terms and conditions” on the other. In the limited set of circumstances in which Congress wanted the FCC to exercise rate regulation authority, it stated so clearly. Here’s just one example. In the 1992 Cable Act, Congress expressly directed the Commission to regulate the rates of cable service tiers. Seeing the results that flowed from that express delegation, Congress thought better of it in the 1996 Act and stripped the FCC of this rate regulation authority. Given that Congress raked back an earlier, narrower,
and express delegation of rate regulation authority, the FCC has no basis for concluding that Congress chose to give us more expansive rate regulation authority through an implicit delegation.

In other words, the FCC’s conclusion that Congress provided the FCC with the strong medicine of rate regulation authority not only sub silentio but through a phrase that is ordinarily read as denying rate regulation authority stretches any reasonable theory of statutory interpretation well past its breaking point.

The legal errors only compound from there. For instance, the Order rolls back decades of considered Commission precedent without so much as acknowledging those decisions—let alone providing a reasoned explanation for the departure as required by the APA. *Orloff* is just one example.\(^6\) In that case, Jacqueline Orloff challenged a Title II cellular telephone provider’s practice of offering prospective new customers special deals or sales concessions as an inducement to sign up with the carrier. She argued that the practice (which could include discounted phones, monetary credits, or fee waivers—in other words, the types of practices regulated by the FCC in this decision) constituted unlawful discrimination. The FCC disagreed. In doing so, it recounted the agency’s intentional shift over the years from intrusive regulation to reliance on market forces to protect consumers in the case of non-dominant providers, which the FCC enshrined in a series of deregulatory precedents.

Today’s FCC order cannot be squared with either the *Orloff* precedents or the outcome in that case. Take haggling over rates. The D.C. Circuit found that “Haggling is a normal feature of many competitive markets. It allows consumers to get the full benefit of competition by playing competitors against each other.”\(^7\) As a result, the D.C. Circuit stated, “Rates are determined by the market, not the Commission, as are the level of profits.”\(^8\) Not so under today’s decision—the agency will no longer leave those determinations to the market. Or take concessions. The D.C. Circuit stated in *Orloff* that providers were free to “offer concessions to some customers and not others, even though there is no discernible difference between the two groups.”\(^9\) Not so under today’s decision—the agency targets decisions to offer concessions to some customers and not others. Or take advertising. The D.C. Circuit stated in *Orloff* that a provider may “run a commercial in the morning offering prospective customers a free cell phone, revoke the offer that afternoon, and then offer a cell phone for half price on the following day.”\(^10\) Not so under today’s decision—all of those actions are now subject to regulatory second-guessing. There is simply no way to reconcile *Orloff* and its underlying precedents with the FCC’s decision today. In fact, the Order does not even try. There is no analysis at all, let alone substantial evidence, to support the FCC’s determination that any ISP or covered entity has the market power necessary to justify this type of prescriptive regime.

Stepping back—many of the Order’s flaws flow from a single, fundamental error. They can be traced back to President Biden’s call for the FCC to adopt an expansive and disfavored theory of liability (disparate impact) that Congress neither directed nor authorized the FCC to adopt.\(^11\) Section 60506 of the Infrastructure Act speaks in brief and straightforward terms: it states that it is the policy of the United States that, insofar as technically and economically feasible, subscribers should benefit from equal access to broadband. Section 60506 then directs the FCC to adopt rules that facilitate equal access to broadband

\(^6\) *Orloff* v. FCC, 352 F.3d 415 (D.C. Cir. 2003).

\(^7\) *Id.* at 421.

\(^8\) *Id.* at 420.

\(^9\) *Id.* at 420-21.

\(^10\) *Id.* at 420.

\(^11\) Biden Administration Comments at 4-8.
(again, to the extent technically and economically feasible) and to prevent and eliminate “digital discrimination” based on income level, race, ethnicity, color, religion, or national origin.

After nearly two years and several rounds of comments, the FCC concludes that “there is little or no evidence” in the agency’s record to even indicate that there has been any intentional discrimination in the broadband market within the meaning of the statute. But instead of proceeding with forward-looking rules on that basis, the FCC—at President Biden’s direction—reads this extraordinary theory of liability into the law that exists nowhere in the statutory text. Even in the absence of any evidence of intentional discrimination, the Biden plan states the FCC can impose potentially unbounded liability if the agency finds that some act or even failure to act happened to result in a disparate impact based on the FCC’s own judgment.

