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FEDERAL STATUTES AND REGULATIONS

Alien Tort Statute — Extraterritoriality — Kiobel v. Royal Dutch Petroleum Co.

In 1980 the Second Circuit in *Filartiga v. Pena-Irala*¹ held that 28 U.S.C. § 1350, better known as the Alien Tort Statute (ATS), provides a federal forum for claims brought by aliens alleging violations of universal human rights norms.² Following *Filartiga*, the ATS, which had been passed as part of the Judiciary Act of 1789³ and then largely forgotten, became a principal tool for foreign victims of human rights abuses seeking to vindicate their rights under international law in U.S. courts.⁴ Though the Supreme Court in the 2004 case *Sosa v. Alvarez-Machain*⁵ interpreted the scope of the ATS to include only clearly defined violations of international law,⁶ many questions about the nature of the ATS remained unsettled.⁷ Last Term, in *Kiobel v. Royal Dutch Petroleum Co.*,⁸ the Supreme Court again examined the ATS and invoked the presumption against extraterritoriality to limit the ATS's extraterritorial effect.⁹ The majority in *Kiobel* articulated a justification for the presumption against extraterritoriality that differs from recent cases and focuses primarily on prudential foreign policy considerations rather than traditional concerns like respect for international comity. The *Kiobel* Court's focus on freestanding foreign policy concerns may blur the line between the presumption against extraterritoriality and other doctrines that account for such concerns, and it provides insufficient guidance to lower courts.

In the early 1990s, residents of Ogoniland — an oil-rich region in Nigeria — began protesting the actions of the Europe-based Royal

¹ 630 F.2d 876 (2d Cir. 1980).

² *Id.* at 887.

³ Ch. 20, 1 Stat. 73.

⁴ See generally Harold Hongju Koh, *Transnational Public Law Litigation*, 100 YALE L.J. 2347 (1991) (characterizing the ATS as a principal tool of practitioners of “transnational public law litigation”). For examples of cases where plaintiffs used the ATS to challenge human rights abuses abroad, see *Doe I v. Unocal Corp.*, 395 F.3d 932 (9th Cir. 2002); and *Wiwa v. Royal Dutch Petroleum Co.*, 226 F.3d 88 (2d Cir. 2000).

⁵ 542 U.S. 692 (2004).

⁶ *Id.* at 713–15.

⁷ Compare, e.g., *Presbyterian Church of Sudan v. Talisman Energy, Inc.*, 582 F.3d 244, 258–59 (2d Cir. 2009) (explaining that ATS plaintiffs must establish that defendants acted with the *purpose* of facilitating international law violations), with, e.g., *Doe VIII v. Exxon Mobil Corp.*, 654 F.3d 11, 39 (D.C. Cir. 2011) (noting that ATS plaintiffs must establish that defendants acted with the *knowledge* that they were facilitating international law violations).

⁸ 133 S. Ct. 1659 (2013).

⁹ *Id.* at 1669.

Dutch Petroleum Company's local subsidiary.¹⁰ The protestors alleged that Royal Dutch's oil extraction practices caused harmful environmental effects.¹¹ In response to the protests, Nigeria's military government engaged in a violent campaign against the Ogoni people, "beating, raping, killing, and arresting residents and destroying or looting property."¹² Royal Dutch allegedly facilitated the Nigerian government's campaign by providing logistical and monetary support.¹³

Following the atrocities, a group of Ogoni moved to the United States and brought suit in the U.S. District Court for the Southern District of New York against Royal Dutch Petroleum for its alleged support of the Nigerian government's anti-Ogoni campaign.¹⁴ The plaintiffs alleged international law violations, including extrajudicial killings and crimes against humanity, and asserted federal jurisdiction under the ATS.¹⁵ The district court dismissed some claims and certified its decision for interlocutory appeal.¹⁶

The Second Circuit affirmed in part and reversed in part to dismiss the plaintiffs' remaining claims.¹⁷ Writing for a divided panel,¹⁸ Judge Cabranes held that the plaintiffs' claims were untenable because the ATS does not apply to corporate defendants.¹⁹ Subsequently, the Supreme Court accepted certiorari to consider corporate liability under the ATS.²⁰ In March 2012, after oral arguments, the Court requested new briefs on "[w]hether . . . the [ATS] allows courts to recognize a cause of action for violations of the law of nations occurring within the territory of a sovereign other than the United States."²¹ The case was reargued in October 2012.

¹⁰ *Id.* at 1662.

¹¹ *Id.*

¹² *Id.* The campaign culminated in the internationally condemned trial and execution of nine Ogoni leaders. See Howard W. French, *Nigeria Executes Critic of Regime; Nations Protest*, N.Y. TIMES, Nov. 11, 1995, at 1.

¹³ *Kiobel*, 133 S. Ct. at 1662–63.

¹⁴ *Id.*; see *Kiobel v. Royal Dutch Petrol. Co.*, 456 F. Supp. 2d 457, 459–60 (S.D.N.Y. 2006).

¹⁵ *Kiobel*, 456 F. Supp. 2d at 462–67.

¹⁶ *Id.*

¹⁷ *Kiobel v. Royal Dutch Petrol. Co.*, 621 F.3d 111, 149 (2d Cir. 2010).

¹⁸ Judge Cabranes was joined by Chief Judge Jacobs. Judge Leval, concurring only in the judgment, vociferously critiqued the majority's analysis of corporate liability. *Id.* at 150 (Leval, J., concurring only in the judgment) ("By protecting profits earned through abuse of fundamental human rights protected by international law, the rule my colleagues have created operates in opposition to the objective of international law to protect those rights.").

¹⁹ *Id.* at 149 (majority opinion). The questions certified by the district court did not involve corporate liability or extraterritoriality. Judge Cabranes's ruling on corporate liability was sua sponte. See *Kiobel*, 456 F. Supp. 2d 457. The Second Circuit denied rehearing en banc by a vote of five to five. *Kiobel v. Royal Dutch Petrol. Co.*, 642 F.3d 379 (2d Cir. 2011) (mem.).

²⁰ *Kiobel*, 133 S. Ct. at 1663.

²¹ *Kiobel v. Royal Dutch Petrol. Co.*, 132 S. Ct. 1738 (2012) (mem.) (citation omitted) (internal quotation marks omitted).

The Supreme Court affirmed the dismissal.²² Writing for a majority of five, Chief Justice Roberts²³ held that the principles underlying the presumption against extraterritoriality apply to the ATS, and found that the facts of the petitioners' case did not displace the presumption.²⁴ Chief Justice Roberts began by explaining that the ATS provides a "grant of jurisdiction" for a "modest number of international law violations."²⁵ The question was whether a claim under this grant "may reach conduct occurring in the territory of a foreign sovereign."²⁶ As Chief Justice Roberts explained, in determining whether statutes apply extraterritorially, there is a presumption that "[w]hen a statute gives no clear indication of an extraterritorial application, it has none."²⁷ This presumption, the Chief Justice noted, prevents "unwarranted judicial interference in the conduct of foreign policy."²⁸

Chief Justice Roberts concluded that the ATS falls within the ambit of the presumption against extraterritoriality.²⁹ The Chief Justice conceded that the presumption has traditionally been applied only to substantive statutes and that the ATS is a jurisdictional statute that does not regulate substantive conduct. But according to the Chief Justice, use of the presumption is appropriate because the judicial interference concerns that justify applying the presumption to substantive law are at least as pressing in the ATS context.³⁰ Chief Justice Roberts explained that *Sosa's* holding, which limited ATS claims to clearly defined violations of international law, does not alleviate judicial interference concerns because *Sosa* does not police other elements of a cause of action.³¹

Chief Justice Roberts next explained that the structure and history of the ATS do not rebut the presumption against extraterritoriality.³² The Chief Justice noted that the ATS's references to international law and to "any" tort under the law of nations are insufficient to rebut the presumption.³³ He found insufficient historical evidence that the ATS

²² *Kiobel*, 133 S. Ct. at 1669.

²³ Chief Justice Roberts was joined by Justices Scalia, Kennedy, Thomas, and Alito.

²⁴ *Kiobel*, 133 S. Ct. at 1669.

²⁵ *Id.* at 1663 (second quotation quoting *Sosa v. Alvarez-Machain*, 542 U.S. 692, 724 (2004)) (internal quotation mark omitted).

²⁶ *Id.* at 1664.

²⁷ *Id.* (alteration in original) (quoting *Morrison v. Nat'l Austl. Bank Ltd.*, 130 S. Ct. 2869, 2878 (2010)) (internal quotation marks omitted).

²⁸ *Id.*

²⁹ *See id.* at 1663–65.

³⁰ *Id.* at 1664.

³¹ *Id.* at 1665. In addition to the substantive norm, a cause of action may include rules of exhaustion, statutes of limitation, and rules on what kinds of parties (for example, natural persons or corporations) may be held liable. *See id.*

³² *Id.*

³³ *Id.* The petitioners had also argued that the ATS presupposes jurisdiction over "transitory torts" occurring abroad. *Id.* The Chief Justice rejected this argument because transitory torts

had been applied to foreign conduct,³⁴ noting that *Sosa*'s "paradigmatic" norms actionable under the ATS — violation of safe conducts, infringement of the rights of ambassadors, and piracy — need not reach conduct occurring within a foreign sovereign's territory.³⁵

After holding that the presumption against extraterritoriality applies to the ATS, Chief Justice Roberts acknowledged that the presumption could be "displace[d]" if "the claims touch and concern the territory of the United States . . . with sufficient force."³⁶ The Chief Justice noted that "mere corporate presence" in the United States is insufficient to cause displacement, but did not explain what facts would be sufficient to displace the presumption.³⁷

Justice Kennedy concurred. Justice Kennedy noted that "[t]he opinion for the Court is careful to leave open a number of significant questions regarding the reach and interpretation of the [ATS]."³⁸ According to Justice Kennedy, some cases involving international law violations might arise that would not be covered "by [*Kiobel*'s] reasoning and holding."³⁹ Thus, "the proper implementation of the presumption against extraterritorial application may require some further elaboration and explanation."⁴⁰

Justice Alito, joined by Justice Thomas, authored a concurring opinion outlining a broader standard for when an ATS cause of action falls within the presumption's scope and is barred. According to Justice Alito, a cause of action falls outside the scope of the presumption when the event or relationship that was the "focus" of congressional

doctrine only permits a cause of action when there is "a well founded belief" that the cause of action was viable where the alleged tort took place. *Id.* at 1666 (quoting *Cuba R.R. Co. v. Crosby*, 222 U.S. 473, 479 (1912)).

³⁴ The petitioners had pointed to a 1795 opinion by Attorney General William Bradford indicating that the ATS granted jurisdiction over a group of U.S. citizens who had participated in an attack on the British colony of Sierra Leone, *id.* at 1667–68, and historical evidence indicated that Bradford knew the alleged attack took place on land, see Supplemental Brief of *Amici Curiae* Professors of Legal History William R. Casto et al. in Support of the Petitioners at 21–25, *Kiobel*, 133 S. Ct. 1659 (No. 10-1491). Chief Justice Roberts explained, however, that this historical evidence "defies a definitive reading and . . . hardly suffices to counter the weighty concerns underlying the presumption against extraterritoriality." *Kiobel*, 133 S. Ct. at 1668.

³⁵ *Kiobel*, 133 S. Ct. at 1666–69.

³⁶ *Id.* at 1669.

³⁷ *Id.* Some international law scholars have suggested that the final paragraph of Chief Justice Roberts's opinion leaves room for future ATS cases in which the plaintiff or the defendant is a U.S. citizen or where a portion of the alleged tortious conduct occurs on U.S. territory. See, e.g., Oona Hathaway, *Kiobel Commentary: The Door Remains Open to "Foreign Squared" Cases*, SCOTUSBLOG (Apr. 18, 2013, 4:27 PM), <http://www.scotusblog.com/?p=162617>. Others have expressed skepticism that this paragraph permits cases where the alleged conduct occurred outside the United States. See, e.g., Anton Metlitsky, *Commentary: What's Left of the Alien Tort Statute?*, SCOTUSBLOG (Apr. 18, 2013, 10:06 AM), <http://www.scotusblog.com/?p=162581>.

³⁸ *Kiobel*, 133 S. Ct. at 1669 (Kennedy, J., concurring).

³⁹ *Id.*

⁴⁰ *Id.*

concern” under the statute occurs inside the United States.⁴¹ Thus, in Justice Alito’s view, an ATS case would be viable only when conduct occurring inside the United States violated an international law norm actionable under *Sosa*.⁴²

Justice Breyer concurred in the judgment.⁴³ Justice Breyer criticized the majority’s application of the presumption against extraterritoriality because the ATS was “enacted with ‘foreign matters’ in mind,” and at least one of *Sosa*’s paradigmatic ATS norms — piracy — is extraterritorial.⁴⁴ Justice Breyer argued that the Court should have limited the ATS by looking at the statute’s “substantive grasp” as defined in *Sosa* and at jurisdictional norms in international law.⁴⁵ Using these principles, Justice Breyer explained that the ATS ought to provide jurisdiction “only where distinct American interests are at issue.”⁴⁶ Thus, the ATS should apply extraterritorially when “(1) the alleged tort occurs on American soil, (2) the defendant is an American national, or (3) the defendant’s conduct substantially and adversely affects an important American national interest, [including] a distinct interest in preventing the United States from becoming a safe harbor for . . . [an] enemy of mankind.”⁴⁷

The Supreme Court’s use of the presumption against extraterritoriality in *Kiobel* was inconsistent with recent extraterritoriality jurisprudence. The presumption against extraterritoriality has traditionally been based largely on an assumption that Congress would not want to cause international discord by applying U.S. law in ways that would create conflict with foreign laws. In justifying its application of the presumption, however, the *Kiobel* Court emphasized foreign policy consequences without an explicit connection to conflicts of law. Though *Kiobel*’s logic could be unique to the ATS context, lower courts applying the presumption against extraterritoriality to other statutes may interpret *Kiobel* to require a fact-based analysis of policy concerns, rather than a primarily legal analysis of potential clashes with foreign law. The result may be an increasingly muddled, less administrable extraterritoriality doctrine.

⁴¹ *Id.* at 1670 (Alito, J., concurring) (quoting *Morrison v. Nat’l Austl. Bank Ltd.*, 130 S. Ct. 2869, 2884 (2010)) (internal quotation mark omitted).

⁴² *Id.*

⁴³ Justice Breyer was joined by Justices Ginsburg, Sotomayor, and Kagan.

⁴⁴ See *Kiobel*, 133 S. Ct. at 1672 (Breyer, J., concurring in the judgment).

⁴⁵ *Id.* at 1673.

⁴⁶ *Id.* at 1674.

⁴⁷ *Id.*

Though the Supreme Court's extraterritoriality jurisprudence has been inconsistent,⁴⁸ two themes are prominent. First, the presumption against extraterritoriality is a canon of statutory interpretation through which "unexpressed congressional intent may be ascertained."⁴⁹ More recently, in *Morrison v. National Australia Bank Ltd.*⁵⁰ — the Court's most recent pre-*Kiobel* case to extensively discuss the presumption — the Court made clear that the canon does not "resolv[e] matters of policy"⁵¹ and that it is intended to preserve "a stable background against which Congress can legislate with predictable effects."⁵² Though the presumption has evolved from a focus on effects inside the United States to more of a clear statement rule,⁵³ the goal has always been to effectuate Congress's likely intent.⁵⁴

Second, the presumption reflects a belief that Congress would want to promote comity and avoid clashes between U.S. and foreign law.⁵⁵ As Justice Holmes explained in *American Banana Co. v. United Fruit Co.*,⁵⁶ an early examination of extraterritoriality, "if [a foreign jurisdiction] should happen to lay hold of the actor, to treat him according to its own notions rather than those of the place where he did the acts, not only would [that] be unjust, but [it] would be an interference with the authority of another sovereign, contrary to the comity of nations."⁵⁷ The Court reemphasized this rationale beginning in the early 1990s, when it explained in *EEOC v. Arabian American Oil Co. (Aramco)*⁵⁸ that the

⁴⁸ See George T. Conway III, *Extraterritoriality's Watchdog after Morrison v. National Australia Bank*, 105 AM. SOC'Y INT'L L. PROC. 394, 395 (2011) (discussing "the Court's . . . inconsistent approach to the presumption [against extraterritoriality]").

⁴⁹ *Foley Bros. v. Filardo*, 336 U.S. 281, 285 (1949); see also Zachary D. Clopton, *Bowman Lives: The Extraterritorial Application of U.S. Criminal Law After Morrison v. National Australia Bank*, 67 N.Y.U. ANN. SURV. AM. L. 137, 148–49 (2011) ("The presumption against extraterritoriality is a stand-alone tool of statutory interpretation, designed by courts to create a stable rule against which congressional intent may be evaluated without inquiring into legislative jurisdiction.")

⁵⁰ 130 S. Ct. 2869 (2010).

⁵¹ *Id.* at 2880.

⁵² *Id.* at 2881; see also WILLIAM N. ESKRIDGE, JR., *DYNAMIC STATUTORY INTERPRETATION* 277 (1994) (analogizing courts' approach to canons of construction, such as the presumption against extraterritoriality, to "driving a car on the right-hand side of the road" in that both provide a clear background rule).

⁵³ *Compare* *United States v. Aluminum Co. of Am.*, 148 F.2d 416, 443–44 (2d Cir. 1945) (applying the Sherman Act to extraterritorial conduct because of the effects such conduct could have in the United States), *with Morrison*, 130 S. Ct. at 2881 (emphasizing the facial meaning of a statute as critical to determining its extraterritorial effect).

⁵⁴ The Court in *Kiobel* did not deviate from this theme. See *Kiobel*, 133 S. Ct. at 1664.

⁵⁵ See, e.g., *Hartford Fire Ins. Co. v. California*, 509 U.S. 764, 798–99 (1993) (explaining that in determining the extraterritorial reach of a statute, the only relevant question is whether a true conflict of laws exists, and analyzing the structure of the relevant foreign law to check for such a conflict); *EEOC v. Arabian Am. Oil Co. (Aramco)*, 499 U.S. 244, 248 (1991).

⁵⁶ 213 U.S. 347 (1909).

⁵⁷ *Id.* at 356.

⁵⁸ 499 U.S. 244.

presumption was intended “to protect against unintended clashes between our laws and those of other nations which could result in international discord.”⁵⁹ In that case, the Court declined to give extraterritorial effect to Title VII of the Civil Rights Act in part because doing so would “raise difficult issues of international law.”⁶⁰ The Court in *Morrison* cited the *Aramco* formulation approvingly and explicitly denied that the presumption resolves “matters of policy.”⁶¹ Though a few mid-twentieth-century cases suggest that foreign policy concerns factor into the extraterritoriality analysis,⁶² the Court’s recent jurisprudence has largely rejected those cases,⁶³ and scholars have expressed skepticism that foreign policy concerns are relevant to extraterritoriality.⁶⁴

The *Kiobel* Court’s justifications for its use of the presumption differed from those offered in recent extraterritoriality cases. Though the

⁵⁹ *Id.* at 248; see also John H. Knox, *A Presumption Against Extrajurisdictionality*, 104 AM. J. INT’L L. 351, 352 (2010) (“For most of U.S. history, the Supreme Court determined the reach of federal statutes in the light of international law — specifically, the international law of legislative jurisdiction. In effect, it applied a presumption against extrajurisdictionality: that is, a presumption that federal law does not extend beyond the jurisdictional limits set by international law.” (emphasis omitted) (footnote omitted)).

⁶⁰ *Aramco*, 499 U.S. at 255. Similarly, in *Microsoft Corp. v. AT&T Corp.*, 550 U.S. 437 (2007), the Court concluded that section 271(f) of the Patent Act did not have extraterritorial effect because foreign law “may embody different policy judgments about the relative rights of inventors, competitors, and the public.” *Id.* at 455 (quoting Brief for the United States as Amicus Curiae Supporting Petitioner at 28, *Microsoft*, 550 U.S. 437 (No. 05-1056)) (internal quotation mark omitted).

⁶¹ *Morrison v. Nat’l Austl. Bank Ltd.*, 130 S. Ct. 2869, 2880 (2010); see *id.* at 2880–81, 2883. Rather than focusing on potential policy effects, the *Morrison* Court expressed concern that extraterritorial application of part of the Securities Exchange Act would create “incompatibility with the applicable laws of other countries.” *Id.* at 2885.

⁶² See *McCulloch v. Sociedad Nacional de Marineros de Honduras*, 372 U.S. 10, 19 (1963); *Benz v. Compania Naviera Hidalgo, S.A.*, 353 U.S. 138, 147 (1957).

⁶³ Compare *Aramco*, 499 U.S. at 248 (citing *McCulloch* for the proposition that the presumption protects against unintended clashes of law), with *id.* at 265 (Marshall, J., dissenting) (criticizing the majority for ignoring *McCulloch*’s foreign policy analysis).

⁶⁴ When articulating the underlying purposes of the presumption against extraterritoriality, scholars frequently have emphasized the primacy of the potential for clashes of international law. For example, Professor Curtis Bradley identified five justifications for the presumption against extraterritoriality: (1) an unwillingness to “ascribe to [Congress] a policy which would raise difficult issues of international law,” Curtis A. Bradley, *Territorial Intellectual Property Rights in an Age of Globalism*, 37 VA. J. INT’L L. 505, 514 (1997), (2) protecting against discord that would result from “unintended clashes between our laws and those of other nations,” *id.* at 515, (3) consistency with choice of law principles, *id.*, (4) assisting courts in “implementing likely congressional intent,” *id.* at 516, and (5) separation of powers concerns, *id.* The first three of these five justifications plainly relate to concerns over conflicts of law. Freestanding foreign policy consequences are not mentioned as a possible justification. It is possible that the separation of powers justification for the presumption could encompass foreign policy concerns (the idea being that sensitive foreign policy issues, such as those implicated by extraterritorial application of a statute, should not be left with the judiciary, see Bradley, *supra*, at 550–61). However, the separation of powers justification for the presumption against extraterritoriality has never been discussed by courts and has been criticized for furthering “highly questionable assumption[s] about congressional intent.” William S. Dodge, *Understanding the Presumption Against Extraterritoriality*, 16 BERKELEY J. INT’L L. 85, 120 (1998).

Court began, as it did in *Morrison* and *Aramco*, by emphasizing the need to guard against “unintended clashes” of U.S. and foreign law,⁶⁵ the Court suggested that “[t]he presumption against extraterritorial application helps ensure that the Judiciary does not erroneously adopt an interpretation of U.S. law that carries foreign policy consequences not clearly intended by the political branches.”⁶⁶ Note the shift from *Morrison* to *Kiobel*. Where *Morrison* expressed concern over possible international discord resulting from the statute’s “incompatibility with the applicable laws of other countries,”⁶⁷ *Kiobel* focused on “foreign policy consequences”⁶⁸ without any reference to actual legal conflicts.⁶⁹

The Court first invoked the possibility of foreign policy consequences when justifying application of the presumption to the ATS as a wholly jurisdictional statute. The Supreme Court has never applied the presumption against extraterritoriality to a jurisdictional statute, and some lower courts have declined to invoke it in such circumstances because the presumption does not govern “statutes that, by their nature, implicate the legitimate interests of the United States abroad,”⁷⁰ and because “[w]hen Congress is considering the scope of federal jurisdiction, its attention is focused precisely on how far U.S. law should reach.”⁷¹ Yet after conceding that the ATS is “strictly jurisdictional,”⁷² the Court invoked the presumption, explaining that “the danger of unwarranted judicial interference in the conduct of foreign policy is magnified in the context of the ATS.”⁷³ It is possible that extraterritorial application of the ATS could have foreign policy consequences,⁷⁴

⁶⁵ *Kiobel*, 133 S. Ct. at 1664 (quoting *Aramco*, 499 U.S. at 248).

⁶⁶ *Id.*

⁶⁷ *Morrison v. Nat’l Austl. Bank Ltd.*, 130 S. Ct. 2869, 2885 (2010).

⁶⁸ *Kiobel*, 133 S. Ct. at 1664.

⁶⁹ Admittedly, the Court in *Sale v. Haitian Centers Council, Inc.*, 509 U.S. 155 (1993), noted that the presumption “has special force when . . . construing treaty and statutory provisions that may involve foreign and military affairs for which the President has unique responsibility.” *Id.* at 188. This proposition does have weight. However, the *Kiobel* Court did not discuss it, and most of the cases in which it has been mentioned involved urgent foreign-affairs concerns relating to national security, none of which were present in *Kiobel*. See *id.* at 158, 188 (examining the extraterritorial application of a provision of the Immigration and Naturalization Act to prevent forced repatriation of Haitian refugees); *Rasul v. Rumsfeld*, 414 F. Supp. 2d 26, 45 (D.D.C. 2006) (examining the extraterritorial application of U.S. law to Guantanamo detainees), *aff’d in part, rev’d in part sub nom. Rasul v. Myers*, 563 F.3d 527 (D.C. Cir. 2009).

⁷⁰ *United States v. Corey*, 232 F.3d 1166, 1170 (9th Cir. 2000).

⁷¹ *Id.* at 1171.

⁷² *Kiobel*, 133 S. Ct. at 1664 (quoting *Sosa v. Alvarez-Machain*, 542 U.S. 692, 713 (2004)) (internal quotation marks omitted).

⁷³ *Id.*

⁷⁴ See John B. Bellinger III, Speech, *Enforcing Human Rights in U.S. Courts and Abroad: The Alien Tort Statute and Other Approaches*, 42 VAND. J. TRANSNAT’L L. 1, 2, 8–10 (2009) (explaining that “many recent ATS suits have tended to implicate important aspects of U.S. foreign policy,” *id.* at 2, and asserting that ATS litigation imposes “diplomatic” and “democratic” costs, *id.* at 8 (internal quotation marks omitted)). But see Robert Knowles, *A Realist Defense of the Alien*

and whether the ATS violates non-U.S. law is a contentious question,⁷⁵ but the Court's explanation did not discuss potential clashes of laws. The focus was instead on "judicial interference" in foreign policy. Thus, the *Kiobel* majority's reframing of the policy concerns undergirding the presumption — from negative consequences arising from a clash of laws to freestanding foreign policy consequences — helped it avoid the complex and disputed issue of the ATS's legality under non-U.S. law.

The majority invoked the new justification again when refuting arguments that the ATS rebuts the presumption against extraterritoriality. In response to the petitioners' historical claim that the ATS was intended to permit the application of international law to "enemies of all mankind,"⁷⁶ thereby reducing diplomatic tensions, the majority noted that "accepting petitioners' view would imply that other nations, also applying the law of nations, could hale our citizens into their courts for alleged violations of the law of nations occurring in the United States, or anywhere else in the world" and that "[t]he presumption against extraterritoriality guards against our courts triggering such serious foreign policy consequences."⁷⁷ Although a foreign court's asserting jurisdiction over a U.S. citizen might trigger a clash of laws, a conflict is not certain, and the Court did not consider whether one existed. Instead, potential foreign policy consequences themselves justified rejection of the plaintiffs' argument and use of the presumption.

It is possible that lower courts will not extend the *Kiobel* Court's approach to extraterritoriality outside the ATS context because of unique concerns associated with international human rights litigation. But read literally, *Kiobel's* emphasis on freestanding foreign policy consequences blurs the distinction between the presumption against extraterritoriality and the doctrines courts have traditionally used to address foreign policy concerns. Courts have previously invoked the political question doctrine to dismiss cases implicating foreign affairs issues,⁷⁸

Tort Statute, 88 WASH. U. L. REV. 1117, 1122–23 (2011) (arguing that ATS litigation is advantageous to U.S. foreign policy interests from a realist perspective).

⁷⁵ It has been argued that the application of U.S. legal standards for issues such as secondary liability and corporate liability to claims brought under the ATS contravenes international legal standards. See Julian G. Ku, *The Curious Case of Corporate Liability Under the Alien Tort Statute: A Flawed System of Judicial Lawmaking*, 51 VA. J. INT'L L. 353, 377–89 (2011). Whether U.S. law or international law standards should govern issues like corporate liability is disputed. Compare *Flomo v. Firestone Natural Rubber Co.*, 643 F.3d 1013, 1017–21 (7th Cir. 2011) (using U.S. standards), with *Kiobel v. Royal Dutch Petrol. Co.*, 621 F.3d 111, 145 (2d Cir. 2010) (using international standards).

⁷⁶ Petitioners' Supplemental Opening Brief at 27, *Kiobel*, 133 S. Ct. 1659 (No. 10-1491) (internal quotation marks omitted).

⁷⁷ *Kiobel*, 133 S. Ct. at 1669.

⁷⁸ See, e.g., *Bancoult v. McNamara*, 445 F.3d 427, 430, 433–38 (D.C. Cir. 2006) (barring a claim that implicated "topics that serve as the quintessential sources of political questions: nation-

including ATS claims.⁷⁹ Courts may decline cases on forum non conveniens grounds when issues of public interest favor dismissal,⁸⁰ and other doctrines, such as sovereign immunity and act of state, “cabin judicial involvement in the management of foreign affairs.”⁸¹ *Sosa*’s demand that courts exercise “vigilant doorkeeping” when recognizing norms actionable under the ATS⁸² was explicitly motivated by an understanding that “many attempts by federal courts to craft remedies for the violation of new norms of international law would raise risks of adverse foreign policy consequences.”⁸³ The relationship between each of these doctrines and the presumption against extraterritoriality as applied in *Kiobel* is unclear.

If lower courts do read *Kiobel* to modify the presumption against extraterritoriality, the shift will make it significantly more difficult to predict statutes’ extraterritorial reach. Prior to *Kiobel*, the likelihood of whether the presumption against extraterritoriality applied, and whether it was rebutted, could be assessed with the usual tools of statutory interpretation; extraterritoriality after *Kiobel* may depend in part on prudential foreign policy concerns, which are by nature indefinite and constantly in flux. For example, would a statute become less likely to reach extraterritorial conduct if the underlying conduct became a source of international controversy? Such questions can be answered only through rigorous fact-based inquiry. This is the irony of *Kiobel*. In applying a canon of interpretation ostensibly designed to provide Congress with a “stable background” against which to legislate,⁸⁴ the *Kiobel* court may have changed the canon in a way that will make it more difficult for Congress to reliably predict the extraterritorial effects of future statutes.

al security and foreign relations,” *id.* at 433); *see also* *Developments in the Law — Access to Courts*, 122 HARV. L. REV. 1151, 1196–201 (2009).

⁷⁹ *See* *Corrie v. Caterpillar, Inc.*, 403 F. Supp. 2d 1019, 1032 (W.D. Wash. 2005) (finding that the political question doctrine barred a claim brought against a bulldozer manufacturer who sold bulldozers to Israel because “preclud[ing] sales of Caterpillar products to Israel would be to make a foreign policy decision and to impinge directly upon the prerogatives of the executive branch of government”); *see also* *Sosa v. Alvarez-Machain*, 542 U.S. 692, 733 n.21 (2004).

⁸⁰ *See* *Gulf Oil Corp. v. Gilbert*, 330 U.S. 501, 508 (1947). Though the Court in *Gulf Oil Corp. v. Gilbert*, 330 U.S. 501, did not conceive of factors of public interest as encompassing foreign policy concerns, subsequent courts have brought foreign affairs concerns within the ambit of *Gilbert*’s public interest prong. *See* *Turedi v. Coca Cola Co.*, 460 F. Supp. 2d 507, 519 (S.D.N.Y. 2006).

⁸¹ Philip A. Scarborough, Note, *Rules of Decision for Issues Arising Under the Alien Tort Statute*, 107 COLUM. L. REV. 457, 471 (2007). These doctrines have been applied in the context of the ATS. *See* *Argentine Republic v. Amerada Hess Shipping Corp.*, 488 U.S. 428, 443 (1989); *Corrie*, 403 F. Supp. 2d at 1032.

⁸² *Sosa*, 542 U.S. at 729.

⁸³ *Id.* at 727–28.

⁸⁴ *Morrison v. Nat’l Austl. Bank Ltd.*, 130 S. Ct. 2869, 2881 (2010).

*Antiterrorism and Effective Death Penalty Act of 1996 —
Actual Innocence Gateway — McQuiggin v. Perkins*

For decades, a lively debate has persisted about the proper role of innocence in the doctrine surrounding the writ of habeas corpus.¹ Hornbook criminal procedure holds that “habeas courts sit to ensure” procedural justice — that is, “that individuals are not imprisoned in violation of the Constitution — not to correct errors of fact.”² Yet substantive concern for innocence is not irrelevant³: the Supreme Court has long recognized an “actual innocence gateway” that allows petitioners who can credibly show their actual innocence to bypass procedural bars and have their habeas claims adjudicated.⁴ Since Congress imposed new statutory restrictions on the availability of habeas in 1996, the academy has debated whether the writ should be expanded to allow petitioners to elude those statutory barriers as well.⁵ Last Term, in *McQuiggin v. Perkins*,⁶ the Supreme Court created an exception to a statutory barrier — a statute of limitations — for the actually innocent. Though the purpose of habeas relief is to correct constitutionally significant procedural defects, the Court properly allowed concerns for substantive justice to guide its decision.

On March 4, 1993, Floyd Perkins, Rodney Henderson, and Damarr Jones attended a house party in Flint, Michigan.⁷ Shortly after they left together, Henderson was fatally stabbed.⁸ Perkins claimed that he separated from Henderson and Jones at a liquor store, and that he saw Jones later wearing bloody clothing.⁹ Jones testified that Perkins murdered Henderson while the three were still together.¹⁰ A jury convicted Perkins of first-degree murder, largely on the strength of Jones’s

¹ See, e.g., *In re Davis*, 130 S. Ct. 1, 3 (2009) (Scalia, J., dissenting) (“This Court has never held that the Constitution forbids the execution of a convicted defendant who has had a full and fair trial but is later able to convince a habeas court that he is ‘actually’ innocent. Quite to the contrary, we have repeatedly left that question unresolved . . .”).

² *Herrera v. Collins*, 506 U.S. 390, 400 (1993).

³ See generally Henry J. Friendly, *Is Innocence Irrelevant? Collateral Attacks on Criminal Judgments*, 38 U. CHI. L. REV. 142 (1970) (arguing that innocence is not irrelevant to habeas).

⁴ See, e.g., *McCleskey v. Zant*, 499 U.S. 467, 494–95 (1991) (exception to bar on “abuse of the writ”); *Murray v. Carrier*, 477 U.S. 478, 496 (1986) (exception to bar on procedurally defaulted claims); *Kuhlmann v. Wilson*, 477 U.S. 436, 454 (1986) (plurality opinion) (exception to bar on successive petitions).

⁵ See, e.g., Angela Ellis, Note, “*Is Innocence Irrelevant*” to AEDPA’s Statute of Limitations? *Avoiding a Miscarriage of Justice in Federal Habeas Corpus*, 56 VILL. L. REV. 129, 132–34 (2011); Jake Sussman, *Unlimited Innocence: Recognizing an “Actual Innocence” Exception to AEDPA’s Statute of Limitations*, 27 N.Y.U. REV. L. & SOC. CHANGE 343, 347–49 (2001).

⁶ 133 S. Ct. 1924 (2013).

⁷ *Id.* at 1928–29.

⁸ *Id.* at 1929.

⁹ *Perkins v. McQuiggin*, 670 F.3d 665, 667 (6th Cir. 2012).

¹⁰ *Id.*; *McQuiggin*, 133 S. Ct. at 1929.

testimony and that of Henderson's two friends, who claimed that Perkins confessed to them.¹¹ The court sentenced Perkins to life in prison without possibility of parole.¹² After Perkins exhausted his direct appeals, his conviction became final on May 5, 1997.¹³

Under the Antiterrorism and Effective Death Penalty Act of 1996¹⁴ (AEDPA), prisoners convicted by a state court must file a petition for a writ of habeas corpus within one year of "the date on which the judgment became final" unless one of three exceptions applies.¹⁵ In the case of certain impediments to filing — including unconstitutional state action, recognition of a new right by the Supreme Court, or recent discovery of facts crucial to the petition — the limitation obtains one year after removal of the impediment.¹⁶ AEDPA's statute of limitations, like those in many federal statutes,¹⁷ is also subject to equitable tolling for petitioners who pursued their rights diligently but encountered "extraordinary circumstances" that prevented timely filing.¹⁸

Perkins filed his habeas petition on June 13, 2008, more than eleven years after his conviction became final.¹⁹ Appearing pro se,²⁰ Perkins claimed several constitutional defects in his original trial, including prosecutorial misconduct and ineffective assistance of counsel.²¹ After offering affidavits from three new witnesses implicating Jones as the murderer,²² Perkins argued that he had a credible claim of actual innocence that entitled him to an equitable exception to the statute of

¹¹ See *McQuiggin*, 133 S. Ct. at 1929.

¹² *Id.*

¹³ *Id.*

¹⁴ Pub. L. No. 104-132, 110 Stat. 1214 (codified as amended in scattered sections of the U.S. Code).

¹⁵ 28 U.S.C. § 2244(d)(1) (2006); see also *id.* § 2255 (2006 & Supp. V 2011) (imposing the same limitation on federal prisoners).

¹⁶ The statute provides, in relevant part:

The limitation period shall run from the latest of —

(A) the date on which the judgment became final by the conclusion of direct review or the expiration of the time for seeking such review;

(B) the date on which the impediment to filing an application created by State action in violation of the Constitution or laws of the United States is removed, if the applicant was prevented from filing by such State action;

(C) the date on which the constitutional right asserted was initially recognized by the Supreme Court, if the right has been newly recognized by the Supreme Court and made retroactively applicable to cases on collateral review; or

(D) the date on which the factual predicate of the claim or claims presented could have been discovered through the exercise of due diligence.

Id. § 2244(d)(1).

¹⁷ See *Young v. United States*, 535 U.S. 43, 49 (2002).

¹⁸ See *Holland v. Florida*, 130 S. Ct. 2549, 2562 (2010) (internal quotation marks omitted).

¹⁹ *McQuiggin*, 133 S. Ct. at 1929.

²⁰ *Perkins v. McQuiggin*, No. 2:08-CV-139, 2009 WL 1788377, at *1 (W.D. Mich. June 18, 2009).

²¹ *Perkins v. McQuiggin*, 670 F.3d 665, 668 (6th Cir. 2012).

²² *Id.*

limitations²³ and, alternatively, that the limitations period should run from the removal of his impediment to filing — the date on which “the factual predicate of the claim or claims presented could have been discovered through the exercise of due diligence.”²⁴

The United States District Court for the Western District of Michigan denied his petition. The court held that the actual innocence gateway was not available to Perkins since he had failed to diligently pursue his rights and his last-dated affidavit had been signed on July 16, 2002 — almost six years before Perkins filed his petition.²⁵ Further, Perkins failed to make a valid claim of actual innocence: his new evidence had been “substantially available” at trial and merely supported a theory that Perkins already had tested there.²⁶

The Sixth Circuit reversed.²⁷ Writing for the panel, Judge Cole²⁸ found that habeas petitioners need not diligently pursue their rights in order to pass through the actual innocence gateway.²⁹ Under binding circuit precedent, petitioners demonstrating actual innocence could evade AEDPA’s statute of limitations.³⁰ Including a diligence requirement would close the actual innocence gateway. Only claims filed later than the statute of limitations — more than a year after the discovery of new evidence was possible through reasonable diligence — required use of the gateway to receive a merits hearing.³¹ The court remanded for a full consideration of whether Perkins had established actual innocence.³² Judge Beckwith concurred, agreeing with the holding but cautioning that it would lead to a flood of stale petitions claiming actual innocence.³³

²³ While some courts, including the Western District of Michigan and the Sixth Circuit in these proceedings, consider actual innocence as an issue of equitable tolling, it does not fit neatly into equitable tolling doctrine since actual innocence does not delay filing. Other courts, including the Supreme Court, therefore understand actual innocence as an equitable exception to the limitations period distinct from equitable tolling of the limitations period. See *McQuiggin*, 133 S. Ct. at 1931; *Rivas v. Fischer*, 687 F.3d 514, 547 n.42 (2d Cir. 2012) (explaining this distinction). For clarity, this comment will use the Supreme Court’s terminology.

²⁴ *Perkins*, 2009 WL 1788377, at *2 (quoting 28 U.S.C. § 2244(d)(1)(D) (2006)).

²⁵ *Id.* at *2–3.

²⁶ *Id.* at *3.

²⁷ Under AEDPA, appeal from denial of a habeas petition is permitted only with a certificate of appealability, which issues only if the petitioner makes a “substantial showing of the denial of a constitutional right.” 28 U.S.C. § 2253(c) (2006). Here, the district court denied the certificate, finding that the procedural bar to relief was plainly evident. *Perkins*, 2009 WL 1788377, at *4. The Sixth Circuit granted the certificate to decide whether diligence is a precondition to its actual innocence exception. *Perkins*, 670 F.3d at 669.

²⁸ Judge Cole was joined by Judge Moore and District Judge Beckwith of the Southern District of Ohio, sitting by designation.

²⁹ *Perkins*, 670 F.3d at 676.

³⁰ *Id.* at 670–72 (citing *Souter v. Jones*, 395 F.3d 577, 601 n.16 (6th Cir. 2005)).

³¹ *Id.* at 673–74 (citing *Souter*, 395 F.3d at 601 n.16).

³² *Id.* at 676.

³³ *Id.* (Beckwith, J., concurring).

The Supreme Court vacated and remanded. Writing for the Court, Justice Ginsburg³⁴ agreed with the Sixth Circuit that the actual innocence gateway applies to AEDPA's statute of limitations and that it does not require diligence by the petitioner.³⁵ She vacated, however, because the Sixth Circuit did not adequately recognize that a petitioner's unjustifiable delay counts "as a factor in determining whether actual innocence has been reliably shown."³⁶ The Court noted the deep circuit split over whether the actual innocence gateway opens the courts to untimely habeas claims.³⁷ Justice Ginsburg began by framing the question as whether actual innocence serves as an equitable exception to the statute of limitations; equitable tolling could not apply since Perkins did not satisfy its diligence requirement.³⁸ Before and after AEDPA's passage, the Court allowed showings of actual innocence to overcome procedural defects, such as failure to satisfy state court filing deadlines, in order to avoid a "miscarriage of justice."³⁹ "It would be passing strange," Justice Ginsburg noted, to exclude only the federal statute of limitations from the procedural bars vitiable by the actual innocence gateway.⁴⁰

Justice Ginsburg then rebutted Michigan's textual arguments. Michigan argued that opening the gateway would render superfluous AEDPA's extended limitations period for claims based on new evidence, allowing those claims to be brought at any time.⁴¹ Justice Ginsburg observed, however, that there are two distinct rules for overcoming the statute of limitations depending on the nature of the petitioner's claim.⁴² Petitioners who develop new evidence supporting their constitutional claim have one year from when that evidence could reasonably have been discovered to bring that claim, while petitioners who develop new evidence supporting their actual innocence — a higher standard — may bring claims featuring that evidence at any time.⁴³ Michigan also argued that the explicit incorporation of the actual innocence gateway in certain other provisions of AEDPA meant that the limitations provision's silence should be understood as prohi-

³⁴ Justice Ginsburg was joined by Justices Kennedy, Breyer, Sotomayor, and Kagan.

³⁵ *McQuiggin*, 133 S. Ct. at 1928, 1935–36.

³⁶ *Id.* at 1928.

³⁷ *Id.* at 1930–31 (citing *Rivas v. Fischer*, 687 F.3d 514, 548 (2d Cir. 2012) (identifying cases from the Sixth, Ninth, Tenth, and Eleventh Circuits that open the gateway through the statute of limitations and cases from the First, Fifth, and Seventh Circuits that do not)).

³⁸ *Id.* at 1931.

³⁹ *Id.* at 1931–32 (citing *Coleman v. Thompson*, 501 U.S. 722, 750 (1991) (state deadlines); *Kuhlmann v. Wilson*, 477 U.S. 436, 454 (1986) (plurality opinion) (repetitive petitions)).

⁴⁰ *Id.* at 1932.

⁴¹ *Id.* at 1932–33.

⁴² *Id.* at 1933.

⁴³ *Id.*

biting the gateway's use.⁴⁴ Those other provisions, however, incorporated a more stringent version of the gateway, so Justice Ginsburg interpreted congressional silence as permitting use of the traditional gateway for an untimely first petition alleging actual innocence.⁴⁵

As applied to this case, Perkins was free to claim actual innocence notwithstanding his failure to pursue his rights diligently.⁴⁶ The Sixth Circuit, however, understood the inquiry too narrowly: Perkins's neglect of his rights was relevant to the credibility of his new evidence.⁴⁷ Since the district court found Perkins's evidence inadequate to make out an actual innocence claim, that determination "should be dispositive, absent cause, which [the Court] d[id] not currently see, for the Sixth Circuit to upset that evaluation."⁴⁸

Justice Scalia dissented.⁴⁹ He emphasized the absence of an AEDPA provision in which Congress waived the statute of limitations for petitioners credibly claiming actual innocence.⁵⁰ Though it is true, as the majority observed, that some procedural barriers to habeas relief have traditionally been subject to actual innocence exceptions, those barriers were all judicially created.⁵¹ For example, since state deadlines only bind federal courts through the nonstatutory, judicially created doctrine of procedural default, courts can open the actual innocence gateway through state deadlines without trampling congressional prerogatives.⁵² As Justice Scalia explained, "Never before ha[s] the Court] applied the exception to circumvent a categorical *statutory* bar to relief."⁵³

In Justice Scalia's view, AEDPA provided the "comprehensive path" for petitioners seeking to base their constitutional claims on the discovery of new evidence.⁵⁴ When a petitioner seeks to introduce newly discovered evidence, AEDPA extends the statute of limitations from one year after the conviction becomes final until one year after

⁴⁴ *Id.*

⁴⁵ *Id.* at 1933–34. Having held that the actual innocence gateway is open to untimely petitions, Justice Ginsburg agreed with the Sixth Circuit that it would be "bizarre" to impose a diligence barrier on petitioners. *Id.* at 1935. Instead, she held that unreasonable delay bears on the credibility of newly offered evidence, in part so as to prevent manipulations of the system. *Id.* at 1936.

⁴⁶ *Id.* at 1936.

⁴⁷ *Id.*

⁴⁸ *Id.*

⁴⁹ The Chief Justice and Justices Thomas and Alito joined Justice Scalia's dissent.

⁵⁰ *McQuiggin*, 133 S. Ct. at 1936 (Scalia, J., dissenting).

⁵¹ *Id.* at 1937.

⁵² *See id.* at 1940.

⁵³ *Id.* at 1937; *see also id.* at 1939 ("There are many statutory bars to relief other than statutes of limitations, and we had never (and before today, have never) created an actual-innocence exception to any of them.").

⁵⁴ *Id.* at 1939.

the petitioner could have discovered the evidence through reasonable diligence.⁵⁵ AEDPA also lifts the bar on successive habeas petitions if the petitioner has clear and convincing evidence of her actual innocence.⁵⁶ Therefore, to reach the merits of any petition credibly showing actual innocence through use of a judge-made pathway, no matter how infrequently those petitions arise, would “frustrate Congress’s design.”⁵⁷

Finally, Justice Scalia surmised that the Court’s impulse to hear all claims of actual innocence, no matter how untimely, would allow a deluge of frivolous litigation.⁵⁸ Not only are colorable actual innocence pleas rare, but courts will now also face the heavy burden of looking at the merits of each claim to see whether it is tenable.⁵⁹

Habeas traditionally serves to ensure procedural justice in criminal proceedings. It is not directly concerned with substantive justice; indeed, as the Supreme Court has made clear, collateral review is not meant as a second opportunity for defendants to receive direct review of their convictions.⁶⁰ Nonetheless, a close reading of *McQuiggin* reveals that the Court was motivated by its concerns for substantive justice — in particular, concern that petitioners who can show their actual innocence have an opportunity for courts to consider their claims’ merits. And that special solicitude for the actually innocent is well founded, for petitioners who pass through the actual innocence gateway are likely to receive habeas relief.

The *McQuiggin* Court’s concern with substantive fairness is evident from two major steps of the opinion. First, the Court decided to retain equitable authority over the availability of habeas notwithstanding AEDPA’s text.⁶¹ As Justice Scalia noted, *McQuiggin* is the first case in which the Court allowed a petitioner to avoid statutory barriers to consideration of the merits of the petitioner’s habeas claim by passing through the actual innocence gateway.⁶² Yet the Court chose to do so in part for substantive reasons: it pointed to “the individual interest in justice that arises in the extraordinary case,” which needs to be bal-

⁵⁵ *Id.* (discussing 28 U.S.C. § 2244(b)(2)(B), (d)(1)(D) (2006)).

⁵⁶ *Id.* (discussing 28 U.S.C. § 2244(b)(2)(B), (d)(1)(D)).

⁵⁷ *Id.* In Justice Scalia’s view, the majority misunderstood AEDPA’s inclusion elsewhere of the actual innocence standard. Given a background presumption that the actual innocence exception did not apply to statutes of limitations, Congress more likely intended to reject rather than accept such an application — or, at least, intended only a narrow application. *Id.* at 1940–41.

⁵⁸ *Id.* at 1942–43.

⁵⁹ *Id.*

⁶⁰ See *Herrera v. Collins*, 506 U.S. 390, 400–01 (1993).

⁶¹ See Jordan Steiker, *Opinion Analysis: Innocence Exception Survives, Innocence Claim Does Not*, SCOTUSBLOG (May 29, 2013, 11:06 AM), <http://www.scotusblog.com/?p=164160>. Compare *McQuiggin*, 133 S. Ct. at 1931–34, with *id.* at 1937–43 (Scalia, J., dissenting).

⁶² *McQuiggin*, 133 S. Ct. at 1937 (Scalia, J., dissenting).

anced against societal interests.⁶³ “Sensitivity to the injustice of incarcerating an innocent individual” persisted in the face of AEDPA.⁶⁴ These concerns are uniquely substantive: the Court opened the courthouse doors to petitioners who can show that their convictions were substantively unjustified because they are actually innocent, rather than petitioners who can, for example, make especially persuasive cases that their trial involved a procedural defect.

Second, the Court decided to exercise its equitable authority by making a habeas merits hearing available to petitioners who could satisfy the actual innocence standard but filed outside the statute of limitations. On this point, the Court offered virtually no reasoning. While the Court repeatedly underscored that the gateway is open only “to a severely confined category” of cases,⁶⁵ that assertion is only a response to concerns about judicial resources and frivolous litigation;⁶⁶ it does not explain why the Court should exercise its authority on behalf of actually innocent petitioners in a context concerned primarily with procedural justice. Instead, the Court seemed to assume that equity required intervention on behalf of actually innocent petitioners — on behalf of substantive justice. That assumption is rooted in the Court’s prior precedent on the actual innocence gateway, which references substantive reasons guiding the exercise of that authority: namely, ensuring “that federal constitutional errors do not result in the incarceration of innocent persons”⁶⁷ and, more generally, protecting constitutional rights.⁶⁸

The crucial role of substantive justice in *McQuiggin* is unsurprising. The internal logic of the actual innocence gateway — often called the “miscarriage of justice exception”⁶⁹ — is that a credible claim of actual innocence casts doubt on the fairness of the procedures that convicted the petitioner.⁷⁰ That logic is invariant across procedural barriers that would otherwise bar a habeas claim. And the gateway was designed to balance social and individual interests, one of which is an interest in substantive justice.⁷¹ Substantive justice, therefore, is baked into the inquiry over the gateway’s domain.

⁶³ *Id.* at 1932 (majority opinion) (quoting *Schlup v. Delo*, 513 U.S. 298, 324 (1995)) (internal quotation mark omitted).

⁶⁴ *Id.*

⁶⁵ *Id.* at 1933; *see also id.* at 1928, 1936.

⁶⁶ *See id.* at 1942–43 (Scalia, J., dissenting).

⁶⁷ *Id.* at 1936 (majority opinion) (quoting *Herrera v. Collins*, 506 U.S. 390, 404 (1993)) (internal quotation marks omitted).

⁶⁸ *See id.* at 1934 (citing *Holland v. Florida*, 130 S. Ct. 2549, 2562 (2010)).

⁶⁹ *Id.* at 1931.

⁷⁰ *See Schlup v. Delo*, 513 U.S. 298, 316 (1995).

⁷¹ *See id.* at 324–25 (“Of greater importance, the individual interest in avoiding injustice is most compelling in the context of actual innocence.” *Id.* at 324.).

The Court's special solicitude for the actually innocent is well founded, for courts seem more likely to find constitutionally significant procedural defects in the convictions of petitioners who pass through the actual innocence gateway. In general, habeas merits claims are adjudicated according to AEDPA's extremely deferential standard of review.⁷² Under AEDPA, the writ is only available for state petitioners who can show that a decision in their case "was contrary to, or involved an unreasonable application of, clearly established Federal law, as determined by the Supreme Court" or "was based on an unreasonable determination of the facts."⁷³ As a result, less than one percent of habeas petitions in noncapital cases and less than thirteen percent of habeas petitions in capital cases are successful.⁷⁴

The data for petitioners who pass through the actual innocence gateway, however, seem remarkably different.⁷⁵ Though the total number of successful gateway claims is unknown, it is likely quite small.⁷⁶ But a recent survey found twenty-three cases in which a federal court allowed a petitioner to pass through the actual innocence gateway.⁷⁷ In each of these cases for which an opinion is available, the petitioner subsequently received habeas relief, including in capital cases.⁷⁸ In at least one of the remaining cases, the state agreed to release the peti-

⁷² See, e.g., *Williams v. Taylor*, 529 U.S. 362, 386 (2000) (plurality opinion).

⁷³ 28 U.S.C. § 2254(d) (2006).

⁷⁴ See NANCY J. KING ET AL., EXECUTIVE SUMMARY: HABEAS LITIGATION IN U.S. DISTRICT COURTS 9–10 (2007), available at <https://www.ncjrs.gov/pdffiles1/nij/grants/219558.pdf>.

⁷⁵ The following discussion includes only challenges to convictions under *Schlup*'s actual innocence standard, not challenges exclusively to sentences under the higher standard of *Sawyer v. Whitley*, 505 U.S. 333, 336 (1992).

⁷⁶ See, e.g., *Schlup v. Delo*, 513 U.S. 298, 321 (1995) ("[H]abeas corpus petitions that advance a substantial claim of actual innocence are extremely rare.").

⁷⁷ Jordan M. Barry, *Prosecuting the Exonerated: Actual Innocence and the Double Jeopardy Clause*, 64 STAN. L. REV. 535, 587 (2012).

⁷⁸ *Paradis v. Arave*, 240 F.3d 1169, 1181 (9th Cir. 2001) (affirming grant of habeas relief); *Silva v. Wood*, 14 F. App'x 803, 805 (9th Cir. 2001) (granting habeas relief); *Fairman v. Anderson*, 188 F.3d 635, 647 (5th Cir. 1999) (affirming grant of habeas relief); *Carriger v. Stewart*, 132 F.3d 463, 482 (9th Cir. 1997) (en banc) (granting habeas relief in capital case); *Lisker v. Knowles*, 651 F. Supp. 2d 1097, 1141 (C.D. Cal. 2009) (recommending grant of habeas relief); *Garcia v. Portuondo*, 459 F. Supp. 2d 267, 295 (S.D.N.Y. 2006) (granting habeas relief); *Perez v. United States*, 502 F. Supp. 2d 301, 311 (N.D.N.Y. 2006) (same); *Eastridge v. United States*, 372 F. Supp. 2d 26, 61 (D.D.C. 2005) (same); *Stocker v. Warden*, No. Civ.02-2077, 2004 WL 603400, at *17 (E.D. Pa. Mar. 25, 2004) (same); *Nickerson v. Roe*, 260 F. Supp. 2d 875, 918 (N.D. Cal. 2003) (same); *Brown v. Crosby*, 249 F. Supp. 2d 1285, 1325 (S.D. Fla. 2003) (same); *Watkins v. Miller*, 92 F. Supp. 2d 824, 857 (S.D. Ind. 2000) (same); *Bragg v. Norris*, 128 F. Supp. 2d 587, 609 (E.D. Ark. 2000) (same); *Reasonover v. Washington*, 60 F. Supp. 2d 937, 981 (E.D. Mo. 1999) (same); *Jose v. Johnson*, No. Civ. 97-500-KI, 1999 WL 1120374, at *7 (D. Or. Dec. 7, 1999) (same); *Mercado Negron v. Torres-Suarez*, Civil No. 95-1967, 1999 U.S. Dist. LEXIS 7194, at *21 (D.P.R. May 11, 1999) (same).

tioner before the court decided the merits of the procedural claims.⁷⁹ No court denied a prisoner's petition in full. Similarly, in Supreme Court cases leaving the final disposition open, the court on remand either found that the petitioner failed to show actual innocence or issued the writ.⁸⁰ While petitioners passing through the gateway must still demonstrate a procedural defect in their direct decision,⁸¹ they seem to do so with some frequency.

There are several possible explanations for the high merits success rate for petitioners satisfying the actual innocence standard. It may be a matter of sampling. Perhaps prisoners who are actually innocent but were convicted are much more likely than the typical petitioner to have suffered a constitutionally significant procedural defect. After all, in many cases the trial seemed to have rendered an inaccurate result.⁸² It may alternatively be a matter of motivated reasoning. Unconsciously, human perceptions and determinations of "policy-consequential facts" are "covertly recruited," at least sometimes, to align with the perceiver's cultural worldview.⁸³ And since the legal worldview holds that it is deeply unjust to let someone who is likely actually innocent remain imprisoned,⁸⁴ judges may understand the facts surrounding an innocent's constitutional claims as evidence of a constitutional violation.⁸⁵ A judge who has already held that it is "more likely than not that no reasonable juror would have convicted"⁸⁶ a defendant in light

⁷⁹ See Stephanie Denzel, *Larry Pat Souter*, NAT'L REGISTRY EXONERATIONS, <https://www.law.umich.edu/special/exoneration/Pages/casedetail.aspx?caseid=3656> (last visited Sept. 29, 2013).

⁸⁰ See *Whitmore v. Avery*, 63 F.3d 688, 690 (8th Cir. 1995) (finding that the petitioner failed to show actual innocence); *House v. Bell*, No. 3:96-CV-883, 2007 WL 4568444, at *1 (E.D. Tenn. Dec. 20, 2007) (issuing the writ, unless the state began a new trial), *aff'd*, 276 F. App'x 437 (6th Cir. 2008); *Schlup v. Bowersox*, No. 4:92CV443, 1996 WL 1570463, at *46 (E.D. Mo. May 2, 1996) (issuing the writ).

⁸¹ *McQuiggin*, 133 S. Ct. at 1931.

⁸² That is, of course, not the case for some petitioners whose actual innocence claims are based on newly discovered information.