Reading this theory of liability into the law conflicts with the Supreme Court’s civil rights precedent and the terms of the statute itself. The plain language of Section 60506 shows that Congress codified a disparate treatment standard—not a disparate impact one. Notably, Congress expressly stated that the FCC shall adopt rules preventing discrimination “based on” certain specific characteristics. As Congress was well aware when it drafted Section 60506, the “based on” formulation has been interpreted by the courts as codifying a disparate treatment standard. Indeed, this reading of the statute is reinforced by the other terms included in Section 60506. For instance, Congress decided to include income level as an express and protected characteristic. But that decision does not make sense in the context of disparate impact statute because it would effectively prohibit ISPs from charging a uniform price to all consumers or running credit checks because those actions would necessarily have a disparate impact on low-income consumers. In other words, many of the most anomalous outcomes produced by the FCC’s reading of the statute are a product of the FCC’s erroneous decision to read a disparate impact standard into a disparate treatment statute.

Even if disparate impact was appropriate under the statute, the item inexplicably fails to follow established Supreme Court precedent for how to structure such a process. While the Order acknowledges the controlling Supreme Court precedent in *Inclusive Communities*, it fails to adhere to the Court’s holding in multiple respects.

Broadly speaking, the Supreme Court observed “that disparate-impact liability must be limited so . . . regulated entities are able to make the practical business choices and profit-related decisions that sustain a vibrant and dynamic free-enterprise system.” The process set forth by the Commission fails spectacularly in this regard. Instead of sustaining the free-enterprise system, the order supplants the business judgement of essentially the entire Internet delivery ecosystem, relying instead on a standardless process of post hoc second guessing by the Administrative State.

But more specifically, the item fails to adhere to *Inclusive Communities’* three-part process for evaluating disparate impact claims. First, to establish a prima facie case, a plaintiff must demonstrate that the disparate impact was caused by a policy of the defendant. In fact, the Court in *Inclusive Communities* rejected the idea that a single decision that was not the result of a corporate policy could satisfy this test. But the item ignores the Court’s guidance and instead adopts an enforcement regime that covers all “actions and omissions, whether recurring or a single instance.” Furthermore, the order sets the threshold showing necessary for establishing a prima facie case far lower than required by Supreme Court law—namely, it does not require the requisite causation, statistical significance, or comparators.

Under Supreme Court precedent, if the plaintiff can establish a prima facie case, the burden then shifts to the defendant to show that the “challenged practice is necessary to achieve one or more substantial, legitimate, nondiscriminatory interests.” The FCC’s process, in contrast, artificially limits

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this defense to “genuine issues of technical or economic feasibility.”\textsuperscript{14} While Section 60506 specifically mandates that the Commission take technical and economic feasibility into consideration, there is no indication that Congress intended to deviate from standard practice by rendering those two considerations the only relevant ones. Under \textit{Inclusive Communities}, businesses must remain free to make valid business decisions, some of which will have nothing to do with technical or economic feasibility. Disparate-impact requirements are about eliminating “artificial, arbitrary, and unnecessary barriers,” after all, not second-guessing any and all valid business decisions that do not relate specifically to technical and economic feasibility.

Turning from the second to the third step in the analysis, Supreme Court precedent is clear. If a defendant satisfies its burden at the second step, the burden shifts back to the plaintiff to establish that the “substantial, legitimate, nondiscriminatory interests supporting the challenged practice could be served by another practice that has a less discriminatory effect.” This is important. The burden here is on the plaintiff, not the defendant. But the FCC collapsed the final two steps in the original draft of the Order and required the ISP or other covered entity to show that “there is not a reasonably available and achievable alternative policy or practice that would serve the entity’s legitimate business objectives with less discriminatory effect.” The FCC has attempted address this shortcoming through a series of pre-adoption edits, but those changes do not fix the fundamental error.\textsuperscript{15} In other words, the FCC is still requiring the defendant to prove a negative. This falls well short of the \textit{Inclusive Communities} standard.

Importantly, these failures are not simply interesting questions for a future law school exam. As the Supreme Court stated in \textit{Inclusive Communities}, “were standards for proceeding with disparate-impact suits not to incorporate at least the safeguards discussed here, then disparate-impact liability might displace valid governmental and private priorities.”\textsuperscript{16} The Supreme Court views these safeguards as the bare minimum that must be done to uphold disparate impact liability. The FCC’s failure to adhere to them not only undermines the agency’s case on appeal—it raises questions about the application of disparate impact theory more broadly.

Now, sticking with the Supreme Court for the moment, the FCC’s adoption of President Biden’s plan sets up another headlong run in with the major questions doctrine. The Supreme Court has rooted this doctrine in the Constitution’s separation of powers. It reflects the Framers’ decision to vest a democratically accountable Congress with the legislative power. That is why the Supreme Court has held that administrative agencies cannot enact new rules on matters of great economic and political significance unless Congress has provided “clear congressional authorization.”

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\item \textsuperscript{13} \textit{Inclusive Communities}, 576 U.S. at 527.
\item \textsuperscript{14} The Commission purports to address this legal infirmity through a set of late round edits, but the Order continues to miss the mark. In particular, while the Commission now states that it will allow consideration of some additional legitimate business considerations, the Order does so in a way that fails to line up with \textit{Inclusive Communities}. For instance, the FCC purports to allow those additional business considerations only to the extent that they are viewed through the lens of technical and economic feasibility.
\item \textsuperscript{15} As noted in the text above, the FCC has not really solved the fundamental issue—it has only shifted the problem to a different point in the analysis. The FCC now says it will consider any “legitimate business impediment to the use of less discriminatory alternatives.” So a defendant is once again in the position of proving the existence—or not—of less discriminatory alternatives and that their policy is animated by a legitimate business impediment, whatever the FCC determines that means.
\item \textsuperscript{16} \textit{Inclusive Communities}, 576 U.S. at 544.
\end{itemize}
First, there is no doubt that the rules adopted by the FCC address matters of great economic and political significance. As noted earlier, they allow the FCC to exert unprecedented control over Internet services and infrastructure. And they sweep entire industries into the FCC’s jurisdiction for the first time ever.

Second, Congress did not include in Section 60506 any clear congressional authorization for a regime like this. Nowhere in the statute’s one page of text does it provide unambiguous authority for rules that mimic the common carrier regime codified in Title II of the Communications Act. Indeed, a number of Senators that voted in favor of the Infrastructure Act recently wrote the FCC to make this clear: they stated that the FCC’s digital equity rules are not the types of rules authorized by the statutory text passed by Congress.\(^{17}\) As the saying goes, Congress does not hide an elephant in a mousehole. Yet the FCC finds a whole herd of them in Section 60506.

But even assuming that the FCC’s implementation of Section 60506 were to satisfy the major questions doctrine, the agency’s decision would not be clear of all constitutional hurdles. There’s still the nondelegation doctrine in the way. As noted recently by Justice Gorsuch, “[t]he nondelegation doctrine ensures democratic accountability by preventing Congress from intentionally delegating its legislative powers to unelected officials.”\(^{18}\) To avoid an unconstitutional delegation of legislative authority, Congress must provide sufficient guardrails and direction to restrict an agency’s power. Even a light skimming of this item shows that the FCC can find no such limitation on its power in Section 60506. And if the FCC’s reading of Section 60506 is correct—a big if—then Congress has effectively given the FCC the authority to create a new Communications Act from a one-page section of the Infrastructure Act. This would make a mockery of the separation of powers.

On top of this, there is due process. The vague regime the FCC adopts today does not provide anyone with the type of fair notice required by the Constitution.

In a set of late round edits, the FCC attempts to fix some of the problems with today’s Order. But those changes only highlight the arbitrary and capricious nature of the decision-making. One example? The Order now exempts the Biden Administration’s signature “Internet for all” initiative (BEAD) and the FCC’s own Universal Service Fund high-cost programs from these new rules through a presumption of compliance. Well surprise, surprise. The Biden Administration does not want to live by the same anti-discrimination standard it applies to everyone else. Is this because the Biden Administration wants to engage in digital discrimination? Is it because they don’t want to promote digital equity? Or is it because the Biden Administration is worried that applying these burdensome rules would sink its highest profile Internet initiative? Hard to say because the Order does not explain the exemption. Nor does it explain why it makes any sense to draw the line where it has. Why single out those two initiatives but not one or more of the 100 plus other broadband initiatives that are being administered by more than a dozen separate federal agencies.\(^{19}\) It may remain a riddle wrapped in a mystery inside an enigma.