⁸³ Dan M. Kahan, *The Supreme Court 2010 Term — Foreword: Neutral Principles, Motivated Cognition, and Some Problems for Constitutional Law*, 125 HARV. L. REV. 1, 19, 23 (2011). See also *id.* at 7 (describing motivated reasoning). See generally Ziva Kunda, *The Case for Motivated Reasoning*, 108 PSYCHOL. BULL. 480 (1990) (explaining that motivated reasoning encourages perceivers to reach their desired conclusions, so long as those conclusions are reasonably justifiable).

⁸⁴ See, e.g., 4 WILLIAM BLACKSTONE, COMMENTARIES *352 ("[I]t is better that ten guilty persons escape, than that one innocent suffer.").

⁸⁵ Of course, the analysis is more subtle. For example, courts confront numerous other cases of substantive unfairness yet are bound to affirm them as the results of fair procedures. See, e.g., Lawrence B. Solum, *Procedural Justice*, 78 S. CAL. L. REV. 181, 190 (2004) (calling this discrepancy the "hard question" of procedural fairness). Claims by actually innocent prisoners, however, may be especially likely to cause motivated reasoning, especially when evaluating whether procedures were properly followed, rather than whether more procedures were due.

⁸⁶ *Schlup v. Delo*, 513 U.S. 298, 327 (1995).

of the evidence is likely later to find that the defendant's counsel offered constitutionally deficient assistance.

By opening the actual innocence gateway for reasons of substantive justice, the *McQuiggin* Court facilitated the possibility of relief for a set of procedural injustice claims that are particularly likely to be meritorious and would otherwise have been procedurally barred.⁸⁷ Since cases in which the petitioner shows actual innocence appear to correlate closely with cases that are found to include a constitutionally problematic procedural defect, the Court's concern for substantive fairness expands the availability of habeas relief for petitioners who also suffered procedural injustice.⁸⁸ Expanding the actual innocence gateway therefore aligns the interests of procedural and substantive justice: habeas jurisprudence's goal of procedural justice can be vindicated when petitioners who can show grave substantive injustice are allowed to bring their procedural claims.

Although habeas is ostensibly concerned only with procedural injustice, the *McQuiggin* Court removed a procedural barrier to habeas relief for those petitioners who can demonstrate their actual innocence. This outcome both illustrates that concerns about substantive injustice partially underlie the Court's habeas jurisprudence and reaffirms the Court's focus on habeas as a remedy for procedural injustice. While the Court relied in part on its concerns about substantive injustice, that reliance was proper — even in habeas's procedural context — given the correlation between petitioners who pass through the actual innocence gateway and those who are granted relief on the merits of their procedural habeas claim.

⁸⁷ *Cf. id.* at 315–16 (explaining that convictions of petitioners claiming both actual innocence and a procedural error “may not be entitled to the same degree of respect” as convictions of petitioners claiming only actual innocence, *id.* at 316).

⁸⁸ If motivated reasoning explains the procedural-substantive correlation, some cases that receive habeas relief through the gateway would not be successful were they reviewed after a properly filed petition. But it is not obvious which outcome is more just for those petitions, especially since motivated reasoning can lead judges to grant the writ only where doing so is reasonably justified. See Kunda, *supra* note 83, at 482–83.

Clean Water Act — Auer Deference —
Decker v. Northwest Environmental Defense Center

It is a long-settled principle of administrative law that an agency's interpretation of its own regulation receives significant deference from a reviewing court. As the Supreme Court announced in *Bowles v. Seminole Rock & Sand Co.*¹ and unanimously affirmed in *Auer v. Robbins*,² such an interpretation is controlling unless it is "plainly erroneous or inconsistent with the regulation."³ Although long uncontroversial, so-called "*Auer* deference" has recently received scholarly⁴ and judicial⁵ scrutiny. Last Term, in *Decker v. Northwest Environmental Defense Center*,⁶ the Court applied *Auer* deference in the traditional manner, but three Justices signaled an interest in abandoning the doctrine. *Auer's* days may be numbered. But rather than eliminate *Auer* deference, the Court should consider a compromise: adopting a version of the "one-bite rule" of regulatory interpretation employed by several circuit courts. This development would address *Auer* detractors' concerns about agency incentives while preserving agencies' ability to clarify their regulations after initial promulgation.

Logging companies use roads through Oregon's Tillamook State Forest to harvest timber.⁷ The companies typically channel stormwater off these roads using a series of ditches.⁸ This runoff often contains sediment and other pollutants, and sometimes reaches rivers and lakes, where it can degrade water quality and harm aquatic life.⁹

The Clean Water Act¹⁰ (CWA) requires companies to secure National Pollutant Discharge Elimination System (NPDES) permits before they discharge pollutants from any "point source" into the navigable waters of the United States.¹¹ An Environmental Protection Agency (EPA) regulation, the Silvicultural Rule,¹² specifies that certain

¹ 325 U.S. 410 (1945).

² 519 U.S. 452 (1997).

³ *Id.* at 461 (quoting *Seminole Rock*, 325 U.S. at 414) (internal quotation marks omitted).

⁴ See, e.g., John F. Manning, *Constitutional Structure and Judicial Deference to Agency Interpretations of Agency Rules*, 96 COLUM. L. REV. 612 (1996); Matthew C. Stephenson & Miri Pogoriler, *Seminole Rock's Domain*, 79 GEO. WASH. L. REV. 1449 (2011).

⁵ See *Christopher v. SmithKline Beecham Corp.*, 132 S. Ct. 2156, 2166–68 (2012); *Talk Am., Inc. v. Mich. Bell Tel. Co.*, 131 S. Ct. 2254, 2265–66 (2011) (Scalia, J., concurring).

⁶ 133 S. Ct. 1326 (2013).

⁷ *Id.* at 1333.

⁸ *Nw. Env'tl. Def. Ctr. v. Brown*, 476 F. Supp. 2d 1188, 1191 (D. Or. 2007).

⁹ *Id.*

¹⁰ 33 U.S.C. §§ 1251–1387 (2006 & Supp. V 2011).

¹¹ *Id.* §§ 1311(a), 1342(a), 1362(12). The CWA defines a point source, in relevant part, as "any discernible, confined and discrete conveyance, including but not limited to any pipe, ditch, channel, tunnel, [or] conduit . . . from which pollutants are or may be discharged." *Id.* § 1362(14).

¹² 40 C.F.R. § 122.27 (2013).

logging-related discharges require permits, unless those sources are otherwise exempted.¹³ One such instance is the CWA's exemption of "discharges composed entirely of stormwater," unless the discharge is "associated with industrial activity."¹⁴ Before its amendment in December 2012, a second EPA regulation, the Industrial Stormwater Rule,¹⁵ defined discharges "associated with industrial activity" as those "from any conveyance that is used for collecting and conveying storm water and that is directly related to manufacturing, processing or raw materials storage areas at an industrial plant."¹⁶ The Rule specified that facilities classified under Standard Industrial Classification 24¹⁷ — a classification that includes "[l]ogging"¹⁸ — are considered to be engaged in "industrial activity."¹⁹ It also stated that "[f]or the categories of industries identified in this section, the term ['storm water discharge associated with industrial activity'] includes, but is not limited to, storm water discharges from . . . immediate access roads and rail lines used or traveled by carriers of raw materials, manufactured products, waste material, or by-products used or created by the facility."²⁰

In September 2006, the Northwest Environmental Defense Center (NEDC) filed suit under the CWA's citizen-suit provision²¹ against various logging and paper-product companies alleging that defendants violated the CWA by discharging stormwater runoff from Tillamook logging roads into two Oregon rivers without the necessary NPDES permits.²² The district court dismissed the case for failure to state a claim.²³ It held that NPDES permits were not required under the Silvicultural Rule because the discharges resulted from natural runoff, and thus were not point sources.²⁴

The Court of Appeals for the Ninth Circuit reversed.²⁵ Writing for a unanimous panel, Judge Fletcher²⁶ found that the Silvicultural Rule

¹³ *Id.* Specifically, those conveyances "related to rock crushing, gravel washing, log sorting, or log storage facilities which are operated in connection with silvicultural activities" are defined as point sources. *Id.* § 122.27(b)(1).

¹⁴ 33 U.S.C. § 1342(p).

¹⁵ 40 C.F.R. § 122.26 (2012).

¹⁶ *Id.* § 122.26(b)(14).

¹⁷ As the Court explained in *Decker*, "[t]he Standard Industrial Classifications are a system used by federal agencies to categorize firms engaged in different types of business activity." 133 S. Ct. at 1332.

¹⁸ *Decker*, 133 S. Ct. at 1332 (quoting 2 Joint Appendix at 64) (internal quotation marks omitted).

¹⁹ 40 C.F.R. § 122.26(b)(14)(ii).

²⁰ 40 C.F.R. § 122.26(b)(14).

²¹ 33 U.S.C. § 1365 (2006). This provision "authorize[s] private enforcement of the [Clean Water Act]" via civil suit. *U.S. Dep't of Energy v. Ohio*, 503 U.S. 607, 613 n.5 (1992).

²² *Nw. Envtl. Def. Ctr. v. Brown*, 476 F. Supp. 2d 1188, 1190–91 (D. Or. 2007).

²³ *Id.* at 1190.

²⁴ *See id.* at 1197.

²⁵ *Nw. Envtl. Def. Ctr. v. Brown*, 640 F.3d 1063, 1087 (9th Cir. 2011).

²⁶ Judge Fletcher was joined by Judge Fisher and District Judge Breyer of the Northern District of California, sitting by designation.

was ambiguous regarding whether natural runoff channeled through ditches and culverts was a point source, but that the statutory definition of point source encompassed such runoff.²⁷ The court also held that the Industrial Stormwater Rule unambiguously did not exempt the runoff at issue, as the roads were both “immediate access roads” and “primarily dedicated for use by [an] industrial facility.”²⁸

The Supreme Court reversed.²⁹ Writing for the Court, Justice Kennedy³⁰ began by rejecting the petitioner’s argument that the suit was barred by 33 U.S.C. § 1369(b).³¹ He reasoned that § 1369(b) did not bar a citizen suit seeking to enforce compliance with the CWA.³²

Turning to the merits, the Court began by examining whether the statutory term “associated with industrial activity” unambiguously covered channeled stormwater runoff from logging roads. The Court held that the term “industrial” was ambiguous — plausibly referring either to business activity in general or only to “economic activity concerned with the processing of raw materials and manufacture of goods in factories” — so the statute did not foreclose the agency’s interpretation that the term did not encompass outdoor timber harvesting.³³

The Court also rejected the Ninth Circuit’s argument that the defendants’ conduct was unambiguously covered by the Industrial Stormwater Rule’s requirement of NPDES permits for stormwater discharges from “immediate access roads . . . used or traveled by carriers of raw materials” for the covered industrial activities.³⁴ In an amicus brief, the EPA had interpreted the Rule to cover only “traditional

²⁷ See *Nw. Env'tl. Def. Ctr.*, 640 F.3d at 1080.

²⁸ *Id.* at 1084 (quoting 55 Fed. Reg. 47990, 48009 (Nov. 16, 1990)) (internal quotation marks omitted).

²⁹ *Decker*, 133 S. Ct. at 1338.

³⁰ Justice Kennedy was joined by Chief Justice Roberts and Justices Thomas, Ginsburg, Alito, Sotomayor, and Kagan in full. Justice Scalia joined Parts I and II of the Court’s opinion. Justice Breyer recused himself because his brother, Judge Breyer of the U.S. District Court for the Northern District of California, sat by designation on the Ninth Circuit panel that heard the case.

³¹ This section provides for exclusive judicial review in the courts of appeals for “particular actions by the [EPA] Administrator, including establishment of effluent standards and issuance of permits for discharge of pollutants.” *Decker*, 133 S. Ct. at 1334 (alteration in original) (quoting *Middlesex Cnty. Sewerage Auth. v. Nat’l Sea Clammers Ass’n*, 453 U.S. 1, 13–14 (1981)) (internal quotation mark omitted).

³² *Id.* The Court also held that the EPA’s recent amendment to the Industrial Stormwater Rule did not render the case moot. Three days prior to oral argument before the Supreme Court, the EPA issued an amendment to the Industrial Stormwater Rule effectively exempting the defendants’ conduct from the NPDES permit requirement. *Id.* at 1332–33. Nevertheless, the Court held that a controversy continued to exist regarding whether petitioners could be held liable under the earlier version of the Rule. *Id.* at 1335–36.

³³ *Id.* at 1336 (quoting *NEW OXFORD AMERICAN DICTIONARY* 887 (3d ed. 2010)) (internal quotation marks omitted).

³⁴ *Id.* (quoting 40 C.F.R. § 122.26(b)(14) (2006)) (alteration in original).

industrial sources such as sawmills”³⁵ on the ground that the Rule’s reference to “facilities” and the Standard Industrial Classification’s reference to “establishments” suggested more permanent sites than an outdoor logging installation.³⁶ The Court invoked the “well established” *Auer* doctrine and found this interpretation “permissible.”³⁷ Moreover, the Court noted that *Auer* deference was particularly appropriate in this instance because the EPA’s interpretation was long held, not “a change from prior practice or a *post hoc* justification adopted in response to litigation.”³⁸ The EPA’s interpretation triumphant, the judgment below was reversed and the case remanded.³⁹

Chief Justice Roberts concurred, joined by Justice Alito. He acknowledged the questions about *Auer* deference raised in Justice Scalia’s subsequent opinion, but declined to address the issue because it had not been fully briefed.⁴⁰ Noting that “[t]he bar is now aware that there is some interest in reconsidering” *Auer*, he announced that he “would await a case in which the issue is properly raised and argued.”⁴¹

Justice Scalia concurred in part and dissented in part.⁴² He argued that *Auer* deference should be eliminated and that the EPA’s interpretation of the regulation should not prevail because it was not “the most natural” reading.⁴³ Justice Scalia reviewed two justifications for *Auer* deference and found neither persuasive. First, some cases suggest that an agency’s interpretation of its own regulation deserves deference because the agency knows what it meant when it drafted the rule.⁴⁴ But Justice Scalia dismissed this rationale as off base: the text of the regulation, not the agency’s “unexpressed intention,” must guide interpretation.⁴⁵ Second, other cases argue that the agency deserves deference because it “possesses special expertise in administering its ‘complex

³⁵ *Id.* (quoting Brief for the United States as Amicus Curiae Supporting Petitioners at 24–25, *Decker*, 133 S. Ct. 1326 (Nos. 11–338, 11–347)) (internal quotation mark omitted).

³⁶ *Id.* at 1336–37 (quoting Brief for the United States as Amicus Curiae Supporting Petitioners, *supra* note 35, at 24–25) (internal quotation marks omitted).

³⁷ *Id.* at 1337.

³⁸ *Id.* (citing *Christopher v. SmithKline Beecham Corp.*, 132 S. Ct. 2156, 2166–67 (2012)).

³⁹ *Id.* at 1338. On remand, the Ninth Circuit noted that although the Supreme Court had reversed its interpretation of the Industrial Stormwater Rule, it “left intact” the holding that the runoff at issue was “within the meaning” of the CWA’s statutory definition of “point source.” *Nw. Envtl. Def. Ctr. v. Decker*, No. 07–35266, 2013 WL 4618311, at *1 (9th Cir. Aug. 30, 2013). The court vacated the district court’s opinion and remanded.

⁴⁰ *Id.* (Roberts, C.J., concurring).

⁴¹ *Id.* at 1339.

⁴² *Id.* (Scalia, J., concurring in part and dissenting in part). Justice Scalia agreed that the cases were not moot and that the district court had jurisdiction. *Id.*

⁴³ *Id.*

⁴⁴ *Id.* at 1340 (citing *Martin v. Occupational Safety & Health Review Comm’n*, 499 U.S. 144, 150–153 (1991)).

⁴⁵ *Id.*

and highly technical regulatory program.”⁴⁶ Justice Scalia contended that this was a good reason to afford agencies rulemaking power but not subsequent interpretive authority — the goal of interpretation is “to determine the fair meaning of the rule,” not to make effective policy.⁴⁷

Justice Scalia also rebutted the argument that *Auer* deference follows a fortiori from *Chevron* deference: if an agency’s interpretation of a statute should receive deference, then surely an agency’s interpretation of a regulation written by the agency itself should also receive deference.⁴⁸ Not so, Justice Scalia argued: the theory of *Chevron* is that Congress implicitly delegates to the agency the power to resolve statutory ambiguities. But no such delegation exists for the agency to resolve subsequent regulatory ambiguities.⁴⁹ Indeed, Justice Scalia continued, such a delegation “would violate a fundamental principle of separation of powers,” as the power to write law and the power to interpret law would belong to the same branch of government.⁵⁰ Moreover, the two deference doctrines create opposite incentives: *Chevron* encourages Congress to write clear statutes, in order to control agency action; *Auer* encourages agencies to write vague regulations to which they can subsequently give meaning without formal rulemaking procedures.⁵¹

Justice Scalia acknowledged that *Auer* has the “beneficial pragmatic effect” that the public can generally rely on an agency’s interpretation of its own regulation, rather than wait for a definitive interpretation by the Supreme Court after a lengthy litigation process.⁵² But, he noted, the agency can always promulgate an amended regulation should a court endorse a different interpretation.⁵³ Moreover, mere “efficiency gains” cannot cure a violation of the separation of powers.⁵⁴

Therefore, in the case at hand, Justice Scalia would have found the stormwater discharges to require NPDES permits. First, he agreed with the Ninth Circuit that manmade ditches fell within the statutory definition of point sources.⁵⁵ Second, he found that the discharges were associated with industrial activity because Standard Industrial Classification 24, incorporated into the Industrial Stormwater Rule’s definition of “industrial activity,” expressly includes “[l]ogging.”⁵⁶

⁴⁶ *Id.* (quoting *Thomas Jefferson Univ. v. Shalala*, 512 U.S. 504, 512 (1994)).

⁴⁷ *Id.*

⁴⁸ *Id.* at 1341.

⁴⁹ *See id.* at 1340–41.

⁵⁰ *Id.* at 1341.

⁵¹ *See id.*

⁵² *Id.*

⁵³ *Id.* at 1341–42.

⁵⁴ *Id.* at 1342.

⁵⁵ *Id.* at 1342–43.

⁵⁶ *Id.* at 1343 (quoting 2 Joint Appendix at 64) (internal quotation marks omitted). Justice Scalia also criticized the majority’s argument that “establishments” could mean only fixed and permanent

It seems that *Auer*'s days may be numbered. One Justice has launched a direct assault on the doctrine, and two others have signaled that they would welcome the opportunity to reconsider it. After the Court arguably restricted the doctrine in a case last Term,⁵⁷ the trend seems clear.⁵⁸ Scholars have suggested cabining⁵⁹ or eliminating⁶⁰ *Auer* deference. But rather than altering the degree of judicial deference owed to agency interpretations, the Court should consider limiting agencies' ability to revise those interpretations by adopting the so-called "one-bite rule." This rule would restrict agencies' ability to promulgate new, contradictory interpretations of regulations without using notice-and-comment rulemaking. Such a compromise would draw on the purpose of the *Auer* doctrine — deference to administrative expertise — by channeling new interpretations through the rigor of the notice-and-comment process. This system would also encourage agencies to write more specific regulations and discourage later, contradictory reinterpretations. Such an arrangement would provide a more stable regulatory environment, but would still allow agencies a measure of flexibility in adapting their regulations to unforeseen circumstances. Moreover, such a shift would comport with recent developments in the Court's treatment of the *Auer* doctrine.

Auer deference has several key pragmatic benefits. The doctrine respects comparative institutional competence by giving agency experts wide latitude to resolve technical regulatory ambiguities.⁶¹ To the extent that such interpretations fundamentally involve policy choices,⁶² *Auer* leaves these decisions primarily to the politically accountable executive branch.⁶³ Moreover, as Justice Scalia conceded, *Auer* promotes efficiency, avoiding the need for lengthy litigation to resolve every regulatory ambiguity.⁶⁴

sites: the Standard Industrial Classifications elsewhere refer to establishments for "producing wood chips in the field," implying a site no more fixed and permanent than the logging operations at issue in this case. See *id.* at 1344 (quoting 2 Joint Appendix at 64) (internal quotation marks omitted).

⁵⁷ See *The Supreme Court, 2011 Term — Leading Cases*, 126 HARV. L. REV. 176, 357, 358 (2012) (arguing that *Christopher* imposed a retroactivity constraint on the *Auer* doctrine).

⁵⁸ The then-Chief Judge of the Second Circuit, in dissent, has already cited Justice Scalia's *Decker* opinion in arguing that *Auer* deference should not be extended to an agency interpretation that is not "the most natural" reading. *Berlin v. Renaissance Rental Partners, LLC*, No. 12-2213-CV, 2013 WL 1859140, at *7 (2d Cir. May 6, 2013) (Jacobs, C.J., dissenting) (quoting *Decker*, 133 S. Ct. at 1339 (Scalia, J., concurring in part and dissenting in part)).

⁵⁹ See, e.g., Manning, *supra* note 4, at 681-82; Stephenson & Pogoriler, *supra* note 4, at 1504.

⁶⁰ See, e.g., Robert A. Anthony, *The Supreme Court and the APA: Sometimes They Just Don't Get It*, 10 ADMIN. L.J. AM. U. 1, 6 (1996).

⁶¹ See Stephenson & Pogoriler, *supra* note 4, at 1456.

⁶² The Court has long recognized the intertwined nature of interpretation and policymaking in the context of agency statutory interpretations. See *Chevron U.S.A. Inc. v. Natural Res. Def. Council, Inc.*, 467 U.S. 837, 863-64 (1984).

⁶³ Stephenson & Pogoriler, *supra* note 4, at 1456-57.

⁶⁴ See *Decker*, 133 S. Ct. at 1341 (Scalia, J., concurring in part and dissenting in part).

However, the doctrine is not without flaws. As Justice Scalia identified, *Auer* strains the separation of powers and creates perverse incentives for agencies to promulgate vague regulations, which can later be interpreted expansively by the agency itself. In addition, scholars have criticized *Auer* deference for enabling an unpredictable regulatory environment and depriving regulated entities of fair notice.⁶⁵

Two aspects of administrative law facilitate *Auer*'s practical shortcomings: the ex ante ease with which agencies can interpret their own regulations and the ex post lenience of the *Auer* standard upon judicial review. The Administrative Procedure Act⁶⁶ (APA) exempts "interpretative rules" from the traditional notice-and-comment procedures.⁶⁷ These rules, which construe preexisting regulations or statutes, are often inexpensively published in guidance manuals or on agency websites.⁶⁸ And if the interpretive rule interprets a regulation, the interpretation will receive generous *Auer* deference from reviewing courts. Thus, once an agency goes through notice-and-comment rulemaking to create a regulation, it is free to tweak the meaning of that regulation endlessly through subsequent interpretive rules, whose adherence to the original regulation is not carefully scrutinized by the courts.

In the context of agencies' interpretations of statutes, the Supreme Court has created a tradeoff between the ex ante procedure an agency follows and the ex post judicial deference it receives. In *United States v. Mead Corp.*,⁶⁹ the Court held that the use of adjudication or notice-and-comment rulemaking — the procedures from which interpretive rules are specifically exempted — acts as a gateway to greater judicial deference.⁷⁰ As some academics have put it, agencies interpreting a statute must either "pay now" by following the lengthier and costlier procedures or "pay later" by enduring greater judicial scrutiny.⁷¹ This tradeoff makes sense: a regulation that has run the notice-and-comment gauntlet has already been subject to a good deal of scrutiny,⁷² which serves as a check against arbitrary or ill-conceived agency

⁶⁵ See, e.g., Manning, *supra* note 4, at 654–56.

⁶⁶ Pub. L. 79-404, 60 Stat. 237 (1946) (codified as amended in scattered sections of 5 U.S.C.).

⁶⁷ 5 U.S.C. § 553(b)(A) (2012).

⁶⁸ See William Funk, *A Primer on Nonlegislative Rules*, 53 ADMIN. L. REV. 1321, 1322–23 (2001); OFFICE OF THE FED. REGISTER, A GUIDE TO THE RULEMAKING PROCESS 11 (2011), available at https://www.federalregister.gov/uploads/2011/01/the_rulemaking_process.pdf. Agency interpretations can also be provided through low-cost amicus briefs, as in *Decker*. See 133 S. Ct. at 1331.

⁶⁹ 533 U.S. 218 (2001).

⁷⁰ See *id.* at 226–27.

⁷¹ E.g., Jacob E. Gersen, *Legislative Rules Revisited*, 74 U. CHI. L. REV. 1705, 1721 (2007); Stephenson & Pogoriler, *supra* note 4, at 1464.

⁷² This includes both public scrutiny through the comment process and review by the Office of Information and Regulatory Affairs if the action is significant. See Exec. Order No. 12,866, 3 C.F.R. 638 (1994), reprinted as amended in 5 U.S.C. § 601 app. at 88–92 (2012).

action. But when interpreting their own regulations, agencies get a free lunch: deferential review without rigorous procedure. Thus, agencies can “deliberately draft . . . rule[s] broadly and vaguely, and then later resolve all the controversial points by issuing interpretive rules” that are upheld “so long as they satisfy a minimal reasonableness standard.”⁷³ As the D.C. Circuit colorfully remarked, this setup provides agencies with “perverse incentives” that could lead them “to promulgate mush” in an attempt to “circumvent . . . the notice and comment procedures of the APA.”⁷⁴

Lower courts have noticed this imbalance. In order to check agency reinterpretations of their own vague regulations, several circuit courts have adopted the “one-bite rule.”⁷⁵ Originally adopted by the D.C. Circuit in *Alaska Professional Hunters Ass’n v. FAA*,⁷⁶ this approach requires agencies to follow notice-and-comment procedures for any interpretive rule that contradicts an earlier definitive interpretation.⁷⁷ The theory behind this restriction is that a change in a long-standing interpretation of a regulation is effectively an amendment to that regulation.⁷⁸ The APA dictates that “amending . . . a rule” falls within the definition of “rule making,”⁷⁹ and that rulemaking requires notice and comment.⁸⁰ Although the one-bite rule rests on a debatable interpretation of the APA,⁸¹ it has been adopted by the Third, Fifth, and Sixth Circuits.⁸²

⁷³ Stephenson & Pogoriler, *supra* note 4, at 1464.

⁷⁴ *Paralyzed Veterans of Am. v. D.C. Arena L.P.*, 117 F.3d 579, 584 (D.C. Cir. 1997); see also Lisa Schultz Bressman, *Beyond Accountability: Arbitrariness and Legitimacy in the Administrative State*, 78 N.Y.U. L. REV. 461, 552 (2003) (“[T]he problem [with the *Seminole Rock* doctrine] might be understood as an end-run around rulemaking in the extreme.”).

⁷⁵ See STRAUSS ET AL., GELLHORN & BYSE’S ADMINISTRATIVE LAW 201 (11th ed. 2011).

⁷⁶ 177 F.3d 1030 (D.C. Cir. 1999).

⁷⁷ See STRAUSS ET AL., *supra* note 75, at 201–02.

⁷⁸ See Richard W. Murphy, *Hunters for Administrative Common Law*, 58 ADMIN. L. REV. 917, 924 (2006).

⁷⁹ 5 U.S.C. § 551(5) (2012) (internal quotation marks omitted).

⁸⁰ See *id.* § 553. Rulemaking can also be accomplished through the less-used formal rulemaking procedures of §§ 556 and 557.

⁸¹ See *United States v. Magnesium Corp. of Am.*, 616 F.3d 1129, 1139–40 (10th Cir. 2010) (noting that the APA section detailing rulemaking procedures “makes perfectly clear” that such procedures “just don’t apply to ‘interpretive rules’” (quoting 5 U.S.C. § 553(b)(A))); Jon Connolly, Note, *Alaska Hunters and the D.C. Circuit: A Defense of Flexible Interpretive Rulemaking*, 101 COLUM. L. REV. 155, 172–73 (2001). This approach is also in some tension with the Supreme Court’s decision in *Vermont Yankee Nuclear Power Corp. v. Natural Resources Defense Council, Inc.*, 435 U.S. 519 (1978), holding that courts may not impose procedural requirements on agency rulemaking beyond those prescribed by the APA. See Funk, *supra* note 68, at 1329–30. However, the D.C. Circuit’s argument in *Alaska Hunters* — that subsequent contradictory interpretations are not properly considered interpretations but rather new rules — could provide the grounds for distinguishing *Vermont Yankee*. See Murphy, *supra* note 78, at 928.

⁸² See *SBC Inc. v. FCC*, 414 F.3d 486, 498 (3d Cir. 2005); *Dismas Charities, Inc. v. U.S. Dep’t of Justice*, 401 F.3d 666, 682 (6th Cir. 2005); *Shell Offshore Inc. v. Babbitt*, 238 F.3d 622, 629 (5th

The *Alaska Hunters* rule strikes a balance between the virtues of agency discretion and regulatory stability.⁸³ The “one bite” allows agencies an opportunity, within limits, to clarify the meaning of their rules after promulgation. Subsequent, low-cost interpretation of regulations is an essential agency tool, as regulations (like statutes) can never be sufficiently specific to cover every circumstance.⁸⁴ Requiring agencies to repeat the notice-and-comment process for any clarification would grind the regulatory apparatus to a halt. However, allowing agencies to contradict themselves is unfair to regulated entities, particularly when later interpretations receive scant judicial scrutiny.

The one-bite rule would also address one of Justice Scalia’s primary concerns: incentives for regulatory vagueness. By restricting the ability of an agency to offer endless contradictory clarifications, the one-bite rule would require the agency increasingly to “bear[] . . . [the] risk of its own opacity or imprecision,”⁸⁵ thereby encouraging it to be precise in its initial regulations and definitive interpretations.