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\(^{17}\) Letter from Sen. Ted Cruz, Ranking Member, Senate Committee on Commerce, Science, and Technology, \textit{et al.}, to Hon. Jessica Rosenworcel, Chair, FCC (Nov. 10, 2023) (urging the FCC “to adhere to the will of Congress and conform to the plain meaning of section 60506 to avoid causing serious damage to the competitive and innovative U.S. broadband industry” on behalf of 28 U.S. Senators).


But regardless, the Biden Administration has given away the game. It cannot claim that these rules are necessary to prohibit discrimination, and then exempt its preferred programs. It cannot claim that these rules will not harm investment and buildout, and then exempt the two broadband initiatives whose success matters the most, politically, to the Biden Administration. It is obvious to everyone what is going on here. It is not about discrimination; it is about control.

Another telling last minute addition is a new advisory opinion process. This is the very definition of swapping out permissionless innovation for a mother-may-I pre-approval process. What’s more? The FCC undermines whatever value that type of process could provide because, to the extent the FCC does—at some point in the future—authorize your conduct, the Order says that the agency reserves the right to rescind an advisory opinion at any time and on a moment’s notice. At that time, the covered provider “must promptly discontinue” the practice or policy. That does not provide the confidence necessary to invest and innovate.

Now, I have talked a lot about what is in today’s Order. But I would remiss if I did not mention something that is not in it: a cost-benefit analysis. And that may be because the Order before us would not fare very well under that type of scrutiny. In its stead, the Order just asserts that the disparate impact standard will not chill investment. But nowhere is there any analysis of the actual costs imposed by and through the various new legal requirements associated with this Order. That does not reflect the type of reasoned decision-making required by the APA.

What’s also missing? An appropriate recognition of the government’s own decisions. When one looks at a broadband map today, you are looking at an outcome that is inextricably intertwined with choices that the government itself has made. The government awards cable franchises that delineate the contours of service territories—and it can also deny those franchises. The government issues spectrum licenses that delineate geographic areas and the percentage of Americans that must be served—and it can also deny those licenses. The government grants permits that authorize cell sites and infrastructure builds to be constructed—and it can also deny those permits. The government offers subsidies to extend broadband to certain communities on specific terms—and, yes, it can also deny those subsidies. There simply is no administrable way to look at the current broadband landscape and the government’s own role in producing it and then assign liability to a covered business. Not even attempting to account for the complex role that the government itself plays, as the Order before us does, certainly provides no such path forward.

Of course, it didn’t have to be this way. Instead of creating multiple vectors of unnecessary litigation risk, the FCC could have adopted an order that lawfully and faithfully implemented Congress’s bipartisan decisions in the Infrastructure Act. And the FCC could have focused on broadband infrastructure deployment—on ensuring that every American has a fair shot at affordable, next-generation connectivity. But as I indicated at the outset of this statement, the theme running through the Biden Administration’s Internet policies is not one of connectivity or capacity—it is control.

Finally, an unsolicited word of advice for industry. I understand that the Infrastructure Act included some $65 billion in subsidies for broadband. I understand that lobbyists read Section 60506 before it passed and satisfied themselves that it was a limited and narrow provision. But I also understand how Washington works. There is no such thing as free money in this town. Or as the *Wall Street Journal* Editorial Board put it just last week: “Industry made a Faustian bargain by supporting the bill . . . . The FCC is now seeking Faust’s payment.” So, for my part, I would urge far greater caution going forward.

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In closing, I remain hopeful that the FCC will correct course (sooner or later). I remain hopeful that the Commission will move beyond these ideological decisions and towards common sense policies
that deliver wins in the real world. And I look forward to voting in favor of those decisions.

But that is not the decision the agency chooses today. Accordingly, I dissent.