Moreover, the one-bite rule would channel regulatory interpretations through procedures specifically designed to maximize two of the virtues underlying *Auer* deference: agency expertise and political accountability.⁸⁶ The process ensures that all relevant information is considered and all interested voices are heard, and it parallels the Constitution’s structural constraints on legislative lawmaking.⁸⁷ Interpretations that emerge from such a process are precisely the type that deserve deference from undemocratic and inexperienced courts.

Finally, the one-bite rule is a workable compromise that comports with the Court’s recent *Auer* jurisprudence. The one-bite rule’s check on arbitrariness would appeal to those Justices concerned about undue agency discretion;⁸⁸ the retained deference to an agency’s first interpretation would appeal to those Justices concerned about preserving agency flexibility. Justices Ginsburg and Thomas both joined a dissent in 2000 that cited the D.C. Circuit in describing “the APA’s requirement of new rulemaking when an agency substantially modifies its in-

Cir. 2001). The First and Ninth Circuits have rejected the one-bite rule. See *Erringer v. Thompson*, 371 F.3d 625, 632 (9th Cir. 2004); *Warder v. Shalala*, 149 F.3d 73, 81–82 (1st Cir. 1998).

⁸³ See *Murphy*, *supra* note 78, at 927 (discussing the relative merits of interpretive stability and agency discretion in the context of *Alaska Hunters*).

⁸⁴ See Richard J. Pierce, Jr., *Distinguishing Legislative Rules from Interpretative Rules*, 52 ADMIN. L. REV. 547, 553 (2000).

⁸⁵ Manning, *supra* note 4, at 655.

⁸⁶ See *Gersen*, *supra* note 71, at 1714 (noting that “notice and comment rulemaking serves both technocratic and democratic aims”).

⁸⁷ See, e.g., *Hector v. U.S. Dep’t of Agric.*, 82 F.3d 165, 170–71 (7th Cir. 1996); Manning, *supra* note 4, at 660; see also *Murphy*, *supra* note 78, at 933 (“[T]he relatively open nature of [the notice-and-comment] process arguably lends to it a kind of political legitimacy akin to that enjoyed by the true legislative process.”).

⁸⁸ See *City of Arlington v. FCC*, 133 S. Ct. 1863, 1877 (2013) (Roberts, C.J., dissenting).

terpretation of a regulation.”⁸⁹ And Justice Alito endorsed the *Alaska Hunters* principle while on the Third Circuit.⁹⁰

Moreover, the Court has previously gestured toward constraining agencies’ ability to reverse earlier interpretations. Last Term, the Court declined to extend *Auer* deference to an agency interpretation that had shifted during the course of litigation.⁹¹ In the dicta of *Decker*, Justice Kennedy approvingly noted that the EPA’s interpretation was not a “change from prior practice or a *post hoc* justification adopted in response to litigation.”⁹² Rather than eliminate *Auer*, the Court could ensure that agencies provide fair notice by requiring that interpretive reversals emerge through notice and comment.

The *Alaska Hunters* approach has its fair share of weaknesses. In addition to its contested doctrinal foundation,⁹³ it does not cure *Auer*’s formal separation of powers defects. But *Auer* respects the comparative institutional advantages of the judiciary and executive. A *de novo* standard of review might satisfy Montesquieu but would force generalist, unaccountable judges to confront technical and policy-laden interpretive issues regularly. With the one-bite rule, agency abuse could be restrained without completely sacrificing *Auer*’s promotion of agency expertise, accountability, and efficiency.⁹⁴

Following the Chief Justice’s unmistakable call for litigation challenging *Auer*, the Court will likely have an opportunity to address this doctrine in the near future. If *Auer*’s final hour is indeed drawing near, the Court should instead consider the compromise position of *Alaska Hunters* to address the practical concerns of *Auer*’s detractors while retaining the doctrine’s pragmatic advantages.

⁸⁹ *Geier v. Am. Honda Motor Co.*, 529 U.S. 861, 912 (2000) (Stevens, J., dissenting) (citing *Paralyzed Veterans of Am. v. D.C. Arena L.P.*, 117 F.3d 579, 586 (D.C. Cir. 1997)).

⁹⁰ *Caruso v. Blockbuster-Sony Music Entm’t Ctr. at the Waterfront*, 174 F.3d 166, 177 (3d Cir. 1999) (“[I]f an agency’s new interpretation will result in significantly different rights and duties than existed under a prior interpretation, notice and comment is required.”), *vacated*, 193 F.3d 730 (3d Cir. 1999).

⁹¹ *Christopher v. SmithKline Beecham Corp.*, 132 S. Ct. 2156, 2166–68 (2012).

⁹² *Decker*, 133 S. Ct. at 1337; *see also* *Thomas Jefferson Univ. v. Shalala*, 512 U.S. 504, 515 (1994) (stating in dicta that an agency’s interpretation of a regulation that conflicts with a prior interpretation receives “considerably less deference” (quoting *INS v. Cardoza-Fonseca*, 480 U.S. 421, 446 n.30 (1987))).

⁹³ *See* sources cited *supra* note 81 and accompanying text.

⁹⁴ The *Alaska Hunters* approach also creates a peculiar inconsistency with the *Chevron* doctrine. Under *Chevron*, an agency is free to change over time its interpretation of an ambiguity in a governing statute. But under *Alaska Hunters*, the same flexibility would be denied to an agency once it has definitively resolved an ambiguity in its own regulation. *See* *Murphy*, *supra* note 78, at 928–30; *Stephenson & Pogoriler*, *supra* note 4, at 1479. This outcome is defensible from a pragmatic perspective: in each instance, the lawmaker (legislature or agency) is incentivized to be clear, leading to a fairer and more stable regulatory environment.

*Communications Act of 1934 — Chevron Deference —
City of Arlington v. FCC*

Nearly three decades ago the Supreme Court laid out the canonical formulation for judicial deference to agency interpretations of statutory law in *Chevron U.S.A. Inc. v. Natural Resources Defense Council, Inc.*¹: first, a court must ask “whether Congress has directly spoken to the precise question at issue,” and second, “if the statute is silent or ambiguous with respect to the specific issue, the question for the court is whether the agency’s answer is based on a permissible construction of the statute.”² Yet despite becoming “the most cited case in modern public law,”³ certain questions surrounding *Chevron* remain unresolved. Last Term, in *City of Arlington v. FCC*,⁴ the Court answered one of the most prominent of these questions, holding that *Chevron* applies to an agency’s claim to deference in interpreting its own jurisdiction.⁵ Despite the compelling theoretical grounds for casting a skeptical eye on such interpretations, the majority correctly focused on whether drawing a predictable distinction between jurisdictional and nonjurisdictional questions was feasible. In rejecting the distinction as unworkable, the Court reaffirmed the importance of *Chevron*’s role as a stable background rule.

The Telecommunications Act of 1996⁶ modified the Communications Act of 1934⁷ to impose “limitations on the traditional authority of state and local governments to regulate the location, construction, and modification of [wireless communications] facilities.”⁸ The provision of the 1996 Act at issue in *Arlington*, 47 U.S.C. § 332(c)(7)(B)(ii), “requires state or local governments to act on wireless siting applications ‘within a reasonable period of time after the request is duly filed.’”⁹ Section 201(b) of the 1934 Act “empowers the Federal Communications Commission to ‘prescribe such rules and regulations as may be necessary in the public interest to carry out [its] provisions.’”¹⁰

¹ 467 U.S. 837 (1984).

² *Id.* at 842–43.

³ Thomas J. Miles & Cass R. Sunstein, *Do Judges Make Regulatory Policy? An Empirical Investigation of Chevron*, 73 U. CHI. L. REV. 823, 823 (2006).

⁴ 133 S. Ct. 1863 (2013).

⁵ *Id.* at 1868.

⁶ Pub. L. No. 104-104, 110 Stat. 56 (codified as amended in scattered sections of 47 U.S.C.).

⁷ Pub. L. No. 73-416, 48 Stat. 1064 (codified as amended at 47 U.S.C. §§ 151–615b (2006)).

⁸ *City of Rancho Palos Verdes v. Abrams*, 544 U.S. 113, 115 (2005) (discussing 47 U.S.C. § 332(c)(7)).

⁹ *Arlington*, 133 S. Ct. at 1866 (quoting 47 U.S.C. § 332(c)(7)(B)(ii)).

¹⁰ *Id.* (alteration in original) (quoting 47 U.S.C. § 201(b)). Justice Scalia noted that such “rulemaking authority extends to the subsequently added portions of the Act.” *Id.*

In 2008, CTIA — The Wireless Association¹¹ petitioned the FCC “to clarify the meaning of § 332(c)(7)(B)(ii)’s requirement that zoning authorities act on siting requests ‘within a reasonable period of time.’”¹² The FCC found that it had broad statutory authority to interpret the provisions of the 1934 Act, and thus that it had authority to interpret § 332(c)(7), which fell within the Act.¹³ Pursuant to this authority, the FCC declared “that a ‘reasonable period of time’ is, presumptively, 90 days to process personal wireless service facility siting applications requesting collocations, and, also presumptively, 150 days to process all other applications,” although state and local governments could rebut that presumption.¹⁴

The cities of Arlington, Texas, and San Antonio, Texas, petitioned the Fifth Circuit for review of the Declaratory Ruling.¹⁵ First, the cities argued that the FCC’s failure to use notice-and-comment rulemaking violated the requirements of the Administrative Procedure Act.¹⁶ Although the court expressed “serious doubts as to the propriety of the FCC’s choice of procedures,”¹⁷ it concluded that the error was harmless because the FCC had published notice of the petition in the Federal Register and a broad range of affected parties had submitted comments, and because the FCC had addressed the substantive issues that these parties raised.¹⁸ Second, the cities argued that the FCC lacked the statutory authority to adopt the 90- and 150-day time frames because it did not have authority to interpret § 332(c)(7)(B)(ii) due to § 332(c)(7)(A).¹⁹ This latter provision states that, “[e]xcept as provided in this paragraph, nothing in this chapter shall limit or affect the authority of a State or local government or instrumentality thereof over decisions regarding the

¹¹ Although Justice Scalia modestly declined to reveal the “secret, known only to wireless-service-provider insiders,” of the acronym’s origins, *id.* at 1867 n.1, the organization’s website indicates that it stood for Cellular Telecommunications Industry Association and then Cellular Telecommunications & Internet Association until 2004. See *History of Wireless Communications*, CTIA — WIRELESS ASS’N, http://ctia.org/media/industry_info/index.cfm/AID/10392 (last updated Jan. 2013).

¹² *Arlington*, 133 S. Ct. at 1867.

¹³ See Petition for Declaratory Ruling to Clarify Provisions of Section 332(c)(7)(B) to Ensure Timely Siting Review and to Preempt Under Section 253 State and Local Ordinances that Classify All Wireless Siting Proposals as Requiring a Variance, 24 FCC Rcd. 13994, 14000–03 (2009) [hereinafter Declaratory Ruling].

¹⁴ *Id.* at 14005. A “collocation” involves “the addition of an antenna to an existing tower or other structure.” *Id.* at 14012.

¹⁵ *City of Arlington v. FCC*, 668 F.3d 229, 236 (5th Cir. 2012). Under 28 U.S.C. § 2342(1) (2006), the courts of appeals have jurisdiction to review “all final orders of the Federal Communications Commission made reviewable by” 47 U.S.C. § 402(a) (2006), which provides for judicial review of final orders of the FCC.

¹⁶ *Arlington*, 668 F.3d at 240.

¹⁷ *Id.* at 242.

¹⁸ *Id.* at 243–46.

¹⁹ *Id.* at 247.

placement, construction, and modification of personal wireless service facilities.”²⁰ Given that § 332(c)(7)(B)(v) granted jurisdiction over disputes under this section to the courts, the cities argued that Congress did not intend for the FCC to have interpretive authority over the phrase “reasonable period of time.”²¹ The FCC responded that § 332(c)(7)(A)’s carveout of § 332(c)(7)(B) left the interpretation of “reasonable period of time” within the general statutory grant of interpretive deference; the grant of jurisdiction to courts over disputes arising under the paragraph, meanwhile, only prohibited the FCC from imposing additional restrictions not mentioned in § 332(c)(7)(B).²²

The Fifth Circuit answered the question that the Supreme Court would identify as central — whether the *Chevron* framework applied to the FCC’s claim of interpretive authority over § 332(c)(7)(B)(ii) — in just three paragraphs.²³ Noting that “[t]he Supreme Court has not yet conclusively resolved the question of whether *Chevron* applies in the context of an agency’s determination of its own statutory jurisdiction, and the circuit courts of appeals have adopted different approaches to the issue,” the court deferred to Fifth Circuit precedent in “apply[ing] *Chevron* to an agency’s interpretation of its own statutory jurisdiction.”²⁴ Undertaking the *Chevron* analysis of the FCC’s claim of interpretive authority, the court found that § 332(c)(7) was ambiguous with regard to the agency’s authority, and that the FCC’s interpretation granting itself authority was not impermissible.²⁵ The court similarly deferred to the FCC’s interpretation of “reasonable period of time,” finding that the 90- and 150-day time frames were “based on a permissible construction” of the statute.²⁶

The Supreme Court granted certiorari limited to the question of “[w]hether . . . a court should apply *Chevron* to . . . an agency’s determination of its own jurisdiction”²⁷ and affirmed the Fifth Circuit.²⁸ Justice Scalia, writing for the majority,²⁹ held that “the question a court faces when confronted with an agency’s interpretation of a statute it administers is always, simply, *whether the agency has stayed within the bounds of its statutory authority.*”³⁰ Justice Scalia rested his argument on two grounds: pragmatism and precedent.

²⁰ 47 U.S.C. § 332(c)(7)(A) (2006).

²¹ *Arlington*, 668 F.3d at 247.

²² *Id.*

²³ *Id.* at 247–48.

²⁴ *Id.* at 248 (citing, inter alia, *Texas v. United States*, 497 F.3d 491, 501 (5th Cir. 2007)).

²⁵ *Id.* at 251–54.

²⁶ *Id.* at 255–56.

²⁷ *Arlington*, 133 S. Ct. at 1867–68 (omissions in original).

²⁸ *See id.* at 1868.

²⁹ Justice Scalia was joined by Justices Thomas, Ginsburg, Sotomayor, and Kagan.

³⁰ *Arlington*, 133 S. Ct. at 1868.

Justice Scalia first argued that “the distinction between ‘jurisdictional’ and ‘nonjurisdictional’ interpretations is a mirage.”³¹ He explained that “every new application of a broad statutory term can be reframed as a questionable extension of the agency’s jurisdiction.”³² Invoking both canonical and more recent administrative law decisions in support of this thesis, he pointed out that agencies’ adopted definitions of “outside salesman,”³³ “pole attachments,”³⁴ and “waters of the United States”³⁵ — each considered a quintessential *Chevron* question at the time of its decision — could be reframed as attempts to expand the scope of the agencies’ respective jurisdictions.³⁶

Justice Scalia then surveyed precedent to demonstrate that the Court had “consistently held ‘that *Chevron* applies to cases in which an agency adopts a construction of a jurisdictional provision of a statute it administers.’”³⁷ Justice Scalia characterized *Commodity Futures Trading Commission v. Schor*³⁸ as “[a] prime example of deferential review for questions of jurisdiction.”³⁹ Turning to numerous cases that resulted in a deferential posture toward agency interpretations claiming expanded (or contracted) jurisdiction, Justice Scalia concluded that “[t]he U.S. Reports are shot through with applications of *Chevron* to agencies’ constructions of the scope of their own jurisdiction.”⁴⁰

Justice Scalia concluded by devoting “[a] few words” to responding to the dissent, which proposed to precede every *Chevron* analysis with a *de novo* look at whether the agency had interpretive authority over the statutory provision at issue.⁴¹ Justice Scalia dismissed this proposal as unworkable. He acknowledged that *United States v. Mead Corp.*⁴²

³¹ *Id.*

³² *Id.* at 1870 (“To exceed authorized application is to exceed authority. Virtually any administrative action can be characterized as either the one or the other, depending on how generally one wishes to describe the ‘authority.’” (quoting *Miss. Power & Light Co. v. Miss. ex rel. Moore*, 487 U.S. 354, 381 (1988) (Scalia, J., concurring in judgment)) (internal quotation marks omitted)).

³³ *Id.* (quoting *Christopher v. SmithKline Beecham Corp.*, 132 S. Ct. 2156, 2162, 2165 (2012)) (internal quotation marks omitted).

³⁴ *Id.* (quoting *Nat’l Cable & Telecomms. Ass’n v. Gulf Power Co.*, 534 U.S. 327, 331, 333 (2002)) (internal quotation marks omitted).

³⁵ *Id.* (quoting *United States v. Riverside Bayview Homes, Inc.*, 474 U.S. 121, 123, 131 (1985)) (internal quotation marks omitted).

³⁶ *Id.*

³⁷ *Id.* at 1871 (citing 1 R. PIERCE, ADMINISTRATIVE LAW TREATISE § 3.5, at 187 (2010)).

³⁸ 478 U.S. 833 (1986).

³⁹ *Arlington*, 133 S. Ct. at 1871. In *Schor*, the Court cited *Chevron* in upholding the Commodity Futures Trading Commission’s claim of authority to adjudicate counterclaims. 478 U.S. at 844. It is unclear though whether the Court found the statute unambiguous under Step One or deferred to the agency under Step Two. See Quincy M. Crawford, Comment, *Chevron Deference to Agency Interpretations that Delimit the Scope of the Agency’s Jurisdiction*, 61 U. CHI. L. REV. 957, 962 (1994).

⁴⁰ *Arlington*, 133 S. Ct. at 1872.

⁴¹ *Id.* at 1873–74.

⁴² 533 U.S. 218 (2001).

had established a threshold inquiry into whether Congress had intended to delegate authority.⁴³ Yet Justice Scalia rejected the expansion of “th’ol’ ‘totality of the circumstances’ test,”⁴⁴ as he had labeled it in *Mead*, to an exercise of formal rulemaking or adjudication within an agency’s organic statute.⁴⁵ In his view, such an expansion was “an invitation to make an ad hoc judgment regarding congressional intent” and thus would “destroy the whole stabilizing purpose of *Chevron*.”⁴⁶ He would instead find this test satisfied as long as Congress had conferred general rulemaking or adjudicative authority to the agency and the agency was exercising such authority.⁴⁷

Justice Breyer concurred in part and in the judgment.⁴⁸ He agreed with the majority that “the distinction between ‘jurisdictional’ and ‘non-jurisdictional’ interpretations is a mirage.”⁴⁹ Yet he sided with the dissent in arguing that “the existence of statutory ambiguity is sometimes not enough to warrant the conclusion that Congress has left a deference-warranting gap for the agency to fill.”⁵⁰ Justice Breyer identified at least ten different factors relevant to the determination of Congress’s intent.⁵¹ He then applied those factors,⁵² “conclude[d] that § 332(c)(7)(B)(ii) — the ‘reasonableness’ statute — leaves a gap for the FCC to fill,” and accordingly supported the FCC’s interpretation.⁵³

Chief Justice Roberts dissented.⁵⁴ Taking issue with how Justice Scalia (and, he acknowledged, “[t]he parties, *amici*, and court below”) had construed the question, he insisted that the issue was not whether *Chevron* deference extends to an agency’s interpretation of statutory provisions that concern the scope of its jurisdiction.⁵⁵ Rather, the question was whether courts should “defer to an agency on whether Congress has granted the agency interpretive authority over the statutory

⁴³ See *Arlington*, 133 S. Ct. at 1874.

⁴⁴ *Mead*, 533 U.S. at 241 (Scalia, J., dissenting).

⁴⁵ *Arlington*, 133 S. Ct. at 1874.

⁴⁶ *Id.*

⁴⁷ See *id.*

⁴⁸ *Id.* at 1875 (Breyer, J., concurring in part and concurring in the judgment).

⁴⁹ *Id.* (quoting *id.* at 1868 (majority opinion)) (internal quotation marks omitted).

⁵⁰ *Id.*

⁵¹ See *id.* at 1875–76 (pointing out the relevance of “‘the interstitial nature of the legal question, the related expertise of the Agency, the importance of the question to administration of the statute, the complexity of that administration, . . . the careful consideration the Agency has given the question over a long period of time[,]’ [t]he subject matter of the relevant provision[,] . . . the statute’s text, its context, the structure of the statutory scheme, . . . canons of textual construction[, and] . . . [s]tatutory purposes, including those revealed in part by legislative and regulatory history” (citation omitted) (quoting *Barnhart v. Walton*, 535 U.S. 212, 222 (2002)).

⁵² *Id.* at 1876–77.

⁵³ *Id.* at 1877.

⁵⁴ *Id.* (Roberts, C.J., dissenting). Chief Justice Roberts was joined by Justices Kennedy and Alito.

⁵⁵ *Id.* at 1879.

ambiguity at issue.”⁵⁶ Like Justice Breyer, he would have the Court “on its own decide whether Congress — the branch vested with law-making authority under the Constitution — has in fact delegated to the agency lawmaking power over the ambiguity at issue.”⁵⁷

Chief Justice Roberts couched his stance in separation of powers concerns. Beginning with the *Federalist Papers* and concluding with *Marbury*, he launched a broadside against two features of the modern administrative state. First, expressing discomfort with the fact that “[t]he administrative state ‘wields vast power and touches almost every aspect of daily life,’”⁵⁸ he pointed out that this power contains a comingling of all three principal governmental powers: administrative agencies “exercise legislative power, by promulgating regulations with the force of law; executive power, by policing compliance with those regulations; and judicial power, by adjudicating enforcement actions and imposing sanctions on those found to have violated their rules.”⁵⁹ Second, he decried the functional independence and lack of oversight of the administrative branch, marshaling for support the academic writings of Justices Breyer and Kagan, among others.⁶⁰

Arlington raised the issue of whether the Court should restrict the scope of *Chevron* by denying deference to agencies’ claims of jurisdiction over statutory provisions. Justice Scalia’s majority opinion sidestepped the murky theoretical arguments on granting deference in such cases and instead offered an overriding pragmatic one: because there is no principled basis for distinguishing those provisions that should be interpreted by agencies from those that should not, denying deference on “jurisdictional” questions would throw into doubt interpretive authority over a wide range of issues. By focusing squarely on the predictability of the jurisdictional/nonjurisdictional distinction, the majority reaffirmed *Chevron*’s commitment to providing a stable baseline from which to legislate.

Arlington stepped squarely into the debate over *Chevron*’s “Step Zero” — “the initial inquiry into whether the *Chevron* framework applies at all.”⁶¹ The first step toward Step Zero occurred in *Christensen v. Harris County*,⁶² which introduced an inquiry into whether an agency’s interpretation “lack[s] the force of law.”⁶³ *Mead* and *Barnhart v.*

⁵⁶ *Id.* at 1879–80.

⁵⁷ *Id.* at 1880.

⁵⁸ *Id.* at 1878 (quoting *Free Enter. Fund v. Pub. Co. Accounting Oversight Bd.*, 130 S. Ct. 3138, 3156 (2010)).

⁵⁹ *Id.* at 1877–78.

⁶⁰ *See id.* at 1878 (citing, inter alia, STEPHEN BREYER, MAKING OUR DEMOCRACY WORK 110 (2010); Elena Kagan, *Presidential Administration*, 114 HARV. L. REV. 2245, 2250 (2001)).

⁶¹ Cass R. Sunstein, *Chevron Step Zero*, 92 VA. L. REV. 187, 191 (2006).

⁶² 529 U.S. 576 (2000).

⁶³ *Id.* at 587. *See* Sunstein, *supra* note 61, at 211–13.

*Walton*⁶⁴ further solidified this inquiry into whether an agency had acted pursuant to rulemaking authority.⁶⁵ By the time of *Arlington* it was clear even to Justice Scalia — who had vociferously objected to the majority's reasoning in all three Step Zero cases — that “for *Chevron* deference to apply, the agency must have received congressional authority to determine the particular matter at issue in the particular manner adopted.”⁶⁶ Both the dissent and concurrence thought it natural to extend the principles articulated in *Mead* and its compatriots, so that deference would always have to be preceded by an inquiry into whether Congress intended deference on the specific statutory ambiguity.⁶⁷ Justice Scalia, however, was correct to say that there had yet to be a case “in which a general conferral of rulemaking or adjudicative authority has been held insufficient to support *Chevron* deference to an exercise of that authority within the agency's substantive field.”⁶⁸ Yet neither had the possibility been foreclosed.

Into this breach stepped *Arlington*. The theoretical arguments in favor of deferring to agencies on their own jurisdiction are decidedly mixed. The prevailing justification for *Chevron* deference generally is that Congress intended to confer interpretive authority upon agencies.⁶⁹ Or, more precisely, that given the impossibility of accurate *ex post* determinations of congressional intent,⁷⁰ courts may as well adopt

⁶⁴ 535 U.S. 212 (2002).

⁶⁵ Sunstein, *supra* note 61, at 213–18.

⁶⁶ *Arlington*, 133 S. Ct. at 1874.

⁶⁷ *See id.* at 1875 (Breyer, J., concurring in part and concurring in the judgment); *id.* at 1880, 1882 (Roberts, C.J., dissenting).

⁶⁸ *Id.* at 1874 (majority opinion). Chief Justice Roberts argued that *Adams Fruit Co. v. Barrett*, 494 U.S. 638 (1990), and *Gonzales v. Oregon*, 546 U.S. 243 (2006), had further bolstered the case for *Mead*'s extension, as in each case Congress had carved out a portion of a statute granting general rulemaking authority from the executive officer's control. *See Arlington*, 133 S. Ct. at 1880, 1882 (Roberts, C.J., dissenting). Neither precedent, however, can quite be stretched to cover the position taken by the dissent in *Arlington*: *Adams Fruit* involved a textually unmistakable grant of interpretive authority to the judiciary rather than to the Secretary of Labor, *see* 494 U.S. at 649, while the grant of rulemaking authority to the Attorney General in *Gonzales* was found to be quite restricted, *see* 546 U.S. at 259.

⁶⁹ The authors of all three *Arlington* opinions have rested *Chevron* deference to agency interpretations primarily on the grounds of congressional intent. *See* 133 S. Ct. at 1877 (Roberts, C.J., dissenting) (“Courts defer to an agency's interpretation of law when and because Congress has conferred on the agency interpretive authority over the question at issue.”); *see also* Stephen Breyer, *Judicial Review of Questions of Law and Policy*, 38 ADMIN. L. REV. 363, 372 (1986); Antonin Scalia, *Judicial Deference to Administrative Interpretations of Law*, 1989 DUKE L.J. 511, 516 (“The extent to which courts should defer to agency interpretations of law is ultimately ‘a function of Congress’ intent on the subject as revealed in the particular statutory scheme at issue.” (quoting *Process Gas Consumers Grp. v. U.S. Dep't of Agric.*, 694 F.2d 778, 791 (D.C. Cir. 1982) (en banc))).

⁷⁰ *See* Max Radin, *Statutory Interpretation*, 43 HARV. L. REV. 863, 869–70 (1930) (describing “the intent of the legislator” as a “transparent and absurd fiction [upon which] it ought not to be necessary to dwell”); *see also* William N. Eskridge, Jr., *The New Textualism*, 37 UCLA L. REV. 621, 640–66 (1990) (discussing the several critiques of legislative intent and their influence on the

such an *ex ante* presumption to enable Congress to indicate clearly desired deviation.⁷¹ Yet while the desirability of stability warrants adherence to the clearly established parameters of *Chevron* doctrine, Chief Justice Roberts was correct to point out that, in an open question such as that presented in *Arlington*, no deference and deference are equally plausible baselines.⁷² Choosing which baseline to adopt thus requires reference to other factors.

In *Chevron* itself, the Court seemed to rest deference to the EPA on agency expertise and accountability rather than congressional intent.⁷³ It makes sense to defer to agencies' interpretations of the details of "technical and complex" regulatory schemes such as power plant emission regulation,⁷⁴ but there is somewhat less reason to think that agencies are well positioned to divine the allocation of interpretive authority within a statutory scheme. It may be an overstatement to suggest that "agencies . . . have *no* institutional advantage over courts in resolving jurisdictional disputes"⁷⁵ — the FCC in *Arlington* believed that its ability to interpret § 332(c)(7)(B) would help to facilitate the smooth functioning of the statutory scheme as a whole⁷⁶ — but it is reasonable to worry that an agency claiming deference is as likely to be falling prey to a desire for self-aggrandizement⁷⁷ as it is to be applying its expertise to the question in a neutral fashion.

Court). *But see* Stephen Breyer, Lecture, *On the Uses of Legislative History in Interpreting Statutes*, 65 S. CAL. L. REV. 845 (1992) (defending the use of legislative history).

⁷¹ See Scalia, *supra* note 69, at 517 ("[T]he quest for the 'genuine' legislative intent is probably a wild-goose chase anyway. . . . [A]ny rule adopted in this field represents merely a fictional, presumed intent, and operates principally as a background rule of law against which Congress can legislate."). Some scholars, meanwhile, have suggested that the stable background is *itself* a fiction, given actual drafters' ignorance of some canons of statutory interpretation. See Abbe R. Gluck & Lisa Shultz Bressman, *Statutory Interpretation from the Inside — An Empirical Study of Congressional Drafting, Delegation and the Canons: Part I*, 65 STAN. L. REV. 901 (2013).

⁷² See *Arlington*, 133 S. Ct. at 1885 (Roberts, C.J., dissenting).

⁷³ See *Chevron U.S.A. Inc. v. Natural Res. Def. Council, Inc.*, 467 U.S. 837, 865 (1984) ("Judges are not experts in the field, and are not part of either political branch of the Government."); see also Sunstein, *supra* note 61, at 196–97. It is worth noting that Justice Scalia has previously rejected agency expertise as a justification for judicial deference. See Scalia, *supra* note 69, at 514.

⁷⁴ *Chevron*, 467 U.S. at 865.

⁷⁵ Nathan Alexander Sales & Jonathan H. Adler, *The Rest Is Silence: Chevron Deference, Agency Jurisdiction, and Statutory Silences*, 2009 U. ILL. L. REV. 1497, 1535 (emphasis added).

⁷⁶ See Declaratory Ruling, *supra* note 13, at 14004–05.

⁷⁷ See Jeffrey J. Rachlinski & Cynthia R. Farina, *Cognitive Psychology and Optimal Government Design*, 87 CORNELL L. REV. 549, 567–68 (2002) ("The rational administrator will act to maintain his position and to expand the authority of his agency."); Cass R. Sunstein, *Law and Administration After Chevron*, 90 COLUM. L. REV. 2071, 2099 (1990) ("Congress would be unlikely to want agencies to have the authority to decide on the extent of their own powers. To accord such power to agencies would be to allow them to be judges in their own cause, in which they are of course susceptible to bias."). See generally Timothy K. Armstrong, *Chevron Deference and Agency Self-Interest*, 13 CORNELL J.L. & PUB. POL'Y 203 (2004) (arguing against deference on statutory jurisdiction when agency self-aggrandizement is implicated). Of course, agencies can

The accountability of agencies also presents a mixed case for deference in the jurisdictional context. If, as Justice Scalia argued, a line cannot be drawn between jurisdictional questions and policy questions, then the accountability argument applies with equal force to the question in *Arlington*.⁷⁸ Some scholars have argued that even if the questions *can* be distinguished, agencies should still receive deference because such statutory interpretations reflect political judgments.⁷⁹ Yet the dissent powerfully attacked the notion that agencies are, in practice, accountable to Congress or the President.⁸⁰ Given the questionable motives of agencies interpreting the scope of their jurisdiction, the theoretical possibility of ex post correction or accountability provides meager justification for interpretive deference.

Yet if the theoretical argument for deference to agencies on jurisdictional questions is mixed, the pragmatic arguments are far less so. Numerous scholars support Justice Scalia's argument that a line cannot be drawn between jurisdictional and nonjurisdictional disputes,⁸¹ and Justice Breyer explicitly conceded it.⁸² Moreover, as Justice Scalia pointed out, the illusory nature of this line threatened to throw the vitality of *Chevron* deference into doubt.⁸³ Not for nothing did Justice Scalia liken the question of jurisdictional deference to "the Hound of the Baskervilles, . . . conjured by those with greater quarry in sight,"⁸⁴ and the Solicitor General cautioned that such a restriction on *Chevron* deference would open a "Pandora's Box."⁸⁵

Furthermore, because the line between jurisdictional and nonjurisdictional questions is illusory, the theoretical arguments against such

also make contested jurisdictional judgments that involve disclaiming authority. See, e.g., *Massachusetts v. EPA*, 549 U.S. 497, 528 (2007).

⁷⁸ See Crawford, *supra* note 39, at 977 ("[I]n a world where policy decisions are intertwined with an agency's jurisdictional interpretation, . . . agencies, which are more politically accountable than courts, should make the policy determinations.")

⁷⁹ See Sunstein, *supra* note 61, at 235–36. *But see* Crawford, *supra* note 39, at 977 ("If agency interpretations were either purely jurisdictional or purely nonjurisdictional, and courts could distinguish the two, then the separation-of-powers rationale for *Chevron* would support a rule giving courts the power to interpret statutory questions of jurisdiction.")

⁸⁰ *Arlington*, 133 S. Ct. at 1877–80 (Roberts, C.J., dissenting). Justice Scalia responded that such concerns are immaterial because Congress can always either preemptively limit or subsequently claw back an agency claim of jurisdiction. See *id.* at 1873 n.4 (majority opinion).

⁸¹ See 1 R. PIERCE, ADMINISTRATIVE LAW TREATISE § 3.5, at 188 (5th ed. 2002); Crawford, *supra* note 39, at 974–75; Sunstein, *supra* note 61, at 235; cf. Torrey A. Cope, Note, *Judicial Deference to Agency Interpretations of Jurisdiction After Mead*, 78 S. CAL. L. REV. 1327, 1340–42 (2005) (calling for an examination of agency self-interest rather than the jurisdictional nature of the question); Sunstein, *supra* note 77, at 2097–100 (acknowledging the difficulty and advocating a simplified line based on the breadth of the determination). *But see* Sales & Adler, *supra* note 75, at 1555–56 (defending the viability of the jurisdictional/nonjurisdictional distinction).

⁸² *Arlington*, 133 S. Ct. at 1875 (Breyer, J., concurring in part and concurring in the judgment).

⁸³ *Id.* at 1870 (majority opinion).

⁸⁴ *Id.* at 1872–73.

⁸⁵ Transcript of Oral Argument at 33, *Arlington*, 133 S. Ct. 1863 (Nos. 11-1545, 11-1547).

deference deteriorate. As noted above, the anti-jurisdictional-deference arguments regarding agency expertise and accountability quite plainly rest on the ability to distinguish between policy questions and statutory interpretation questions. Yet even more centrally, the dissent's argument on congressional intent — that, on the open question of whether to defer on jurisdictional questions, deference and no deference form equally plausible baselines — presumes that there is a distinct category of questions on which a baseline can be imposed. If neither Congress nor an agency can ever be sure whether they are in the jurisdictional zone or the nonjurisdictional zone, then they cannot reliably predict whether courts will grant deference.

Justice Breyer's concurrence demonstrates why the inquiry into whether to defer to agencies over a given provision necessarily leads to an inquiry into whether the provision is "jurisdictional." Justice Breyer used *Arlington* to demonstrate how his "framework has proved a workable way to approximate how Congress would likely have meant to allocate interpretive law-determining authority between reviewing court and agency."⁸⁶ In listing "factors [that] favor the agency's view" that it deserved deference, Justice Breyer casually noted that "the provision concerns an interstitial administrative matter."⁸⁷ Yet Justice Breyer's mere interstitial matter was, to the petitioners, a substantive intrusion into areas of traditional state and local concern.⁸⁸ Had the dissent succeeded in remanding the case for a *de novo* determination of the allocation of interpretive authority, the case might well have turned on whether the panel regarded 47 U.S.C. § 332(c)(7)(B)(ii) as an "interstitial administrative matter" or as an expansion of FCC authority — that is, as nonjurisdictional or as jurisdictional.

Arlington resolved a lingering question that threatened to undermine the stability of the *Chevron* framework. One of the central merits of *Chevron* is its provision of a stable baseline from which to legislate; an unpredictable antecedent inquiry into the nature of the statutory provision at issue would throw this system into disarray. While the theoretical arguments for entrusting jurisdictional determinations to a neutral third party are tempting, they deservedly fell to Justice Scalia's demonstration of the impossibility of drawing such a line. *Chevron* remains best served by allowing Congress to predict confidently what the law will be and who will be interpreting it.

⁸⁶ *Arlington*, 133 S. Ct. at 1876 (Breyer, J., concurring in part and concurring in the judgment).

⁸⁷ *Id.*

⁸⁸ See *City of Arlington v. FCC*, 668 F.3d 229, 252–53 (5th Cir. 2012).

Copyright Act of 1976 — First Sale Doctrine —
Kirtsaeng v. John Wiley & Sons, Inc.

Once a copyright owner has transferred ownership of a copy of her good to another person, she has exhausted her right to control the distribution of that particular copy under the “first sale doctrine,” a well-established defense to copyright infringement grounded in the historic policy against restraints on alienation.¹ This doctrine has enabled the proliferation of secondary markets while undermining the ability of copyright owners to maintain an effective regime of price discrimination. Although the Copyright Act’s² first sale doctrine — codified in 17 U.S.C. § 109(a) — clearly applies to copyrighted works manufactured and sold in the United States, it was previously unclear whether the doctrine applied to copyrighted works manufactured abroad, sold by the U.S. copyright owner abroad, and subsequently imported into the United States. Recently, in *Kirtsaeng v. John Wiley & Sons, Inc.*,³ the Supreme Court held that the first sale doctrine applies to copyrighted works lawfully made abroad.⁴ Because copyright holders have multiple alternative avenues for circumventing the effects of the first sale doctrine, the Court’s decision will primarily impact the *means* by which copyright holders engage in price discrimination rather than the overall *level* of price discrimination. In uniformly ruling out one possible means for engaging in such practice, the Court may have placed too great a thumb on the scale in favor of alternative avenues, which may themselves be problematic.

Copyright holders possess a “bundle of rights,” including the 17 U.S.C. § 106(3) exclusive right of distribution and the 17 U.S.C. § 602(a) exclusive right to control unauthorized importation of copyrighted works.⁵ The copyright holder’s right of distribution is limited, however, by 17 U.S.C. § 109(a), the first sale doctrine, which states: “[T]he owner of a particular copy . . . lawfully made under this title . . . is entitled, without the authority of the copyright owner, to sell or otherwise dispose of [the copy].”⁶ The Supreme Court clarified the relationship between the copyright holder’s right of importation and the first sale doctrine in *Quality King Distributors, Inc. v. L’Anza Re-*

¹ See *Bobbs-Merrill Co. v. Straus*, 210 U.S. 339, 349–51 (1908).

² 17 U.S.C. §§ 101–805 (2012).

³ 133 S. Ct. 1351 (2013).

⁴ *Id.* at 1355–56.

⁵ 17 U.S.C. § 602(a) (“Importation into the United States, without the authority of the owner of copyright under this title, of copies . . . of a work that have been acquired outside the United States is an infringement of [§ 106(3)].”).

⁶ *Id.* § 109(a).

*search International, Inc.*⁷ There, the Court held that § 109(a) limited § 602(a), such that the importation of U.S. copyrighted works did not constitute copyright infringement when the works were *manufactured in the United States*, sold by the U.S. copyright owner abroad, and subsequently imported into the United States.⁸ However, the Court left unresolved the question of whether the first sale doctrine applied to cases involving a one-way journey — that is, to works *manufactured abroad*, sold by the U.S. copyright owner abroad, and subsequently imported into the United States.⁹ The statute is subject to two primary interpretations: the critical five-word phrase — “lawfully made under this title” — might be read as imposing a geographical limitation, meaning that the first sale doctrine should apply only to copyrighted works made in the United States. Alternatively, that phrase might be read nongeographically, meaning that the first sale doctrine should apply to any copyrighted work made in accordance with U.S. law. Either interpretation would have significant economic ramifications.¹⁰

John Wiley & Sons, Inc. (Wiley) publishes academic textbooks on an international scale. Wiley produces both foreign and U.S. edition textbooks, with each of its foreign editions clearly stating: “This book . . . may not be exported. Exportation from or importation of this book to [an unauthorized] region without the Publisher’s authorization is illegal”¹¹ Wiley assigned its rights to reprint and publish foreign editions of its textbooks to its subsidiary John Wiley & Sons (Asia) Pte Ltd. (Wiley Asia), so that Wiley Asia could manufacture foreign versions of the textbooks for sale outside the United States.¹² Between 2007 and 2008, Supap Kirtsaeng, who was studying in the Unit-

⁷ 523 U.S. 135 (1998).

⁸ *Id.* at 152–53. The Court reached this interpretation of the interplay between § 109(a) and § 602(a) by holding that § 602(a) is a species of the § 106(3) right of distribution, which is itself subject to § 109(a). *See id.* at 144–45; *see also id.* at 152 (“The whole point of the first sale doctrine is that once the copyright owner places a copyrighted item in the stream of commerce by selling it, he has exhausted his exclusive statutory right to control its distribution.”).

⁹ *See id.* at 154 (Ginsburg, J., concurring).

¹⁰ On the one hand, a geographical interpretation could enable copyright owners to exert perpetual control over secondary markets, raising antitrust concerns. *See, e.g., Kirtsaeng*, 133 S. Ct. at 1363, 1371 (finding that the first sale doctrine, read nongeographically, was “consistent with antitrust laws that ordinarily forbid market divisions,” *id.* at 1371). On the other hand, a nongeographical interpretation could prevent copyright owners from engaging in price discrimination and thus hamper the development of foreign markets. *See, e.g., id.* at 1390 n.27 (Ginsburg, J., dissenting) (“[T]he ability to prevent importation of foreign-made copies encourages copyright owners such as Wiley to offer copies of their works at reduced prices to consumers in less developed countries who might otherwise be unable to afford them[,] . . . supporting education and economic development in such countries.”).

¹¹ *John Wiley & Sons, Inc. v. Kirtsaeng*, No. 08 Civ. 7834, 2009 WL 3364037, at *1 (S.D.N.Y. Oct. 19, 2009).

¹² *Id.* at *2.

ed States, directed his friends and family in Thailand to ship him Wiley foreign edition textbooks manufactured abroad by Wiley Asia.¹³ Kirtsaeng then resold the textbooks to U.S. customers on commercial websites such as eBay, reimbursing his friends and family for any expenses they incurred and keeping the profit for himself.¹⁴ On September 8, 2008, Wiley filed suit against Kirtsaeng in the Southern District of New York, asserting claims for copyright infringement stemming from 17 U.S.C. § 602(a) and § 106(3), trademark infringement, and state law unfair competition.¹⁵ Kirtsaeng argued, *inter alia*,¹⁶ that the first sale doctrine provided him with a complete defense because his books were “lawfully made under [the Copyright Act]” and thus acquired legitimately in accordance with § 109(a).¹⁷

The district court found the first sale defense inapplicable to Kirtsaeng, holding that the works at issue were not manufactured in the United States and thus did not come within the geographical scope of the first sale doctrine.¹⁸ In reaching this conclusion, the court principally relied on dicta from *Quality King*.¹⁹ Instructed not to consider the first sale defense, the jury found Kirtsaeng liable for willful copyright infringement and granted Wiley’s request for statutory damages.²⁰

The Second Circuit affirmed. Writing for the majority,²¹ Judge Cabranes held that the first sale doctrine did not apply to copies of copyrighted works manufactured abroad.²² The court relied primarily on statutory structure and *Quality King*’s “instructive dicta”²³ to support this interpretation of § 109(a). Although the Second Circuit acknowledged the textually ambiguous nature of § 109(a),²⁴ it noted that

¹³ *Id.*

¹⁴ Kirtsaeng testified to earning \$900,000 in revenue from these sales. *John Wiley & Sons, Inc. v. Kirtsaeng*, 654 F.3d 210, 215 (2d Cir. 2011).

¹⁵ *Id.* at 213–14; *Wiley*, 2009 WL 3364037, at *2.

¹⁶ The district court rejected Kirtsaeng’s standing and waiver defenses. *Wiley*, 2009 WL 3364037, at *10.

¹⁷ *See id.* at *3 (quoting 17 U.S.C. § 109(a) (2012)).

¹⁸ *See id.* at *9.

¹⁹ *Id.* at *5–9; *see also Quality King Distribs., Inc., v. L’Anza Research Int’l, Inc.*, 523 U.S. 135, 148 (1998).

²⁰ *John Wiley & Sons, Inc. v. Kirtsaeng*, 654 F.3d 210, 215 (2d Cir. 2011). The jury granted Wiley \$600,000 in statutory damages in light of its finding of willful copyright infringement. *Kirtsaeng*, 133 S. Ct. at 1357.

²¹ Judge Cabranes was joined by Chief Judge Katzmann.

²² *Wiley*, 654 F.3d at 224. The Second Circuit also held that (1) the district court’s jury instructions did not rise to the level of plain error, *id.* at 222–23, and (2) the admission of evidence about Kirtsaeng’s gross revenue did not constitute “error or an abuse of discretion,” *id.* at 224; *see also* 223–24.

²³ *Id.* at 218.

²⁴ *Id.* at 220 (“The relevant text is simply unclear. ‘[L]awfully made under this title’ could plausibly be interpreted to mean [at least three distinct] things . . .” (first alteration in original) (quoting 17 U.S.C. § 109(a))).

§ 602(a) was “obviously intended to allow copyright holders some flexibility to divide or treat differently the international and domestic markets for the particular copyrighted work” and that a nongeographical interpretation of § 109(a) would effectively negate this provision.²⁵

Judge Murtha dissented, asserting: “[T]he first sale defense should apply to . . . a work that enjoys United States copyright protection wherever manufactured.”²⁶ Judge Murtha defended his nongeographical interpretation of § 109(a) by pointing to the absence of a reference to place of manufacture in the text of § 109(a), the broad common law policy against restraints on alienation from which the first sale doctrine evolved, and economic policies favoring this interpretation.²⁷

The Supreme Court reversed and remanded. Writing for the majority, Justice Breyer²⁸ held that “the ‘first sale’ doctrine applies to copies of a copyrighted work lawfully made abroad,”²⁹ thereby resolving a circuit split.³⁰ The Court reasoned that the language of § 109(a) favored a nongeographical interpretation because “under” could logically mean “in accordance with” and because such an interpretation “provides each word of the [phrase ‘lawfully made under this title’] with a distinct purpose.”³¹ The Court further found that both the “historical and contemporary statutory context” showed that Congress intended for the law to apply without geographical restriction.³² In addition, the Court reasoned that an important canon of construction — a presumption that “Congress intended to retain the substance

²⁵ *Id.* at 221.

²⁶ *Id.* at 225 (Murtha, J., dissenting).

²⁷ *Id.* at 225–29.

²⁸ Justice Breyer was joined by Chief Justice Roberts and Justices Thomas, Alito, Sotomayor, and Kagan.

²⁹ *Kirtsaeng*, 133 S. Ct. at 1355–56.

³⁰ Compare *Wiley*, 654 F.3d at 221 (holding that the first sale doctrine did not apply to copies manufactured abroad), with *Omega S.A. v. Costco Wholesale Corp.*, 541 F.3d 982, 986, 990 (9th Cir. 2008) (holding that the first sale doctrine applied to copies manufactured abroad to the extent the copies were first sold in the United States).

³¹ *Kirtsaeng*, 133 S. Ct. at 1358. The Court further observed that other sections of the Copyright Act, particularly § 104, supported this nongeographical reading. *Id.* at 1359. By contrast, the Court noted that a geographical interpretation of § 109(a) “bristles with linguistic difficulties.” *Id.* at 1358.

³² *Id.* at 1360 (reasoning that, in changing the language of § 109(a), Congress did not “implicitly introduce[] a geographical limitation that previously was lacking”); *id.* at 1361–62 (reasoning that other provisions of the current copyright statute supported a nongeographical interpretation). Moreover, the Court noted that application of the geographical interpretation to other provisions of the copyright statute with similar language would produce “surprising consequences,” such as forcing a teacher to obtain authorization from the relevant copyright owner before displaying a film that was lawfully made abroad. *Id.* at 1362.

of the common law” in a statute covering an issue formerly governed by the common law — favored a nongeographical interpretation.³³

The Court next reasoned that, as a policy matter, a geographical interpretation “would fail to further basic constitutional copyright objectives”³⁴ of “promot[ing] the Progress of Science and useful Arts,”³⁵ relying, *inter alia*, on the testimony of librarians, used-book dealers, retailers, and museum directors. The Court was persuaded that a geographical interpretation would erode valuable secondary markets — for example, the market for used books — as those individuals dealing in such markets would be forced to figure out the manufacturing origin of all their copyrighted works and then, depending on the outcome, find and obtain permission from all the relevant copyright owners.³⁶ The Court notably dismissed the dissent’s argument that economic price discrimination policy favored a geographical interpretation, asserting: “[W]e can find no basic principle of copyright law that suggests that publishers are especially entitled to [the right to divide foreign and domestic markets].”³⁷

Justice Kagan, joined by Justice Alito, concurred. Justice Kagan acknowledged that the Court’s decision “diminish[ed]” the scope of § 602(a),³⁸ but she emphasized that this outcome should primarily be attributed to the Court’s analysis in *Quality King*, and that if Congress objected to this result, it should adopt the solution the Court rejected in that case.³⁹

Justice Ginsburg dissented.⁴⁰ She first argued that § 109(a) was “most sensibly read” as referring to the place of a copy’s creation or manufacture⁴¹ given the common meaning of “under,”⁴² the presumption against extraterritoriality of U.S. copyright law, and the absurdity of the hypothetical consequences feared by the majority.⁴³ She further

³³ *Id.* at 1363 (quoting *Samantar v. Yousuf*, 130 S. Ct. 2278, 2289 n.13 (2010)) (internal quotation marks omitted). The Court discussed the common law vintage of the first sale doctrine, with an emphasis on its rationale of ensuring freedom from restraints on alienation. *Id.*

³⁴ *Id.* at 1364.

³⁵ *Id.* (alteration in original) (quoting U.S. CONST. art. I, § 8, cl. 8).

³⁶ *Id.* As another example, the Court suggested that a geographical interpretation “would prevent the resale of . . . a car[] without the permission of the holder of each copyright on each piece of copyrighted automobile software.” *Id.* at 1365.

³⁷ *Id.* at 1370. The majority also dismissed the dissent’s other arguments related to precedent, statutory structure, legislative history, and international exhaustion. *Id.* at 1367–71.

³⁸ *Id.* at 1372 (Kagan, J., concurring).

³⁹ *Id.* at 1372–73 (noting that the decision limited § 602(a) “to a fairly esoteric set of applications,” *id.* at 1372).

⁴⁰ Justice Ginsburg was joined by Justice Kennedy in full and Justice Scalia in part.

⁴¹ *Kirtsaeng*, 133 S. Ct. at 1376 (Ginsburg, J., dissenting).

⁴² *Id.* at 1376–77.

⁴³ *Id.* at 1377. Justice Ginsburg also argued that the majority’s interpretation called for a counterfactual inquiry into whether a copy’s manufacture would have complied with U.S. copyright had U.S. copyright law been applicable. *Id.*

argued that a nongeographical interpretation would raise serious statutory structure concerns, “reduc[ing] § 602(a)(1) to insignificance”⁴⁴ and “overwhelm[ing]” its narrowly delineated exceptions.⁴⁵ Like the lower courts, Justice Ginsburg found the dicta in *Quality King* that supported a geographical interpretation to be persuasive.⁴⁶ Finally, Justice Ginsburg argued that, as a policy matter, the Court’s decision not only had the negative effect of restricting market segmentation, but also placed the United States “at the vanguard of the movement for ‘international exhaustion’ of copyrights.”⁴⁷

Where there is a particularly high risk and cost of decisional error as in *Kirtsaeng*, the Court may often “do the least harm” by minimizing the practical impact of its decision.⁴⁸ In this case, because copyright holders have multiple alternative avenues for circumventing the effects of the first sale doctrine, the Court’s decision will primarily impact the method by which copyright holders engage in price discrimination rather than the overall magnitude of price discrimination. In categorically ruling out the possibility of engaging in price discrimination by means of controlling one-way parallel importation, however, the Court may have unduly incentivized copyright holders to pursue other methods of price discrimination, which may themselves raise a different but related set of problems.

Kirtsaeng implicated a host of complex economic, social, and public policy considerations for which the Court lacked sufficient information. Perhaps sensing the particular difficulties posed by this case, both the majority and the dissent predicted a real-world “parade of horrors” should the other side’s view prevail.⁴⁹ This polarization is

⁴⁴ *Id.* at 1378.

⁴⁵ *Id.* at 1379; see also *id.* at 1378–83 (drawing on the legislative history of § 602(a) for further support).

⁴⁶ *Id.* at 1375–76.

⁴⁷ *Id.* at 1373. Under a regime of international exhaustion, “the authorized distribution of a particular copy [of a copyrighted work] anywhere in the world exhausts [or nullifies] the copyright owner’s distribution right everywhere with respect to that copy.” *Id.* at 1383–84. For a discussion of the foreign policy concerns underlying international exhaustion, see *id.* at 1383–85 (arguing that international exhaustion “risks undermining the United States’s credibility” because of the U.S. government’s exhortation to its trading partners “to refrain from adopting . . . regimes that could benefit consumers within their borders [at the expense of] intellectual-property producers in the United States,” *id.* at 1385).

⁴⁸ For a pragmatic theory of judicial action that takes into account the risk and hazards of decisional error, see Cass R. Sunstein, *The Supreme Court, 1995 Term — Foreword: Leaving Things Undecided*, 110 HARV. L. REV. 4, 6–7 (1996) (justifying “decisional minimalism” — the phenomenon of “leaving as much as possible undecided,” *id.* at 6 — as a “democracy-forcing” measure, *id.* at 7).

⁴⁹ The majority observed: “[W]e believe that the practical problems . . . are too serious, too extensive, and too likely to come about for us to dismiss them” *Kirtsaeng*, 133 S. Ct. at 1367. The dissent similarly stressed policy considerations by quickly dismissing the majority’s “parade

hardly surprising given that reasonable people differ along each of the decision's multiple dimensions. For instance, some argue that national exhaustion facilitates anticompetitive behavior⁵⁰ and *decreases* overall welfare by generally limiting access to copyrighted works,⁵¹ while others argue that national exhaustion incentivizes the creation of new copyrightable works⁵² and *increases* overall welfare by enhancing access to copyrighted works in developing countries.⁵³ Similarly, some argue that national exhaustion furthers U.S. policy goals by promoting a consistent international trade stance⁵⁴ while others argue that national exhaustion undermines U.S. policy goals by inducing U.S. companies to move their manufacturing abroad, even when it would be cheapest to manufacture copies of copyrighted works in a single U.S. facility and then ship some of those copies overseas.⁵⁵ The particular issue in *Kirtsaeng* thus stands at the center of multiple contentious and empirical debates⁵⁶ involving a range of critical issues about which the Court lacked sufficient information.⁵⁷

of horrors" as "imaginary," *id.* at 1373 (Ginsburg, J., dissenting), and placing its own practical concerns front and center, *see id.* at 1385.

⁵⁰ *See, e.g.*, Brief for the United States as Amicus Curiae Supporting Respondent at 26, *Kirtsaeng*, 133 S. Ct. 1351 (No. 11-697) ("[T]he application of Section 602(a)(1) to [consumer goods] raises distinct policy concerns that are best addressed under legal theories, such as the [antitrust] doctrine of copyright misuse, that are specifically targeted at that alleged abuse."). *But see* Ryan L. Vinelli, Note, *Bringing Down the Walls: How Technology Is Being Used to Thwart Parallel Importers amid the International Confusion Concerning Exhaustion of Rights*, 17 CARDOZO J. INT'L & COMP. L. 135, 142-43 (noting that, in some instances, price discrimination "increases competition by giving businesses more tools with which to compete," by "facilitat[ing] entry of companies into new and lower-priced markets," *id.* at 142, and by enabling companies "to [recoup] large development costs," *id.* at 143).

⁵¹ *See, e.g.*, *Kirtsaeng*, 133 S. Ct. at 1364-65 (noting that U.S. readers have benefited from used books for ages and that a geographical interpretation would "injure a large portion of the used-book business," *id.* at 1365, not to mention the library business).

⁵² *See id.* at 1384 (Ginsburg, J., dissenting).

⁵³ *See supra* note 10; *cf.* Catalin Cosovanu, *Piracy, Price Discrimination, and Development: The Software Sector in Eastern Europe and Other Emerging Markets*, 31 AIPLA Q.J. 165, 199 (2003) ("[T]he adoption of regional exhaustion in the European Union led to an increase in the price of pharmaceuticals in poorer EU countries, and even made some of these products unavailable").

⁵⁴ Brief for United States as Amicus Curiae Supporting Respondent, *Quality King Distrib., Inc. v. L'Anza Research Int'l, Inc.*, 523 U.S. 135 (1998) (No. 96-1470), 1997 WL 588864, at *22 (arguing that the United States has consistently "taken the position in international trade negotiations that domestic copyright owners should . . . have the right to prevent the unauthorized importation of copies of their work sold abroad").

⁵⁵ *See* Daniela Alvarado, Note, *Seamaster-ing the First Sale Doctrine: A Tripartite Framework for Navigating the Applicability of Section 109(a) to Gray Market Goods*, 22 FORDHAM INTELL. PROP. MEDIA & ENT. L.J. 885, 904, 911 (2012).

⁵⁶ *See* William W. Fisher III, *When Should We Permit Differential Pricing of Information?*, 55 UCLA L. REV. 1, 37 (2007) (concluding that all the major theories of copyright law "suggest[] that price discrimination is good in some setting[s] and bad in others" given the "myriad variables" involved).

⁵⁷ *Cf.* *Gen. Motors Corp. v. Tracy*, 519 U.S. 278, 308 (1997) ("[T]he Court is institutionally unsuited to gather the facts upon which economic predictions can be made, and professionally un-

Although *Kirtsaeng* would not be considered a minimalist decision in the classical sense,⁵⁸ it has significant minimalist and nonminimalist implications, which are important in light of the uniquely complex nature of the issues in *Kirtsaeng*. As Professor Cass Sunstein observed, the Court should be most conscious of the practical implications of its decisions when dealing with problems of high complexity and changing technology because it “may [either] be ineffective or create serious problems even if [its] answers are right.”⁵⁹ Put differently, the extent to which the Court should defer to Congress — or seek to create the right conditions for congressional intervention by effectively remaining silent — is directly related to the risk and costs of decisional error.

Kirtsaeng will likely have the unintended minimalist effect of producing the least disruption to the status quo as measured by the overall level of price discrimination. To preserve companies’ ability to engage in price discrimination, lawyers have already begun to advise them to shift from a “sale model” to a “licensing model” in the wake of *Kirtsaeng*,⁶⁰ and Wiley itself has since made significant strides in that direction.⁶¹ Copyright holders will likely now pursue several alternative means of controlling distribution, such as (1) seeking greater refuge in contract law by placing limits on foreign distributors and end users;⁶² (2) developing technological protection measures that make ar-

trained to make them.”); *id.* at 315 (Stevens, J., dissenting) (observing that “speculation about the ‘real-world economic effects’ . . . is beyond our institutional competence” (quoting *id.* at 309 (majority opinion))).

⁵⁸ According to Professor Sunstein, minimalist decisions have the following hallmarks: narrowness in the sense of applying to a limited number of cases and shallowness in the sense of lacking clear and profound theoretical justification. See Sunstein, *supra* note 48, at 15–21. Against these metrics, *Kirtsaeng* is not a particularly minimalist opinion, as the holding applies widely to copyright holders — both foreign and domestic — and was bolstered by many clear and profound justifications, albeit of a policy nature.

⁵⁹ *Id.* at 8. Justice Kagan appears to have been the most cognizant of the high risk and costs of error in *Kirtsaeng*, as she openly invited Congress to revisit the Court’s jurisprudence in this area. See *Kirtsaeng*, 133 S. Ct. at 1373 (Kagan, J., concurring).

⁶⁰ See, e.g., Maslon Edelman Borman & Brand, LLP, *Legal Alert: Supreme Court Ruling Profoundly Impacts U.S. Copyright Owners*, MASLON (April 2, 2013), http://graphics.maslon.com/email/2013_LegalAlerts/2013_IP_Changes_US_Copyright_Policy/LA_USCopyrightChanges_web.html; see also Clark D. Asay, *Kirtsaeng and the First-Sale Doctrine’s Digital Problem*, 66 STAN. L. REV. ONLINE 17, 18 (2013) (questioning the significance of *Kirtsaeng* given the “pace of digitization”).

⁶¹ The CEO of Wiley asserted that its recent acquisition of Deltak, a digital program provider, would “provide[] Wiley with a new institutional sales channel” and “move[] [Wiley] well along the path towards digital content and services.” See Business Wire via The Motley Fool, *John Wiley & Sons, Inc. Reports Fourth Quarter and Fiscal Year 2013 Results*, DAILY FIN. (June 18, 2013, 8:36 AM), <http://www.dailyfinance.com/2013/06/18/john-wiley-sons-inc-reports-fourth-quarter-and-fis>.

⁶² See Michael Stockalper, Comment, *Is There a Foreign “Right” of Price Discrimination Under United States Copyright Law? An Examination of the First-Sale Doctrine as Applied to Gray-Market Goods*, 20 DEPAUL J. ART, TECH. & INTELL. PROP. L. 513, 543 (2010) (noting that a producer can establish terms with foreign distributors preventing them from selling to U.S. retail-

bitrage more difficult, which may be legally reinforced through the Digital Millennium Copyright Act;⁶³ (3) seeking greater refuge in trademark and tariff laws, which prohibit some types of parallel importation;⁶⁴ and (4) shifting wholesale from selling goods in a physical marketplace to selling them in a digital marketplace, where some courts have interpreted the first sale doctrine in a manner adverse to the development of digital secondary markets.⁶⁵ Thus, from an economic standpoint, companies may simply alter their business strategies in order to safeguard their ability to engage in price discrimination.

By contrast, the impact of the dissent's interpretation would likely have been farther reaching: more copyright holders would have relied on copyright law to control the distribution of their products, and secondary markets would likely have shrunk to the extent those markets relied on copyrighted goods manufactured abroad. Unlike copyright holders under the majority scenario, secondary market dealers under this scenario would *not* have had reliable alternative means of circumventing the effects of an adverse ruling.⁶⁶ The impact of the dissent's interpretation in terms of affecting the overall level and efficacy of price discrimination would thus have been more pronounced than the impact of the majority's interpretation.

Although *Kirtsaeng* may not have made price discrimination more likely in general, it did change the means by which copyright holders engage in price discrimination by completely foreclosing one possible avenue, a nonminimal move that may have significant unintended implications. For instance, the effect of licensing models — that is, “con-

ers); see also *Asay*, *supra* note 60, at 18–20 (describing producers' impetus to designate end users “licensees” as opposed to “owners,” *id.* at 19, thereby foreclosing the first sale defense, which does not apply to licensees).

⁶³ Pub. L. No. 105-304, 112 Stat. 2860 (1998) (codified as amended in scattered sections of 17 U.S.C.). See generally Peter K. Yu, *Region Codes and the Territorial Mess*, 30 CARDOZO ARTS & ENT. L.J. 187 (2012) (discussing the deployment of regional technology-based restrictions like DVD coding and the role of the Digital Millennium Copyright Act in preventing individuals and companies from circumventing this technology).

⁶⁴ See Stockalper, *supra* note 62, at 539–42 (noting that under trademark law if a company sufficiently differentiates its U.S. and foreign products it may be able to prevent parallel importation under a consumer confusion theory).

⁶⁵ See, e.g., *Capitol Records, LLC v. ReDigi Inc.*, No. 12 Civ. 95, 2013 WL 1286134, at *5 (S.D.N.Y. Mar. 30, 2013) (holding that the first sale doctrine does not apply to transfers of digital works when the transferred file is a copy of the original, which is usually the case in a digital context).

⁶⁶ The dissent principally argued that secondary market dealers could find alternative protection in the doctrines of implied license and fair use. See *Kirtsaeng*, 133 S. Ct. at 1389 (Ginsburg, J., dissenting). However, the dissent — perhaps recognizing the limited nature of these alternative remedies — tellingly emphasized the *prior* “absence of such lawsuits,” *id.* at 1390, against secondary market dealers as evidence that these dealers need not worry about the impact of a geographical ruling, see *id.* at 1389–90. But see *id.* at 1366 (majority opinion) (“[T]he fact that harm has proved limited so far may simply reflect the reluctance of copyright holders so far to assert geographically based resale rights. They may decide differently if the law is clarified in their favor.”).

ditional sales” models — on total welfare is often unclear.⁶⁷ As in the case of *Kirtsaeng*, the answer most likely varies: in some circumstances price discrimination by means of licensing may constitute a net positive while in others it may not.⁶⁸ From a practical perspective, then, Justice Kagan may have proposed the most minimalist course of action in her concurrence. Justice Kagan invited the Court to overrule *Quality King*, a move that would have protected the ability of copyright holders to engage in market segmentation while ensuring that the Copyright Act target only *unauthorized* importers, which, in turn, would have protected valuable secondary markets.⁶⁹ In other words, Kirtsaeng would be liable for his actions under copyright law, but not the downstream libraries and used-book stores that happen to recirculate Kirtsaeng’s foreign editions. While overruling precedent is generally inconsistent with judicial minimalism,⁷⁰ in this case such a compromise may have been the most neutral in terms of its impact on the means by which copyright holders engage in, as well as the overall level of, price discrimination.

Ideally, given the complexities involved in *Kirtsaeng*, Congress would make context-specific determinations about the appropriateness of the first sale doctrine as opposed to articulating a categorical rule of international exhaustion or national exhaustion. Seeing as it is ill equipped to weigh the competing considerations that animate *Kirtsaeng* and calibrate the means available within the broader economic domain of first sale to achieve statutory and constitutional goals, the Court may seek to do the least harm by minimizing rather than amplifying the effects of its decision in the absence of such congressional determination. In this respect, the Court only partially succeeded, as it likely minimized the effects of its decision on price discrimination overall while amplifying the effects of its decision on the means by which companies engage in price discrimination.

⁶⁷ Compare, e.g., Robert W. Gomulkiewicz, *Enforcement of Open Source Software Licenses: The MDY Trio’s Inconvenient Complications*, 14 YALE J.L. & TECH. 106, 110 (2011) (“[O]pen source licensing is one of the most valuable software licensing practices that benefits from a policy that upholds licensing as a transaction model. . . . [It] has become a widely used method of creative collaboration that serves to advance the arts and sciences. . . .” (quoting *Jacobsen v. Katzer*, 535 F.3d 1373, 1378 (Fed. Cir. 2008))), with Brian W. Carver, *Why License Agreements Do Not Control Copy Ownership: First Sales and Essential Copies*, 25 BERKELEY TECH. L.J. 1887, 1890 (2010) (arguing that Congress did not intend to “have . . . as part of its larger effort to craft a balanced” copyright law “boilerplate [end-user license agreements] that purport to restrict statutory rights [that users of copyrighted works] have grown accustomed to”).

⁶⁸ See Fisher, *supra* note 56, at 37.

⁶⁹ See *Kirtsaeng*, 133 S. Ct. at 1372–73 (Kagan, J., concurring).

⁷⁰ See Sunstein, *supra* note 48, at 7.

Hatch-Waxman Act — Reverse-Payment Settlements —
FTC v. Actavis, Inc.

Pharmaceutical development is an uncertain business. The process is long and laborious, resulting in research costs that are substantially higher than in other industries.¹ The vast majority of tested drugs are never approved for patient use, and most of those that are approved fail to generate any profit for their creators.² Because of the high costs of bringing a new drug to market, pharmaceutical manufacturers rely on the patent system to allow them to recoup their expenses. A patent grants a new drug's developer a period of exclusivity during which the brand-name drug can dominate the market at monopoly prices.³ Pharmaceutical developers have gone to great lengths to extend this period of exclusivity, at times resorting to questionable practices in order to generate higher profits from successful drugs.⁴ Success breeds competition, however, and generic drug manufacturers frequently seek to enter the market by piggybacking on the research efforts of the original developer.⁵ Rather than exposing their patents to the uncertainty of litigation, developers reach settlement agreements with generic drug manufacturers under which the developers will pay the generics to drop their patent challenges and stay out of the market during the lifetime of the patent.⁶ Last Term, in *FTC v. Actavis, Inc.*,⁷ the Supreme Court held that these "reverse-payment" settlements are subject to challenge under federal antitrust laws.⁸ Although aspects of the pharmaceutical settlement system create troubling incentives that may encourage anticompetitive cooperation, the Supreme Court's decision may be difficult to administer and may lead to uncertainty regarding what types of settlement agreements are permissible.

¹ Bret Dickey, Jonathan Orszag & Laura Tyson, *An Economic Assessment of Patent Settlements in the Pharmaceutical Industry*, 19 ANNALS HEALTH L. 367, 369 (2010). In order to account for failed research, some commentators have compared the total cost of research and development with the number of drugs approved and suggested that the actual cost of bringing a new drug to market is at least \$3 billion and can rise as high as \$12 billion. See Matthew Herper, *The Truly Staggering Cost of Inventing New Drugs*, FORBES (Feb. 10, 2012, 7:41 AM), <http://www.forbes.com/sites/matthewherper/2012/02/10/the-truly-staggering-cost-of-inventing-new-drugs>.

² See Dickey, Orszag & Tyson, *supra* note 1, at 369.

³ See *id.* at 389–90.

⁴ For example, developers adopted a strategy known as "evergreening," in which they obtained multiple patents on the same product in order to reset the clock on the exclusivity period. Another strategy was to make minor changes to their drugs in order to require generics to reapply for FDA approval. These particular procedural schemes have been largely ended by congressional action. See C. Scott Hemphill & Mark A. Lemley, *Earning Exclusivity: Generic Drug Incentives and the Hatch-Waxman Act*, 77 ANTITRUST L.J. 947, 959–62 (2011).

⁵ Dickey, Orszag & Tyson, *supra* note 1, at 389–90.

⁶ *Id.*

⁷ 133 S. Ct. 2223 (2013).

⁸ *Id.* at 2230.

Pharmaceutical drugs cannot be sold in the United States until they have received approval from the Food and Drug Administration (FDA).⁹ Novel drugs must go through a period of rigorous testing and disclosure, during which the developer must demonstrate that the drug is both safe and effective.¹⁰ Once a pharmaceutical product has been approved, the FDA follows a streamlined process for approving bio-equivalent drugs.¹¹ This streamlined process allows generic manufacturers to bring their products to market without duplicating the expensive research and testing that the original drug underwent and is intended to facilitate the entry of generic drugs and the consequent decrease in the price of medicine.¹² Under the Hatch-Waxman Act,¹³ the generic manufacturer must make one of four certifications: (1) that the original manufacturer failed to patent the drug, (2) that the patent has expired or (3) will expire, or (4) that the patent is either invalid or not infringed by the generic.¹⁴ This last certification is known as a Paragraph IV certification, and there are numerous incentives for being the first generic to make such a claim, the most important of which is a 180-day exclusivity period after which no other similar generic drug can receive FDA approval.¹⁵ A pharmaceutical developer faced with a Paragraph IV certification is typically granted a thirty-month stay of the generic's application, during which the developer can attempt to demonstrate the validity and applicability of the patent by pursuing an infringement action against the generic manufacturer.¹⁶

In 1995, Solvay Pharmaceuticals entered into a licensing agreement with Besins Healthcare under which Solvay would market a topical synthetic testosterone product, AndroGel, in the United States.¹⁷ Although the patent for the synthetic testosterone compound had expired, Solvay applied for and received a patent for the new gel formulation of the drug.¹⁸ AndroGel received FDA approval in 2000 and

⁹ *FTC v. Watson Pharm., Inc.*, 677 F.3d 1298, 1302 (11th Cir. 2012) (citing 21 U.S.C. § 355(a) (2006 & Supp. V 2011)).

¹⁰ Dickey, Orszag & Tyson, *supra* note 1, at 371.

¹¹ *Id.* at 369–72.

¹² *Id.* at 371–72.

¹³ Drug Price Competition and Patent Term Restoration Act of 1984, Pub. L. No. 98-417, 98 Stat. 1585 (codified as amended in scattered sections of the U.S. Code).

¹⁴ Dickey, Orszag & Tyson, *supra* note 1, at 372. This Act provides patent holders with extended protections while creating a streamlined process through which generic drug manufacturers can challenge weak patents. See Colleen Kelly, *The Balance Between Innovation and Competition: The Hatch-Waxman Act, the 2003 Amendments, and Beyond*, 66 FOOD & DRUG L.J. 417, 418 (2011).

¹⁵ Dickey, Orszag & Tyson, *supra* note 1, at 372–73.

¹⁶ *Id.* at 373.

¹⁷ *FTC v. Watson Pharm., Inc.*, 677 F.3d 1298, 1303–04 (11th Cir. 2012).

¹⁸ *Id.* at 1304. The patent was granted in 2003 and expires in 2020. *Id.*

generated nearly \$2 billion in sales over the next seven years.¹⁹ In May 2003, Watson Pharmaceuticals and Paddock Laboratories filed for FDA approval for generic versions of AndroGel under the streamlined process.²⁰ Both manufacturers certified that Solvay's patent was either invalid or would not be infringed; Solvay immediately filed patent infringement suits against both manufacturers in the Northern District of Georgia.²¹ After extensive discovery, the generic manufacturers filed summary judgment motions asking the court to rule on the validity of the patent.²² Faced with the potential loss of 90% of its sales and \$125 million in yearly profits if the summary judgment motions were granted, Solvay entered into a series of settlement agreements with Watson and Paddock.²³ Under these agreements, the generic manufacturers agreed to refrain from bringing generic versions of AndroGel to market for several years, to promote AndroGel to doctors, and to provide backup manufacturing capacity.²⁴ In return, Solvay compensated the generics with payments potentially exceeding \$300 million.²⁵

After the parties settled, the Federal Trade Commission (FTC) filed an antitrust suit alleging that the settlement agreements were unlawful agreements not to compete.²⁶ The FTC argued that Solvay's patent was weak and that Solvay and the generics had entered into the agreement in order to artificially extend Solvay's AndroGel monopoly, resulting in greater profits for the drug manufacturers and higher prices for consumers.²⁷ The drug manufacturers moved to dismiss for failure to state a claim on the grounds that the FTC had not alleged that the settlement exceeded the scope of the patent and that reverse-payment settlements were immune from antitrust attack so long as they did not cross that threshold.²⁸ The district court agreed with the manufacturers and dismissed the complaint.²⁹ The FTC appealed.³⁰

The Eleventh Circuit affirmed.³¹ Writing for a unanimous panel, Judge Carnes³² reviewed the circuit's reverse-payment precedent and

¹⁹ *Id.*

²⁰ *Id.* Watson filed first; Paddock partnered with Par Pharmaceutical Companies under an agreement in which Par would share the costs of the suit in exchange for a share of the profits generated by the generic (or by the settlement). *Id.*

²¹ *Id.*

²² *Id.*

²³ *Id.* at 1305.

²⁴ *Id.*

²⁵ *Id.* Aspects of the settlement depended on AndroGel's sales figures. *Id.*

²⁶ *Id.* The suit was heard in the Northern District of Georgia. *Id.*

²⁷ *Id.*

²⁸ *Id.* at 1306.

²⁹ *Id.*

³⁰ *Id.*

³¹ *Id.* at 1315.

³² Judges Kravitch and Farris joined Judge Carnes.

determined that any settlement agreement “within the scope of the exclusionary potential of the patent” is immune from antitrust liability.³³ Judge Carnes noted that although these agreements might be anticompetitive under traditional antitrust analysis, this analysis is not appropriate in a situation where a party holds a patent: “[A] patent conveys the right to ‘cripple competition.’”³⁴ In closing, Judge Carnes emphasized that the FTC was asking courts to engage in the “turducken task” of “deciding a patent case within an antitrust case about the settlement of the patent case,” a prospect the Eleventh Circuit found unpalatable.³⁵ Judge Carnes instead found that the agreement did not exceed the exclusionary scope of the patent and that antitrust principles therefore did not apply.³⁶

The Supreme Court reversed.³⁷ Writing for the Court, Justice Breyer³⁸ accepted that the anticompetitive impact of the settlement agreement fell within the scope of the patent, but declared that the agreement could nonetheless be attacked under federal antitrust laws.³⁹ Although a valid patent allows the patent holder to exclude infringing competitors from the market, the patent at issue “may or may not be valid, and may or may not be infringed.”⁴⁰ Justice Breyer, troubled by the “unusual” structure of a settlement in which the plain-

³³ *Watson Pharm.*, 677 F.3d at 1308–09 (quoting *Valley Drug Co. v. Geneva Pharm., Inc.*, 344 F.3d 1294, 1311 (11th Cir. 2003)) (internal quotation marks omitted). Judge Carnes cited three previous Eleventh Circuit cases to demonstrate the broad antitrust immunity granted to patent settlements. In *Valley Drug Co. v. Geneva Pharmaceuticals, Inc.*, 344 F.3d 1294 (11th Cir. 2003) a reverse payment was challenged at least in part because the patent was later invalidated; plaintiffs asserted that this invalidation meant that the alleged patentee never had any patent rights. *Id.* at 1308 (citing *Valley Drug*, 344 F.3d at 1306). The Eleventh Circuit rejected that assertion, explaining that “[t]he mere subsequent invalidity of the patent does not render the patent irrelevant to the appropriate antitrust analysis.” *Id.* at 1308 (quoting *Valley Drug*, 344 F.3d at 1306–07) (internal quotation marks omitted). In *Schering-Plough Corp. v. FTC*, 402 F.3d 1056 (11th Cir. 2005), the Eleventh Circuit rejected the FTC’s contention that Schering-Plough had overpaid generic manufacturers in an effort to extend its monopoly, noting that patent litigation was “certain[] to be a bitter and prolonged process,” *Watson Pharm.*, 677 F.3d at 1310 (alteration in original) (quoting *Schering-Plough*, 402 F.3d at 1072) (internal quotation marks omitted), and that “[t]he size of the payment . . . should not dictate the availability of a settlement remedy,” *id.* (omission in original) (quoting *Schering-Plough*, 402 F.3d at 1075) (internal quotation marks omitted). In *Andrx Pharmaceuticals, Inc. v. Elan Corp.*, 421 F.3d 1227 (11th Cir. 2005), however, the Eleventh Circuit allowed an antitrust claim to proceed where the generic manufacturer had agreed never to enter the market, since such an agreement “excluded competition beyond ‘the scope of exclusion intended by the . . . patent.’” *Watson Pharm.*, 677 F.3d at 1311 (omission in original) (quoting *Andrx*, 421 F.3d at 1235).

³⁴ *Watson Pharm.*, 677 F.3d at 1310 (quoting *Schering-Plough*, 402 F.3d at 1066).

³⁵ *Id.* at 1315.

³⁶ *Id.* at 1312–15.

³⁷ *Actavis*, 133 S. Ct. at 2238.

³⁸ Justice Breyer was joined by Justices Kennedy, Ginsburg, Sotomayor, and Kagan. Justice Alito took no part in the consideration or decision of the case.

³⁹ *Actavis*, 133 S. Ct. at 2230.

⁴⁰ *Id.* at 2231.

tiff pays the defendant a sizeable sum despite the potential lack of liability, cautioned that this type of agreement could have significant anticompetitive effects.⁴¹

Noting that a prohibition on certain types of reverse-payment agreements might run contrary to the general policy encouraging parties to settle rather than to litigate, Justice Breyer offered five reasons why that policy should not govern this case: First, the settlement essentially allowed the developer to buy patent-like protection despite questions about the patent's validity, leading to adverse effects on competition.⁴² Second, the anticompetitive consequences of the settlement might not be justified by the benefits to the settling parties, suggesting that the parties intended the agreement as a mechanism for sharing monopolistic profits.⁴³ Third, reverse-payment agreements are generally associated with supracompetitive profits.⁴⁴ Fourth, antitrust actions might not be difficult to administer because the willingness of a developer to pay large sums to generic manufacturers "suggest[s] that the patentee has serious doubts about the patent's survival," thereby allowing an inference that the purpose of the agreement was to maintain an unjustified monopoly.⁴⁵ Finally, parties could still settle by reaching other arrangements, such as allowing the competing generic manufacturer to enter the market before the expiration of the patent (without making reverse payments).⁴⁶

Justice Breyer thus determined that the agreement should be subject to analysis according to both the monopolistic policies of patent law and the procompetitive policies of antitrust law.⁴⁷ Drawing on a series of cases that he asserted supported this contention, Justice Breyer claimed that the Court's jurisprudence had long embraced such balanced analysis.⁴⁸ In keeping with that assertion, Justice Breyer

⁴¹ *Id.*

⁴² *Id.* at 2234-35.

⁴³ *Id.* at 2235-36.

⁴⁴ *Id.* at 2236.

⁴⁵ *Id.* at 2236-37.

⁴⁶ *Id.* at 2237.

⁴⁷ *Id.* at 2231.

⁴⁸ *Id.* at 2231-33. The Court relied on *United States v. Line Material Co.*, 333 U.S. 287 (1948), *United States v. United States Gypsum Co.*, 333 U.S. 364 (1948), and *Walker Process Equipment, Inc. v. Food Machinery & Chemical Corp.*, 382 U.S. 172 (1965), to establish that patentees were not immunized from antitrust law. See *Actavis*, 133 S. Ct. at 2231. According to the majority, in those cases, "rather than measure the length or amount of a restriction solely against the length of the patent's term or its earning potential . . . this Court answered the antitrust question by considering traditional antitrust factors." *Id.* The Court also pointed to several cases in which settlement agreements or licensing agreements were struck down as anticompetitive, including *United States v. Singer Manufacturing Co.*, 374 U.S. 174 (1963), *United States v. New Wrinkle, Inc.*, 342 U.S. 371 (1952), and *Standard Oil Co. (Indiana) v. United States*, 283 U.S. 163 (1931). See *Actavis*, 133 S. Ct. at 2232.

rejected the FTC's suggestion that reverse payments should be per se illegal and instead ordered lower courts to adopt a rule-of-reason inquiry.⁴⁹

Chief Justice Roberts dissented.⁵⁰ Finding that the majority's decision had no basis in statute, the Chief Justice argued that the inquiry instead should have begun and ended with the question of whether the settlement granted monopoly power beyond that offered by the patent at issue.⁵¹ The Chief Justice cited extensive precedent to support his assertion that patent settlements were not subject to antitrust challenge.⁵² He then distinguished the cases cited by the majority by demonstrating that, in each case, the challenged action was outside the scope of the patent.⁵³ Furthermore, the Chief Justice noted that the question at issue — the validity of the patent — was clearly a matter of patent law and that the majority's reliance on antitrust principles was therefore inapposite.⁵⁴ The settlement agreement in question was clearly permissible if the patent was valid, and the parties came to a reasonable accommodation to settle the suit regarding the patent's validity rather than exposing themselves to the uncertainties of litigation.⁵⁵ Chief Justice Roberts also pointed out that, because validity of the patent would moot the antitrust suit, the generic manufacturers would be put into the “especially awkward position of being for the patent after being against it.”⁵⁶ The Chief Justice concluded by predicting that the uncertainty generated by the Court's hybrid approach would “weaken[] the protections afforded to innovators by patents, frustrate[] the public policy in favor of settling, and likely undermine[] the very policy it seeks to promote.”⁵⁷

⁴⁹ *Actavis*, 133 S. Ct. at 2237. A rule-of-reason analysis requires a balancing of the procompetitive and anticompetitive effects of an action. Although seemingly simple, this analysis has frequently resulted in a complex system of shifting burdens, with different courts applying the rule in different ways. Decisions follow some general guidelines, but substantial uncertainty persists. See Thomas C. Arthur, *A Workable Rule of Reason: A Less Ambitious Antitrust Role for the Federal Courts*, 68 ANTITRUST L.J. 337, 357–67 (2000).

⁵⁰ Chief Justice Roberts was joined by Justices Scalia and Thomas.

⁵¹ See *Actavis*, 133 S. Ct. at 2238 (Roberts, C.J., dissenting).

⁵² *Id.* (“A patent . . . is an exception to the general rule against monopolies.” (omission in original) (quoting *Walker Process*, 382 U.S. at 177) (internal quotation marks omitted)); *id.* (“[T]he precise terms of the grant define the limits of a patentee's monopoly and the area in which the patentee is freed from competition.” (alteration in original) (quoting *Line Material*, 333 U.S. at 300) (internal quotation marks omitted)); *id.* at 2239 (“It is only when . . . [the patentee] steps out of the scope of his patent rights' that he comes within the operation of the Sherman Act” (alteration and omission in original) (quoting *United States v. Gen. Elec. Co.*, 272 U.S. 476, 485 (1926))).

⁵³ *Id.* at 2240–41.

⁵⁴ *Id.* at 2240.

⁵⁵ *Id.* at 2244.

⁵⁶ *Id.* at 2243.

⁵⁷ *Id.* at 2247.

The current pharmaceutical settlement regime undoubtedly has its unsavory aspects, and the Court is hardly the first entity to attempt to solve these problems.⁵⁸ However, the Court has upset the existing framework with an alternative that will create uncertainty and instability. Because neither the antitrust nor the patent claims were inherently legally superior to the other and the Court lacks expertise in the economics of the pharmaceutical industry, the Court should have, as the dissent suggested, prioritized judicial administrability by protecting settlement agreements within the scope of the challenged patent.

Patent law and antitrust law have long existed in tension. Ordinarily, a deal under which a company with a product on the market paid another company to keep a competing product off the market for a period of time would be presumptively illegal under antitrust law.⁵⁹ It has long been accepted, however, that a valid patent creates a period of legal monopoly.⁶⁰ Several circuits therefore created a standard under which any agreement was permissible so long as it did not exceed the scope of the patent.⁶¹ To the extent that a deal might have antitrust implications, the analysis was therefore straightforward: if the agreement was within the scope of the patent, then patent law controlled and the antitrust claim was dismissed; if the agreement was outside the scope of the patent, then patent law was inapplicable and ordinary antitrust principles applied.⁶² In addition to being easy for courts to apply, this analytical framework allowed pharmaceutical companies to reach settlement agreements instead of engaging in costly and uncertain litigation. At least one circuit, however, adopted a more restrictive rule that treated any pay-for-delay agreement as *prima facie* evidence of an antitrust violation.⁶³

⁵⁸ See, e.g., Preserve Access to Affordable Generics Act, S. 214, 113th Cong. (2013); Preserve Access to Affordable Generics Act, S. 27, 112th Cong. (2011); Preserve Access to Affordable Generics Act, S. 369, 111th Cong. (2009); Press Release, Fed. Trade Comm'n, FTC Study: In FY 2012, Branded Drug Firms Significantly Increased the Use of Potential Pay-for-Delay Settlements to Keep Generic Competitors off the Market (Jan. 17, 2013), available at <http://www.ftc.gov/opa/2013/01/mmarpt.shtm> (quoting FTC Chairman Jon Leibowitz as noting that "[u]ntil this issue is resolved, we will all suffer the consequences of delayed generic entry").

⁵⁹ See *Actavis*, 133 S. Ct. at 2242 (Roberts, C.J., dissenting).

⁶⁰ See *id.* at 2240.

⁶¹ See, e.g., *In re Tamoxifen Citrate Antitrust Litig.*, 466 F.3d 187, 213 (2d Cir. 2006) ("Unless and until the patent is shown to have been procured by fraud, or a suit for its enforcement is shown to be objectively baseless, there is no injury to the market cognizable under existing antitrust law, as long as competition is restrained only within the scope of the patent." (quoting *In re Ciprofloxacin Hydrochloride Antitrust Litig.*, 363 F. Supp. 2d 514, 535 (E.D.N.Y. 2005)) (internal quotation marks omitted)); *Valley Drug Co. v. Geneva Pharm., Inc.*, 344 F.3d 1294, 1312 (11th Cir. 2003) ("We recognize [that] the patent exception to antitrust liability . . . is limited by the terms of the patent and the statutory rights granted the patentee."); see also *Actavis*, 133 S. Ct. at 2239 (Roberts, C.J., dissenting) (relying on this standard).

⁶² *Actavis*, 133 S. Ct. at 2242 (Roberts, C.J., dissenting).

⁶³ See *In re K-Dur Antitrust Litig.*, 686 F.3d 197, 218 (3d Cir. 2012).

While the majority in *Actavis* correctly asserted that the “scope of the patent” test allowed litigants to protect potentially invalid patents or to pay noninfringing competitors to stay clear of the market, neither the majority nor Chief Justice Roberts’s dissent could conclusively resolve the patent-antitrust tension by appealing to precedent. Although the majority made a gesture toward precedent by asserting that previous cases had established that an antitrust inquiry could be applied to patent agreements, the dissent correctly distinguished the bulk of the precedent cited by Justice Breyer by showing that in each case, the Court had deemed the challenged action outside the scope of the patent. Similarly, the dissent could offer no prior decision of the Court that suggested that lower courts should not evaluate whether these agreements create an undue restraint on trade. An appeal to statute was likewise unavailing; the Hatch-Waxman Act, after all, was an act of compromise intended to strike an appropriate balance by providing stronger protections for the developers of legitimately novel drugs while incentivizing generic manufacturers to challenge weak patent claims. It does not clearly resolve the issues raised by the intersection of patent and antitrust.⁶⁴

In the absence of clear guidance from statute or precedent, both majority and dissent turned to policy arguments. The majority emphasized the procompetitive policy goals of antitrust law,⁶⁵ while the dissent emphasized the anticompetitive policy goals of patent law.⁶⁶ Since Congress has not mandated the superiority of either antitrust or patent, the Court should have focused on administrability. Justice Breyer’s opinion downplayed the administrative difficulties of a system in which courts will be asked to make subjective assessments of whether settlement agreements indicate patent weakness. The majority had no compelling answer to the dissent’s assertion that ease of administration and the general presumption in favor of settlements coun-

⁶⁴ See Linda P. Nussbaum & John D. Radice, *Where Do We Go Now? The Hatch-Waxman Act Twenty-Five Years Later: Successes, Failures, and Prescriptions for the Future*, 41 RUTGERS L.J. 229, 231 (2009). For the first decade and a half of the Hatch-Waxman regime, the system functioned largely as intended. See Hemphill & Lemley, *supra* note 4, at 954–55. The FTC interpreted the statute as allowing generic manufacturers to reap the benefits of their challenges only if they succeeded on the merits; this interpretation disincentivized pay-for-delay agreements, since the FTC would not allow such agreements to include the critical 180-day exclusivity period. See *id.* In 1998, the D.C. Circuit ruled that the FTC did not have the authority to require success on the merits. *Mova Pharm. Corp. v. Shalala*, 140 F.3d 1060, 1076 (D.C. Cir. 1998). This ruling allowed first-filing generics to retain exclusivity despite settling the patent litigation, ushering in the era of pay-for-delay. See Gregory Dolin, *Reverse Settlements as Patent Invalidity Signals*, 24 HARV. J.L. & TECH. 281, 292–93 (2011).

⁶⁵ See *Actavis*, 133 S. Ct. at 2234–37.

⁶⁶ *Id.* at 2238 (Roberts, C.J., dissenting).

seled maintaining the status quo.⁶⁷ While the Court's emphasis on protecting consumers might be laudable, the Court's foray into policymaking will result in judicial uncertainty and may have unforeseen consequences in the market.

Rather than providing guidance regarding the scope of its decision, the Court left "to the lower courts the structuring of . . . rule-of-reason antitrust litigation."⁶⁸ Under a narrow reading of *Actavis*, the Court has only excised the "pay" portion of pay-for-delay. Pharmaceutical developers will no longer be able to offer cash payments to generic manufacturers in exchange for delayed entry into the market, but the incentives have not noticeably changed: developers and generic manufacturers will both still prefer settlement to litigation of the patent claims.⁶⁹ Other elements of the settlement system remain intact; de-

⁶⁷ Though the majority offered a five-part explanation for why ease of administration and the general judicial policy in favor of settlements should not have dictated a result in this case, only the last two elements of that explanation were directly relevant; the first three merely restated the risks and harms of anticompetitive behavior. *See id.* at 2234–37 (majority opinion). The Court responded to the ease-of-administration concern by simply dismissing the argument that a risk-averse holder of a valuable patent might be willing to make a substantial payment in order to avoid a very small risk of invalidation. *Id.* at 2236. Justice Breyer asserted that a large payment served as a signal that the patent holder was "likely seek[ing] to prevent the risk of competition," which in itself was an anticompetitive harm. *Id.* This analysis unfairly restricts the options available to a patent holder and pushes parties to the courts. Under the *Actavis* framework, a pharmaceutical developer who was 95% confident in its \$100 million patent could face antitrust scrutiny for agreeing to pay \$4 million to a generic manufacturer in exchange for the generic dropping a patent challenge. While the Court would consider this agreement a payment to prevent the risk of competition, it could more appropriately be understood as a prudent response to the risk inherent in all litigation. *Actavis* exposes pharmaceutical patent holders to treble-damage antitrust suits for making an otherwise economically rational decision. *See* Alan Morrison, *Commentary: Subjecting Reverse Payments in Patent Cases to Antitrust Scrutiny: Sounds Like a Good Idea, But Can It Work?*, SCOTUSBLOG (July 25, 2013, 10:23 AM), <http://www.scotusblog.com/?p=167756> (noting the difficulty in determining whether payments are large and unjustified). *But see* Michael Carrier, *Actavis and "Large and Unjustified" Payments*, SCOTUSBLOG (July 26, 2013, 4:09 PM), <http://www.scotusblog.com/2013/07/actavis-and-large-and-unjustified-payments> (arguing that factfinders will be able to distinguish between legitimate and illegitimate settlement agreements). The Court also asserted that settlements will continue. *See Actavis*, 133 S. Ct. at 2238. This claim discounts the possibility that lower courts will adopt a broader reading of *Actavis* under which almost all settlement agreements could be challenged.

⁶⁸ *Actavis*, 133 S. Ct. at 2238.

⁶⁹ *Cf.* Hemphill & Lemley, *supra* note 4, at 948 (noting that both generic and brand name manufacturers were incentivized to game the system). Generics are incentivized to settle because of the structure of the 180-day exclusivity period provided by the Hatch-Waxman Act and its successors. *Id.* at 948–49. Generic manufacturers derive a large portion of their profits from this six-month period in which they are the sole competition to the expensive brand-name drug because they are able to sell their products at a very slight markdown from the brand-name. *Id.* Once other generics enter the market, prices plummet and profits go down. It seems reasonable to suggest that generic manufacturers might actually prefer settling for early entry over winning a patent challenge, since the profits generated during the exclusivity period may very well be greater if the brand-name drug has already established itself in the marketplace. While brand-name manufacturers with a high risk tolerance and a high degree of confidence in their patents might be

velopers can still pay generics for services such as offering backup production capacity or promising to promote products. Indeed, one consequence of the Court's decision is that lower courts now must determine the actual value of such services and whether developers are overpaying generics to perform them. The Court's intended outcome, however, seems to be that the patentees will allow the generics earlier entry into the market in lieu of payments for delay. If the system functions exactly as the Court foresees, consumers will benefit as generic drugs are brought to market sooner.⁷⁰

Under a broad reading of *Actavis*, however, almost all settlement agreements between generics and developers could be subject to antitrust challenge: a lower court could plausibly read the decision as indicating that any agreement by which the challenging generic obtained benefits that it otherwise would not have gained should be subject to antitrust evaluation. Since pharmaceutical developers' best defense against these antitrust challenges will be establishing the validity of the patent, they will have little incentive to settle the initial disputes with generic manufacturers. In addition to contravening the long-established judicial preference for settlement over litigation — and in addition to forcing developers to incur the costs of defending even strong patents — *Actavis* will create substantial uncertainty as courts determine how to interpret the decision.

The range of interpretations may hew to either extreme or may fall somewhere in between. For example, some courts might allow antitrust challenges only to cash settlements, while other courts might scrutinize other quid pro quo deals. Even if every lower court determines that only large, unjustified payments are subject to challenge, there may be differences concerning how courts define the terms. One court might find that a \$10 million payment is quite large, while another might determine that it is relatively modest in relation to a drug's expected profits. As the post-*Actavis* jurisprudence evolves in the lower courts, developers will face uncertainty from subjective determinations and inconsistency across courts.

The Court's decision in *Actavis* upsets the established framework for pharmaceutical settlements without providing a system that is certain to maintain the balance between antitrust and patent law. Because the law did not mandate this decision, the Court should have prioritized judicial administrability by protecting settlement agreements within the scope of the relevant patent.

more willing to litigate under the *Actavis* regime, those with a lower risk tolerance or a lower degree of confidence will still wish to settle rather than to engage in the uncertain litigation process.

⁷⁰ If the profits lost by developers as a result of the shorter exclusivity period are offset by the profits gained by the developers as a result of not having to pay generic manufacturers, then the market price of drugs should stay relatively stable.

*Indian Child Welfare Act — Termination of Parental Rights —
Adoptive Couple v. Baby Girl*

In the decades leading up to 1978, large numbers of Indian families were broken up through forced adoption or foster-care placement of Indian children, usually in non-Indian homes.¹ To stem this “wholesale removal of Indian children,”² Congress enacted the Indian Child Welfare Act of 1978³ (ICWA), which sets rigorous standards to govern state court custody proceedings involving Indian children. Last Term, in *Adoptive Couple v. Baby Girl*,⁴ the Supreme Court held that provisions of the ICWA heightening requirements for termination of an Indian’s parental rights did not apply where the parent had never known or had custody of his child.⁵ More than a mere inquiry into Indian exceptionalism, the case tests the contours of parental rights, asking whether natural parents or custodial families should most warrant judicial protection. In so doing, *Adoptive Couple* both sustains the Court’s consistent if fragile protection of affective parenthood and suggests the interminability of the debate over biology versus care.

Baby Girl was born to an Indian Father and non-Indian Mother whose relationship ended shortly after they discovered the pregnancy.⁶ When Mother asked Father if he preferred to pay child support or to relinquish his parental rights, Father chose relinquishment; Mother consequently decided to put the child up for adoption, selecting Adoptive Couple, a non-Indian couple from South Carolina.⁷ Adoptive Couple aided Mother throughout the pregnancy, providing financial and emotional support and even attending the delivery.⁸ Four months after Baby Girl’s birth, Adoptive Couple served Father, who had not offered support or attempted to contact Mother or child, with notice of the pending adoption.⁹ He signed papers stating that he accepted service and was “not contesting the adoption,” but one day later contacted a lawyer to stay the proceedings and seek custody.¹⁰

¹ See, e.g., Toni Hahn Davis, *The Existing Indian Family Exception to the Indian Child Welfare Act*, 69 N.D. L. REV. 465, 467–68 (1993).

² *Adoptive Couple v. Baby Girl*, 133 S. Ct. 2552, 2557 (2013) (quoting Miss. Band of Choctaw Indians v. Holyfield, 490 U.S. 30, 32 (1989)) (internal quotation mark omitted).

³ 25 U.S.C. §§ 1901–63 (2006).

⁴ 133 S. Ct. 2552.

⁵ *Id.* at 2557.

⁶ *Adoptive Couple v. Baby Girl*, 731 S.E.2d 550, 553 (S.C. 2012). To avoid choosing between the majority’s and dissents’ pointedly different appellations, this comment will refer to Baby Girl’s natural parents simply as “Mother” and “Father.”

⁷ *Id.*

⁸ *Id.* at 553–54. As both courts noted, “Adoptive Father even cut the umbilical cord.” *Adoptive Couple*, 133 S. Ct. at 2558; see *Adoptive Couple*, 731 S.E.2d at 554.

⁹ *Adoptive Couple*, 731 S.E.2d at 555.

¹⁰ *Id.*

The South Carolina Family Court denied the adoption and awarded custody to Father.¹¹ Holding Adoptive Couple to the ICWA's heightened standards, the court found they had failed to show by clear and convincing evidence that granting Father custody of Baby Girl would cause her serious emotional or physical harm, as required by § 1912(f) of the ICWA.¹² Then twenty-seven months old, Baby Girl was placed in the custody of Father and removed to Oklahoma.¹³

The South Carolina Supreme Court affirmed.¹⁴ Writing for the court, Chief Justice Toal¹⁵ first confirmed that the ICWA applied both to Baby Girl as an Indian child and to Father as a "parent" under the ICWA.¹⁶ Over the dissents of Justices Hearn and Kittredge, who would have found that Father's "complete[] shirking [of] his parental responsibilities"¹⁷ "manifestly overc[a]me the statutory placement preference and compel[led] placement" with Adoptive Couple,¹⁸ the court concluded that two ICWA provisions barred termination of Father's parental rights: § 1912(d), which required showing that "active efforts ha[d] been made to provide remedial services and rehabilitative programs designed to prevent the breakup of the Indian family,"¹⁹ and § 1912(f), which required showing that "serious emotional or physical damage" would result should Father retain custody.²⁰ Finding that Adoptive Couple had made neither showing,²¹ the court "with a heavy heart . . . affirm[ed] the family court order."²²

The Supreme Court reversed. Writing for the Court, Justice Alito²³ held that Father could not invoke either of the disputed ICWA provisions because he had never known or had custody of Baby Girl.²⁴ Assuming that Father was a "parent" under the terms of the statute, the Court considered both provisions purporting to bar termination of Father's rights and found each wanting. The Court first examined the text of § 1912(f), zeroing in on the provision's required showing that

¹¹ *Id.* at 556.

¹² *Id.*

¹³ *Adoptive Couple*, 133 S. Ct. at 2559.

¹⁴ *Adoptive Couple*, 731 S.E.2d at 552.

¹⁵ Chief Justice Toal was joined by Justices Pleicones and Beatty. *Id.* at 567.

¹⁶ *Id.* at 558, 560.

¹⁷ *Id.* at 591 (Hearn, J., dissenting).

¹⁸ *Id.* at 568 (Kittredge, J., dissenting).

¹⁹ *Id.* at 562 (majority opinion) (quoting 25 U.S.C. § 1912(d) (2006)).

²⁰ *Id.* at 563 (quoting 25 U.S.C. § 1912(f)).

²¹ *Id.* at 567. The court also observed that, were it to terminate Father's rights, it would be bound by § 1915(a) to place Baby Girl in a "statutorily preferred home," *id.* at 566 — one featuring a member of the child's extended family, her tribe, or another Indian tribe. *Id.* at 566–67.

²² *Id.* at 567.

²³ Justice Alito was joined by Chief Justice Roberts and Justices Kennedy, Thomas, and Breyer.

²⁴ *Adoptive Couple*, 133 S. Ct. at 2557.

harm result from “continued custody of the child by the parent.”²⁵ Insisting that the term “continued custody” necessarily implied a prior term of custody that could be sustained or resumed, the Court concluded that § 1912(f) did not apply where, as here, the parent had never had custody of the child.²⁶ To accept Father’s reading, under which § 1912(f) would effectively give noncustodial parents the statutory benefit of the doubt, would be, the Court averred, “contrary,” “nonsensical,” and “absurd.”²⁷ In particular, the Court rejected Father’s reading as unresponsive to the ICWA’s historical purpose: the ICWA, the Court explained, existed to counter the removal of Indian children from intact tribal families that had occurred in the 1970s due to cultural insensitivity.²⁸ This motivating concern for the protection of the Indian family could not be implicated where there existed no intact Indian family to protect.²⁹

The Court then turned to § 1912(d)’s requirement that parental rights be terminated only after the Indian family has been offered remedial services to prevent its “breakup.”³⁰ The Court observed that no “breakup” of a family could occur where a parent had never known his child, as there was then “no ‘relationship’ that would be ‘discontinu[ed]’ — and no ‘effective entity’ that would be ‘end[ed]’ — by the extinction of the Indian parent’s rights.”³¹ This provision, like § 1912(f), made sense only where applied to governmental interference with a functioning family; to hold otherwise, the Court insisted, would be to force an adoptive couple to first stimulate a natural parent’s parental feeling — a “bizarre undertaking” certain to “dissuade some”³² and thereby leave “vulnerable Indian children at a unique disadvantage in finding a permanent and loving home.”³³ Rather than allow Father to “abandon his child *in utero*[,] refuse any support,” and then “play his ICWA trump card at the eleventh hour to override the mother’s decision and the child’s best interests,” the Court held that the ICWA’s protections did not apply to an absentee Indian father.³⁴

Justice Thomas concurred, writing separately to explain why constitutional avoidance compelled the Court’s decision.³⁵ He questioned

²⁵ *Id.* at 2560 (emphasis omitted) (quoting 25 U.S.C. § 1912(f)).

²⁶ *Id.*

²⁷ *Id.* at 2560, 2561.

²⁸ *Id.* at 2561.

²⁹ *Id.*

³⁰ *Id.* at 2562.

³¹ *Id.* (alterations in original).

³² *Id.* at 2563.

³³ *Id.* at 2564.

³⁴ *Id.* at 2565. The Court also clarified that § 1915(a)’s placement preference would not bar a non-Indian family from adopting an Indian child where, as here, neither the father nor members of the tribe had attempted to *adopt* the child. *Id.* at 2564.

³⁵ *Id.* at 2565 (Thomas, J., concurring).

whether the Indian Commerce Clause, the ICWA's grant of authority, afforded Congress the "power to override state custody law whenever an Indian is involved."³⁶ After tracing the history of the Indian Commerce Clause, he noted several constitutional problems created by the ICWA's application: namely, that its regulation of child custody proceedings implicated neither commerce nor "Indian tribes as tribes."³⁷ Because the Court's reading gave a plausible interpretation that avoided the constitutional quandary, he concurred in full.³⁸

Justice Breyer penned a brief concurrence to add "three observations."³⁹ First, he noted the possibility that the Court's decision might "exclude too many" fathers, including those whom an evidentiary showing could prove to be suitable parents.⁴⁰ Second, he stressed the narrowness of the Court's holding, insisting that it made no decision regarding "a father with visitation rights," "a father who has paid 'all of his child support obligations,'" "a father who was deceived about the existence of the child[,] or a father who was prevented from supporting his child."⁴¹ Finally, he questioned whether statutory provisions not at issue might permit an absentee Indian father to regain "special statutory . . . preference," but declined to investigate further.⁴²

Justice Sotomayor dissented.⁴³ Reproaching the majority for transforming the ICWA into "an illogical piecemeal scheme," Justice Sotomayor would have held that both provisions of the ICWA barred termination of Father's rights.⁴⁴ She first explained that the ICWA's protections were intended to augment the protections for parents — including unwed fathers — already "recognized in our cases, [which acknowledge] that the *biological* bond between parent and child is meaningful."⁴⁵ In particular, she faulted the majority for accepting Father as a "parent" under the ICWA without accepting his subsequent entitlement to the ICWA's intentionally "greater protection for the familial bonds between Indian parents and their children than state law may afford" the bonds between non-Indian parents and children.⁴⁶ To ensure Indian parents these protections, she would have read the ICWA as safeguarding not the Indian family but rather the "parent-child relationship' that exists between a[n Indian] birth father and his

³⁶ *Id.* at 2566.

³⁷ *Id.* at 2570.

³⁸ *Id.* at 2571.

³⁹ *Id.* at 2571 (Breyer, J., concurring).

⁴⁰ *Id.*

⁴¹ *Id.*

⁴² *Id.*

⁴³ Justice Sotomayor was joined by Justices Ginsburg and Kagan and in part by Justice Scalia.

⁴⁴ *Adoptive Couple*, 133 S. Ct. at 2572–73 (Sotomayor, J., dissenting).

⁴⁵ *Id.* at 2574 (emphasis added).

⁴⁶ *Id.* at 2575.

child,”⁴⁷ “on which a stable and caring [family] may be built.”⁴⁸ This inchoate parent-child relationship, she insisted, was the relationship at stake in both § 1912(d) and § 1912(f), as it was both “fully capable of being preserved via remedial services”⁴⁹ and implicated by the statute’s definition of “child custody proceeding[s],” which included any “termination of *parental rights*.”⁵⁰

Justice Sotomayor further criticized the majority for ignoring “the full implications of its assumption that there are some ICWA ‘parent[s]’ to whom” the statute’s protections did not apply.⁵¹ Raising the specter of the sympathetic Indian father who unflinchingly visits and supports his child, Justice Sotomayor lamented that, under the majority’s rigid custodial requirement, his parental rights might nonetheless be terminated or subjected to the vagaries of “patchwork” state custody proceedings.⁵² Finally, she countered the majority’s conclusion that the ICWA created an “undeserved windfall” for unwed Indian fathers, explaining that the ICWA merely afforded Indian birth fathers protections similar to those already in place for non-Indian fathers in several states.⁵³ Though the majority might “consider this scheme [of securing Indian families] unwise,” Justice Sotomayor chastised, or might wish for an ideal world populated by “‘intact’ families,”⁵⁴ “we do not live in such a world”; rather, she concluded, Father constituted a “parent” whose rights “should be honored” under the ICWA.⁵⁵

Justice Scalia joined Justice Sotomayor’s dissent “except as to one detail”: rather than reject the Court’s reading of “continued custody” because, as Justice Sotomayor suggested, “literalness may strangle meaning,”⁵⁶ Justice Scalia would have held the dissent’s interpretation of “continued” — as ongoing rather than temporary — to be the interpretation intended by the statute.⁵⁷ Before closing, however, he criticized the majority for “demean[ing] the rights of parenthood,” asserting that even where children “would be better off raised by someone else,” “parents have their rights” and “no reason in law or policy [exists] to dilute that protection.”⁵⁸

⁴⁷ *Id.*

⁴⁸ *Id.* at 2582.

⁴⁹ *Id.* at 2575.

⁵⁰ *Id.* at 2574 (emphasis added) (quoting 25 U.S.C. § 1903(1) (2006)) (internal quotation marks omitted).

⁵¹ *Id.* at 2578 (alteration in original).

⁵² *Id.* at 2579.

⁵³ *Id.* at 2581.

⁵⁴ *Id.* at 2583.

⁵⁵ *Id.* at 2584.

⁵⁶ *Id.* at 2571 (Scalia, J., dissenting).

⁵⁷ *Id.* at 2572.

⁵⁸ *Id.*

In a Term with the Court's attitudes toward race and equal protection on high display,⁵⁹ it is tempting to see *Adoptive Couple v. Baby Girl* as yet another debate about statutory protections on the basis of race, its holding merely another iteration of the Roberts Court's discomfort with government-endorsed exceptionalism.⁶⁰ More intriguing, however, is the case's expression of another, equally contentious debate: that of the rights of biological parents versus those of custodial parents. A close reading of its opinions reveals their countervailing preoccupations with affective families and natural parents, as both Justice Alito and Justice Sotomayor notably eschewed ICWA precedent⁶¹ and fixated instead on the terms "parent," "family," and "custody," exploring and exploiting their associated connotations to arrive at the opinions' contrasting conclusions. Read as a dispute over biology versus care, the case then fits squarely in the parental rights jurisprudence preceding it, continuing the Court's trend toward provisional prioritization of family over biology. In so doing, *Adoptive Couple* augurs forthcoming challenges for nontraditional families and reveals a judicial unwillingness to lay to rest this fundamental tension.

The majority plainly broadcasts its anxiety over the case's implications for the functioning family. From its first words, the majority launches a visceral campaign on behalf of the (caring) family against the (absent) biological parent: "This case," it opines, "is about a little girl . . . taken, at the age of 27 months, from the only [family] she had ever known and handed over to her biological father, who had attempted to relinquish his parental rights."⁶² Contrasting Adoptive Couple's financial aid, emotional support, and inclusion of Mother in Baby Girl's upbringing with Father's financial irresponsibility,⁶³ physical "abandon[ment],"⁶⁴ and callous decision to "cut off all communica-

⁵⁹ See, e.g., *United States v. Windsor*, 133 S. Ct. 2675 (2013); *Shelby Cnty. v. Holder*, 133 S. Ct. 2612 (2013); *Fisher v. Univ. of Tex. at Austin*, 133 S. Ct. 2411 (2013).

⁶⁰ Public commentary has generally focused on the case's racial implications. See, e.g., Marcia Zug, Commentary, *Adoptive Couple v. Baby Girl: Two-and-a-Half Ways to Destroy Indian Law*, 111 MICH. L. REV. FIRST IMPRESSIONS 46 (2013); Andrew Cohen, *Indian Affairs, Adoption, and Race: The Baby Veronica Case Comes to Washington*, ATLANTIC (Apr. 12, 2013, 10:52 AM), <http://www.theatlantic.com/national/archive/2013/04/indian-affairs-adoption-and-race-the-baby-veronica-case-comes-to-washington/274758>.

⁶¹ The opinions largely neglected *Mississippi Band of Choctaw Indians v. Holyfield*, 490 U.S. 30 (1989), the Court's only prior ICWA case, and strikingly made no reference to the "existing Indian family" doctrine, which emerged in state courts to evade the ICWA's parental preferences. See, e.g., *In re Adoption of Baby Boy L.*, 643 P.2d 168, 174–76 (Kan. 1982); Davis, *supra* note 1, at 476. The doctrine precludes application of the ICWA when neither child nor parent has retained a significant relationship with the tribe — in essence, where there is no existing *Indian* family to be disrupted. The majority, by contrast, declines to apply the ICWA where no *Indian family* exists to be fractured, ignoring essentially the race-conscious analogue of its prevailing theory.

⁶² *Adoptive Couple*, 133 S. Ct. at 2556.

⁶³ *Id.* at 2558.

⁶⁴ *Id.* at 2557.

tion” between Baby Girl and her prior parents,⁶⁵ the Court constructs a clear dichotomy not merely between Adoptive Couple and Father but between the affective family and the cold parent. Its references to Father as “Biological Father,” distinguished from “Birth Mother,” likewise saturate the text with subconscious reminders of the biological parent’s inferior ties to his child.⁶⁶ The Court’s very use of the terms “parent” and “family” manifests its devaluation of the parent: even when discussing § 1912(f), which addresses the “termination of parental rights” and “the parent[’s]” custody,⁶⁷ the majority avoids speaking of the “parent” whenever possible, exchanging the term for “custodian”⁶⁸ or “custodial parent[.]”⁶⁹ and inserting statutory text and history to ensure that the discussion alludes to “families” no fewer than eight times.⁷⁰ Above all, in its recurrent assertion that the ICWA was “intended [to keep] Indian children [in] *intact* Indian *families*,”⁷¹ the Court makes clear that it is “families” — not “parents” or “Indians” — who merit the Act’s protections.⁷²

Justice Sotomayor’s dissent likewise homes in on the nature of the “family” governed by the ICWA, rejecting the majority’s conclusion for its failure to respect Father not as an Indian but as a parent. It spends pages wading through peripheral ICWA provisions purely to drive home that Father “has a federally recognized status as Baby Girl’s ‘*parent*’,”⁷³ only then does it locate the heart of its critique in the Court’s seemingly unimplicated fathers’ rights jurisprudence: namely, in the broad “principle, recognized in our cases, that the *biological bond between parent and child* is meaningful.”⁷⁴ Indeed, the opinion remarkably justifies its reading of the statute by showing its protections to be commensurate with “laws protecting biological fathers[.] . . . outside the context of ICWA,”⁷⁵ as if to transform the statute’s focus from Indian rights to fathers’ rights. The dissent also collapses the distinction between “families” and “parents” so central to the majority, insisting that the ICWA was “aimed at protecting the *familial* relationships between . . . *parents and their children*.”⁷⁶ More tellingly, just as the majority’s key semantic distinction depends on

⁶⁵ *Id.* at 2559 n.3.

⁶⁶ *Id.* at 2558.

⁶⁷ *Id.* at 2560 (quoting 25 U.S.C. § 1912(f) (2006)).

⁶⁸ *Id.*

⁶⁹ *Id.* at 2561.

⁷⁰ *Id.* at 2561–62.

⁷¹ *Id.* at 2561 (emphases added).

⁷² See, e.g., *id.* at 2557 (citing the ICWA’s focus as “consequences to . . . *families*” (emphasis added)); *id.* at 2561 (citing the ICWA’s focus as “dissolution of . . . *families*” (emphasis added)).

⁷³ *Id.* at 2574 (Sotomayor, J., dissenting) (emphasis added).

⁷⁴ *Id.* (emphasis added).

⁷⁵ *Id.* at 2582.

⁷⁶ *Id.* at 2579 (emphases added).

evocative images of family and parent, Justice Sotomayor's argument turns on its own haunting specter: the active and affective father who, indigent or ignorant, finds his constitutionally recognized relationship demeaned and his child wrested away.

By focusing so intently on the familial relationship at stake, both opinions identify *Adoptive Couple* as the newest heir to the Court's constitutional family law and parental rights jurisprudence. Justice Sotomayor's dissent is overt about its place in this canon, citing to the Court's parental rights cases more than to any on Indian law or rights,⁷⁷ and explicitly framing its claim as a call for Father to be accorded a form of the right the Court's cases promise all fathers: the right to create a family from biological opportunity.⁷⁸ Where Justice Sotomayor embraces the language of this canon, however, the majority embraces its content and course, continuing the Court's trend toward qualified prioritization of family over biology⁷⁹ and locating its decision firmly in the Court's line of parental rights cases.

The Court's foundational parental rights cases, while recognizing that biological parentage can serve as the basis for a constitutional right, qualified and cabined the reach of such a parental rights principle. From its first recognition that unwed fathers might have rights to parenthood in *Stanley v. Illinois*⁸⁰ to its refusal to afford unwed fathers an absolute right to notice and hearing before the child's adoption in *Lehr v. Robertson*,⁸¹ the Court confronted a wide array of claims by fathers and grounded its holdings in the specific state laws at issue, repeatedly shying away from general pronouncements about fathers' rights. On one overarching principle, however, its cases concur: mere biology is insufficient to create bonds meriting constitutional protection; only if a parent actively "grasps [the opportunity to develop a relationship with his offspring] and accepts some measure of responsibility" may he "enjoy the blessings of the parent-child relationship."⁸²

⁷⁷ See, e.g., *id.* at 2574–75 (citing *Santosky v. Kramer*, 455 U.S. 745, 758–59 (1982)); *id.* at 2575 (citing *Lehr v. Robertson*, 463 U.S. 248, 262 (1983)); *id.* at 2582 (citing *Quilloin v. Walcott*, 434 U.S. 246, 254–56 (1978)).

⁷⁸ See *id.* at 2574–75 (citing *Lehr*, 463 U.S. at 262; *Santosky*, 455 U.S. at 758–59).

⁷⁹ See Melanie B. Jacobs, *My Two Dads: Disaggregating Biological and Social Paternity*, 38 ARIZ. ST. L.J. 809, 812–13 (2006) ("In a series of cases . . . biological fatherhood was subordinated to social fatherhood because the Supreme Court continued to embrace the . . . family."); *Developments in the Law — The Law of Marriage and Family*, 116 HARV. L. REV. 1996, 2058 (2003) (noting a "trend towards nonparental . . . rights — and the erosion of traditional parental rights").

⁸⁰ 405 U.S. 645 (1972); see *id.* at 649.

⁸¹ 463 U.S. 248; see *id.* at 250.

⁸² *Id.* at 262; see also *Caban v. Mohammed*, 441 U.S. 380, 392 (1979) (allowing father to veto infant's adoption, but approving the statute's permission to "proceed in the absence of consent when the parent whose consent otherwise would be required never has come forward or has abandoned the child"); *Quilloin*, 434 U.S. at 255; *Stanley*, 405 U.S. at 654–55.

The Court's more recent parental rights cases, *Michael H. v. Gerald D.*⁸³ and *Troxel v. Granville*,⁸⁴ have sustained and strengthened this skepticism toward parents' rights. *Michael H.* considered the relative rights of a biological father who had maintained ties with his child and of a cuckolded husband who had served as the child's de facto father.⁸⁵ Holding that a parent's rights do not include the right to override an existing family's presumption of legitimacy,⁸⁶ Justice Scalia's plurality opinion presented a striking glorification of the "unitary family"⁸⁷ that inspired two vehement dissents, each attempting with rhetoric to buttress the biological parent's rights against Justice Scalia's blistering opinion.⁸⁸ At the same time, the plurality's preoccupation with the salacious facts of the case at hand⁸⁹ — not to mention the decision's numerous, splintered opinions — left the future of Justice Scalia's elevation of the family less clear.⁹⁰ *Troxel* notably reversed the recurrent dichotomy of custodial family and noncustodial parent, asking whether a custodial parent possesses a right to deny visitation to her child's extended family.⁹¹ Though the Court ultimately found for the parent, its failure to declare control of a child's visitation a parental right — instead merely faulting the lower court for affording the parent's preference insufficient weight in a best-interest balancing — left open the possibility that a court could require family visitation over *even a custodial parent's objection*, a radical expression of sympathy for familial bonds.⁹² Amid convoluted and qualified holdings, these cases thus suggest a tentative commitment to maintenance of familial ties at the expense of parental control or access.

The majority opinion in *Adoptive Couple* then seems to offer, if anything, too fervent a defense of the affective family to fit neatly into this trend. However, Justice Breyer, necessary to the five-vote majority, introduces a key element of uncertainty in his concurrence that renders the decision as hesitant as its predecessors. By cataloging the numerous situations to which *Adoptive Couple's* holding does not apply and suggesting that at least some suitable parents may prove for-

⁸³ 491 U.S. 110 (1989).

⁸⁴ 530 U.S. 57 (2000).

⁸⁵ See *Michael H.*, 491 U.S. at 130 (plurality opinion).

⁸⁶ *Id.* at 123–24.

⁸⁷ *Id.* at 123.

⁸⁸ See *id.* at 137 (Brennan, J., dissenting); *id.* at 157 (White, J., dissenting).

⁸⁹ See, e.g., *id.* at 130 (plurality opinion) (casting the case as a choice between "being [l]able to act as father of the child he has adulterously begotten, or . . . preserv[ing] the integrity of the traditional family unit").

⁹⁰ The fact that Justice Scalia joined Justice Sotomayor in *Adoptive Couple* in arguing for "the rights of parenthood" casts further doubt on the ongoing force of his opinion in *Michael H.*

⁹¹ 530 U.S. 57, 67 (2000) (plurality opinion).

⁹² See *id.* at 72; see also *Developments in the Law, supra* note 79, at 2057 ("*Troxel* [is] most significant for its implicit, albeit limited, endorsement of nonparental visitation.>").

midable opponents to adoptive families, Justice Breyer emphasizes the narrow, provisional reach of the Court's prioritization of families and thereby puts *Adoptive Couple* back on the Court's listing path.

It is this very inability to escape uncertainty, qualification, and conflict that ultimately situates *Adoptive Couple* in the Court's parental rights canon and that suggests its ongoing significance. Like its predecessors, *Adoptive Couple* is another deeply divided and closely fought decision,⁹³ which refuses to wholly deny the power of biology even as it insists upon proactive parenting and affective relationships. The conditions and disclaimers embedded in the case's holding, taken together with the equal conviction and fervor of both opposing opinions, thus serve as proof of the interminability of such judicial debates about the family.⁹⁴ Further, the Court's very willingness to engage in a stark contest over biology versus family in a case that by no means required it — and to engage vigorously, even viciously⁹⁵ — seems a harbinger of things to come: in an age of momentous changes in the composition of the family, alluded to both in the decision⁹⁶ and in other decisions of the Term,⁹⁷ questions regarding which relationships and nontraditional ties warrant judicial protection promise to appear with ever more frequency and complexity.⁹⁸ As *Adoptive Couple* shows, however, the Court remains mired in the same disputes it first unleashed forty years earlier, still grappling with the fundamental tension between nature and nurture. Yet this irresolution and ongoing struggle may well be a cause for comfort rather than concern, a sign that the essential questions about the most essential ties and relationships remain open for investigation and reinvestigation.

⁹³ Cf. *Troxel*, 530 U.S. at 59 (four-Justice plurality, two concurrences, three dissents); *Michael H.*, 491 U.S. at 112 (four-Justice plurality, two concurrences, two dissents); *Lehr v. Robertson*, 463 U.S. 248 (1983) (6–3); *Santosky v. Kramer*, 455 U.S. 745 (1982) (5–4); *Caban v. Mohammed*, 441 U.S. 380 (1979) (5–4).

⁹⁴ See, e.g., Chris W. Altenbernd, *Quasi-Marital Children: The Common Law's Failure in Privette and Daniel Calls for Statutory Reform*, 26 FLA. ST. U. L. REV. 219, 234 (1999) (calling on “[c]ourts and legislatures [to] now directly confront the unresolved tension between biology and family in the field of paternal rights” active since “the early common law era”).

⁹⁵ See, e.g., *Adoptive Couple*, 133 S. Ct. at 2560 n.5 (“With a torrent of words, the dissent attempts to obscure the fact that its interpretation simply cannot be squared with the statutory text.”); *id.* at 2572 (Sotomayor, J., dissenting) (“Unlike the majority, I cannot adopt a reading of ICWA that is contrary to both its text and its stated purpose.”).

⁹⁶ See, e.g., *id.* at 2579 n.8 (disputing the applicability of the dissent's interpretation to “sperm donor[s]” and “artificial insemination”).

⁹⁷ See, e.g., *United States v. Windsor*, 133 S. Ct. 2675, 2694 (2013).

⁹⁸ For example, the Court has yet to tackle reproductive technologies, despite their recurrence in state court cases and the promise of their increased prominence in an age of gay marriage.

*Patent Act of 1952 — Patent Exhaustion Doctrine —
Bowman v. Monsanto Co.*

Under the doctrine of patent exhaustion, “the initial authorized sale of a patented item terminates all patent rights to that item”¹ and confers on the purchaser “the right to use [or] sell” the item as he pleases,² but not to make identical new items.³ In some tension with this principle is the conditional sales doctrine, which allows the patentee to limit exhaustion of its patent rights through contractual terms.⁴ Last Term, in *Bowman v. Monsanto Co.*,⁵ the Supreme Court held that patent exhaustion doctrine did not allow a farmer who purchased self-replicating, genetically modified seeds to reproduce them through replanting without the patentee’s permission.⁶ The Court reached the correct outcome but via the wrong route. The Court should have applied the conditional sales doctrine — a doctrine better suited to address the unique challenges posed by self-replicating technologies — rather than decide the case on exhaustion grounds and obfuscate the function of the licensing agreement.

Monsanto patented genetically modified soybeans that are resistant to glyphosate, the active ingredient in many herbicides.⁷ Glyphosate resistance is a genetic trait that is “passed on from the planted seed to the harvested soybeans.”⁸ For this reason, Monsanto sells its patented seeds — marketed as Roundup Ready seeds — pursuant to a licensing agreement that allows the purchaser to plant the seeds once but not to “save any of the harvested soybeans for replanting [or] supply them to anyone else for that purpose.”⁹

Vernon Bowman is a farmer in Indiana.¹⁰ Bowman purchased Roundup Ready seeds for his first crop of each yearly season and, in accord with the licensing agreement, sold the harvested soybeans to a grain elevator.¹¹ But Bowman “devised a less orthodox approach” for the riskier second crop of the season: he purchased “commodity soy-

¹ *Quanta Computer, Inc. v. LG Elecs., Inc.*, 553 U.S. 617, 625 (2008).

² *United States v. Univis Lens Co.*, 316 U.S. 241, 249 (1942).

³ See *Mitchell v. Hawley*, 83 U.S. (16 Wall.) 544, 548 (1872).

⁴ See, e.g., Erin Julia Daida Austin, Note, *Reconciling the Patent Exhaustion and Conditional Sale Doctrines in Light of Quanta Computer v. LG Electronics*, 30 CARDOZO L. REV. 2947, 2948–49 (2009).

⁵ 133 S. Ct. 1761 (2013).

⁶ See *id.* at 1764.

⁷ *Id.*

⁸ *Id.* at 1764–65.

⁹ *Id.* at 1764.

¹⁰ *Id.* at 1765.

¹¹ *Id.* Grain elevators “purchase grain from farmers and sell it for consumption; under federal and state law, they generally cannot package or market their grain for use as agricultural seed.” *Id.* at 1765 n.1.

beans” intended for consumption from a grain elevator and planted them.¹² After confirming that a significant percentage of these soybeans — mostly the crop of other local farmers who used Roundup Ready seed — were resistant to glyphosate, Bowman saved the harvested soybeans for late-season planting the next year.¹³ Each year, Bowman planted saved seed from the previous year, sprayed his fields with glyphosate, and produced a new crop of Roundup Ready soybeans.¹⁴ After discovering this practice, Monsanto sued for patent infringement.¹⁵ Bowman raised patent exhaustion as a defense, arguing that Monsanto had no right to the soybeans that were the subject of a prior authorized sale from local farmers to the grain elevator.¹⁶

The U.S. District Court for the Southern District of Indiana rejected Bowman’s defense and granted Monsanto’s motion for summary judgment.¹⁷ The court found that “patent law precedent . . . br[oke] in favor of Monsanto.”¹⁸ *Monsanto Co. v. Scruggs*¹⁹ had established that patent exhaustion did not apply to a farmer who purchased Roundup Ready seed from an authorized seller and then saved seed from the crop for purposes of replanting.²⁰ The court explained that purchasing commodity seeds from a grain elevator, rather than from an authorized seller, is not “a distinction that makes a difference”²¹; patent exhaustion does not apply in either case because “the new seeds grown from the original batch had never been sold” by the patentee.²² The court concluded by distinguishing cases in which patent exhaustion doctrine had applied because the patentee “had licensed the article . . . *without sufficient conditions to protect its patent rights.*”²³ Unlike the patentees in those cases, Monsanto had sold its seeds pursuant to a licensing agreement; thus, “[t]he grain elevator[] . . . from whom Bowman bought the soybeans had no right to plant the soybeans and could not confer such a right on Bowman.”²⁴

The U.S. Court of Appeals for the Federal Circuit affirmed.²⁵ Writing for a unanimous court, Judge Linn held that patent exhaustion did not bar Monsanto’s infringement action: “Even if Monsanto’s

¹² *Id.* at 1765.

¹³ *Id.*

¹⁴ *Id.*

¹⁵ *Id.*

¹⁶ *Id.*

¹⁷ *Monsanto Co. v. Bowman*, 686 F. Supp. 2d 834, 840 (S.D. Ind. 2009).

¹⁸ *Id.* at 837.

¹⁹ 459 F.3d 1328 (Fed. Cir. 2006).

²⁰ *Monsanto*, 686 F. Supp. 2d at 838.

²¹ *Id.* at 839.

²² *Id.* (quoting *Monsanto Co. v. McFarling*, 302 F.3d 1291, 1299 (Fed. Cir. 2002)).

²³ *Id.* (emphasis added).

²⁴ *Id.*

²⁵ *Monsanto Co. v. Bowman*, 657 F.3d 1341, 1343 (Fed. Cir. 2011).

patent rights in the commodity seeds [were] exhausted, such a conclusion would be of no consequence because once a grower, like Bowman, plants the commodity seeds containing Monsanto's Roundup Ready technology and the next generation of seed develops, the grower has created a newly infringing article."²⁶ Judge Linn explained that the self-replicating nature of a technology "does not give a purchaser the right to use replicated copies of the technology."²⁷ To hold otherwise would be to "eviscerate the rights of the patent holder."²⁸ The Federal Circuit rejected Bowman's contention that seeds substantially embody later-generation seeds, noting that seeds have "reasonable and intended use[s]" other than replanting, such as use as feed.²⁹

The Supreme Court affirmed.³⁰ Writing for a unanimous Court, Justice Kagan began by acknowledging that, under the patent exhaustion doctrine, a sale of an article confers on the purchaser the right to use or sell the article as he sees fit.³¹ The Court offered a rationale for the doctrine: "[T]he purpose of the patent law is fulfilled with respect to any particular article when the patentee has received his reward . . . by the sale of the article"; once that "purpose is realized the patent law affords no basis for restraining the use and enjoyment of the thing sold."³² Justice Kagan went on to observe that patent exhaustion does not restrict the patentee's right to prevent a buyer from generating new copies of the patented invention, because the buyer "has 'received his reward' only for the actual article sold, and not for subsequent recreations of it."³³ The Court explained that "[u]nfortunately for Bowman, [the no-copy] principle decide[d] this case against him."³⁴ Bowman could resell the patented commodity seeds, consume them, or feed them to his animals, but he could not

²⁶ *Id.* at 1348.

²⁷ *Id.* (quoting *Monsanto Co. v. Scruggs*, 459 F.3d 1328, 1336 (Fed. Cir. 2006)).

²⁸ *Id.* (quoting *Scruggs*, 459 F.3d at 1336) (internal quotation mark omitted).

²⁹ *Id.* (quoting *Quanta Computer, Inc. v. LG Elecs., Inc.*, 533 U.S. 617, 631 (2008)) (internal quotation mark omitted). The Federal Circuit concluded by considering Bowman's argument that "Monsanto cannot recover pre-Complaint damages because it did not provide actual notice and did not mark or require growers to mark second-generation seeds in compliance with 35 U.S.C. § 287(a)." *Id.* The court explained that Bowman did not waive the lack-of-notice argument, *id.* at 1348–49, but found that Monsanto could recover damages because it provided actual notice to Bowman in a June 1999 letter that identified Monsanto's patents and informed Bowman that the "[p]lanting of seed that is covered by a patent would be making the patented invention and using the patented invention." *Id.* at 1349 (quoting Letter from Monsanto to Vernon H. Bowman (June 11, 2009), reprinted in Joint Appendix at 159a, *Bowman*, 133 S. Ct. 1761 (No. 11-796)) (alteration in original) (internal quotation marks omitted).

³⁰ *Bowman*, 133 S. Ct. at 1766.

³¹ *Id.*

³² *Id.* (alteration and omission in original) (quoting *United States v. Univis Lens Co.*, 316 U.S. 241, 251 (1942)).

³³ *Id.* (quoting *Univis*, 316 U.S. at 251).

³⁴ *Id.*

“make *additional* patented soybeans without Monsanto’s permission (either express or implied).”³⁵ In a footnote, Justice Kagan explained that the exhaustion doctrine did not protect replanting whether Bowman purchased seed from a Monsanto-affiliated seed company pursuant to a licensing agreement or from a grain elevator.³⁶ The Court did not “confront a case in which Monsanto . . . sold Roundup Ready to a farmer without an express license agreement,” but Justice Kagan noted that, in such an “unlikely” case, “the farmer might reasonably claim that the sale came with an implied license to plant and harvest one soybean crop.”³⁷

The Court addressed two counterarguments. First, the Court rejected the argument that “in planting Roundup Ready seeds, . . . [Bowman] merely *us[ed]* them in the normal way farmers do.”³⁸ The Court explained that it was Bowman, not Monsanto, who was asking for “an unprecedented exception” to the exhaustion doctrine, because it is well settled that exhaustion does not grant buyers the right to make copies of patented inventions.³⁹ If copying were protected, “a patent would plummet in value after the first sale of the first item containing the invention”⁴⁰ because the “[t]he grower could multiply his initial purchase, and then multiply that new creation, *ad infinitum* — each time profiting from the patented seed without compensating its inventor.”⁴¹ Such destruction of the patent monopoly “would result in less incentive for innovation than Congress wanted.”⁴² Justice Kagan noted that commodity beans had a non-replicating use — consumption — and that this non-replicating use “was not just available, but standard fare.”⁴³

Second, the Court considered the argument that soybeans naturally sprout if not stored in a controlled manner and thus “it was the planted soybean, not Bowman’ himself, that made replicas of Monsanto’s patented invention.”⁴⁴ Justice Kagan squarely rejected this “blame-the-bean defense,” explaining that “Bowman was not a passive observer of his soybeans’ multiplication [He] devised and executed a novel way to harvest crops from Roundup Ready seeds without paying the usual premium.”⁴⁵ The Court concluded by ex-

³⁵ *Id.*

³⁶ *Id.* at 1767 n.3.

³⁷ *Id.*

³⁸ *Id.* at 1768 (emphasis added).

³⁹ *Id.*

⁴⁰ *Id.*

⁴¹ *Id.* at 1767.

⁴² *Id.* at 1768.

⁴³ *Id.*

⁴⁴ *Id.* at 1768–69 (quoting Brief for Petitioner at 42, *Bowman*, 133 S. Ct. 1761 (No. 11-796)).

⁴⁵ *Id.* at 1769.

plaining that its holding was limited to the case at hand, and did not extend to all hypotheticals involving self-replicating products.⁴⁶ Other cases may involve inventions that self-replicate “outside the purchaser’s control” or whose valid use incidentally involves reproduction.⁴⁷ For example, a new copy of a computer program may be “created as an essential step in the utilization of the computer program.”⁴⁸ Such circumstances were not before the Court. The Court explained that its holding also followed from *J.E.M. Ag Supply, Inc. v. Pioneer Hi-Bred International, Inc.*,⁴⁹ which extended patent protection to plants and seeds and explained that “only a patent holder . . . could prohibit [a] farmer who legally purchases and plants’ a protected seed from saving harvested seed ‘for replanting.’”⁵⁰ Justice Kagan observed that Bowman’s argument that a seed sale could cut off the patentee’s right to control the seed’s progeny was flatly inconsistent with the statutory scheme described in *J.E.M.*⁵¹

The Court’s holding left open the question of to what extent conditional sales may limit patent exhaustion. Rather than decide the case on exhaustion grounds in an opinion that obscured the function of the parties’ contract, the Court should have applied the conditional sales doctrine — a doctrine better equipped to address the challenges posed by self-replicating technologies.

The conditional sales doctrine, where recognized, allows patentees to limit patent exhaustion by “restrict[ing] the right of the purchaser to use the patented article through an enforceable contract.”⁵² That is, a conditional sale “preserve[s] the patentee’s right to sue for infringement if the condition is not met or the restriction is violated.”⁵³ This doctrine offers far more protections to patent holders than does pure contract law.⁵⁴ For example, while “the remedy for [contract] breach will generally be capped at expectation damages,” patent remedies include “treble damages and attorney’s fees for cases of willful infringement.”⁵⁵ Moreover, a claim for breach of contract requires a “special relationship between the patentee and the alleged infringer,” whereas patent

⁴⁶ *Id.*

⁴⁷ *Id.*

⁴⁸ *Id.* (quoting 17 U.S.C. § 117(a)(1) (2012)) (internal quotation mark omitted).

⁴⁹ 534 U.S. 124 (2001).

⁵⁰ *Bowman*, 133 S. Ct. at 1767 (alteration in original) (quoting *J.E.M.*, 534 U.S. at 140).

⁵¹ *Id.* at 1767–68.

⁵² Austin, *supra* note 4, at 2948–49.

⁵³ *Id.* at 2949.

⁵⁴ *See id.* at 2949–52.

⁵⁵ Jason McCammon, Recent Development, *The Validity of Conditional Sales: Competing Views of Patent Exhaustion in Quanta Computer, Inc. v. LG Electronics, Inc.*, 128 S. Ct. 2109 (2008), 32 HARV. J.L. & PUB. POL’Y 785, 785 n.2 (2009). For other differences between patent infringement and breach of contract causes of action, see Austin, *supra* note 4, at 2949–52.

rights attach to the invention itself.⁵⁶ Thus, a viable conditional sales doctrine enables patentees to enforce contract restrictions against downstream buyers.⁵⁷

The conditional sales doctrine has been recognized by the Federal Circuit, but a recent Supreme Court case cast some doubt on it. In *Mallinckrodt, Inc. v. Medipart, Inc.*,⁵⁸ the Federal Circuit held that a patentee could sue for patent infringement based on a violation of a contractual restriction, provided that the restriction was valid under sales law and “within the scope of the patent grant.”⁵⁹ Subsequent cases have relied on *Mallinckrodt* as affirming the viability of the conditional sales doctrine,⁶⁰ but the Supreme Court’s decision in *Quanta Computer, Inc. v. LG Electronics, Inc.*⁶¹ injected new uncertainty. *Quanta* examined “whether patent exhaustion applie[d] to the sale of components of a patented system that must be combined with additional components in order to practice the patented methods.”⁶² LG Electronics (LGE) and Intel entered into a licensing agreement that broadly authorized Intel to make, use, and sell products that practiced LGE’s patents, but that attempted to limit the right of downstream buyers to combine components of LGE’s patented system with outside items.⁶³ After *Quanta*, a downstream buyer, purchased such components from Intel and combined them with standard, non-Intel parts to make computers that practiced LGE’s patents, LGE sued *Quanta* for patent infringement.⁶⁴ The Supreme Court rejected LGE’s claim, holding that the authorized sale of an article that “substantially embodies” a patent exhausts the patentee’s rights.⁶⁵ The Court emphasized that the LGE-Intel license gave Intel unconditional authority to sell products that practiced LGE’s patented system.⁶⁶ Intel’s authorized sale to *Quanta* thus took the sold components “outside the scope of the patent monopoly.”⁶⁷

⁵⁶ Austin, *supra* note 4, at 2951.

⁵⁷ See Saami Zain, *Quanta Leap or Much Ado About Nothing? An Analysis on the Effect of Quanta vs. LG Electronics*, 20 ALB. L.J. SCI. & TECH. 67, 82 (2010).

⁵⁸ 976 F.2d 700 (Fed. Cir. 1992).

⁵⁹ *Id.* at 709.

⁶⁰ *E.g.*, *Monsanto Co. v. Scruggs*, 459 F.3d 1328, 1335–36 (Fed. Cir. 2006); *Monsanto Co. v. McFarling*, 302 F.3d 1291, 1298 (Fed. Cir. 2002); *B. Braun Med., Inc. v. Abbott Labs.*, 124 F.3d 1419, 1426 (Fed. Cir. 1997); *Ariz. Cartridge Remanufacturers Ass’n v. Lexmark Int’l, Inc.*, 290 F. Supp. 2d 1034, 1043 (N.D. Cal. 2003).

⁶¹ 553 U.S. 617 (2008).

⁶² *Id.* at 621. A product *P* “practices” company *X*’s patent if *X* has patent rights to *P*.

⁶³ *Id.* at 623.

⁶⁴ *Id.* at 624.

⁶⁵ *Id.* at 638. The Court explained that the components “substantially embodied the LGE patents because they had no reasonable noninfringing use and included all the inventive aspects of the patented methods.” *Id.*

⁶⁶ *Id.*

⁶⁷ *Id.*

Quanta firmly established that a sale that did not restrict the rights of the immediate buyer triggered patent exhaustion, but it did not expressly address the conditional sales doctrine. Although some commentators⁶⁸ and at least one court⁶⁹ have interpreted *Quanta* to cut off patentees' ability to limit exhaustion through a conditional sale, another court has recognized that *Quanta* did not implicate the conditional sales doctrine,⁷⁰ and many scholars have agreed.⁷¹ Indeed, the LGE-Intel licensing agreement did not place *any* restrictions on Intel's ability to make, use, or sell LGE's patented products,⁷² distinguishing *Quanta* from any case in which the patentee restricts the licensee's rights at the time of sale.

The *Bowman* Court did not take the opportunity to apply the conditional sales doctrine. The Court could have ruled that Monsanto limited exhaustion of its seeds by selling them pursuant to a licensing agreement. Monsanto's sales were conditional: the farmers purchased a limited right to use and sell the patented seeds for purposes *other than replanting*.⁷³ This condition was passed on downstream to Bowman, because "the farmers could not convey to the grain dealers" — and the grain dealers to Bowman — "what they did not possess themselves."⁷⁴ It was as though Monsanto's seeds bore an indelible "no replanting" sticker — a sticker absent in *Quanta*, where the licensing agreement placed no restrictions on the licensee's rights. Rather than apply the conditional sales doctrine, however, the Court decided the case on exhaustion grounds, ruling that Monsanto's patent rights were not exhausted because Bowman made *new* Roundup Ready seeds through replanting.⁷⁵

The Court reached the correct outcome but via the wrong route for at least two reasons. First, the Court's opinion obfuscates the role of the licensing agreement. Monsanto sold its seeds pursuant to an ex-

⁶⁸ See, e.g., Herbert Hovenkamp, *Innovation and the Domain of Competition Policy*, 60 ALA. L. REV. 103, 111 n.35 (2008); Thomas G. Hungar, *Observations Regarding the Supreme Court's Decision in Quanta Computer, Inc. v. LG Electronics, Inc.*, 49 IDEA 517, 520 (2009); Jared Tong, *You Pay for What You Get: The Argument for Allowing Parties to Contract Around Patent Exhaustion*, 46 HOUS. L. REV. 1711, 1723 (2010).

⁶⁹ *Static Control Components, Inc. v. Lexmark Int'l, Inc.*, 615 F. Supp. 2d 575, 585–86 (E.D. Ky. 2009).

⁷⁰ See *Monsanto Co. v. Scruggs*, No. 3:00CV-161-P-D, 2009 WL 536833, at *1 (N.D. Miss. Mar. 3, 2009).

⁷¹ See, e.g., Robert W. Gomulkiewicz, *The Federal Circuit's Licensing Law Jurisprudence: Its Nature and Influence*, 84 WASH. L. REV. 199, 225 (2009); David McGowan, *Reading Quanta Narrowly*, PATENTLY-O (July 27, 2008, 2:17 PM), <http://www.patentlyo.com/patent/2008/07/reading-quanta.html>.

⁷² See *Quanta*, 553 U.S. at 623.

⁷³ See *Bowman*, 133 S. Ct. at 1764.

⁷⁴ *Monsanto Co. v. Bowman*, 686 F. Supp. 2d 834, 839 (S.D. Ind. 2009).

⁷⁵ *Bowman*, 133 S. Ct. at 1766.

press licensing agreement, and the Court did not make clear whether its interpretation of exhaustion was limited to cases with such agreements. The district court had specifically distinguished past cases of patent exhaustion by observing that transactions in those cases were effectuated “without sufficient conditions to protect . . . patent rights,”⁷⁶ indicating that the licensing agreement was pivotal to its holding. Monsanto’s licensing agreement at first appears to have been much less significant for the Supreme Court: in a footnote, the Court indicated that, even in the absence of an express license, “the farmer might reasonably claim that the sale came with an implied license.”⁷⁷ This dictum suggests that the Court was prepared to find that the no-copy exception protected patentees like Monsanto with or without a licensing agreement. Later in the opinion, however, the Court observed that its holding will not “prevent farmers from making appropriate use of the Roundup Ready seed they buy” in part because Monsanto “does not — could not realistically — preclude all planting” and “sells Roundup Ready seed to farmers with a license to use it to make a crop.”⁷⁸ The Court was thus satisfied that its “rule in this context . . . will allow farmers to benefit from Roundup Ready, even as it rewards Monsanto for its innovation.”⁷⁹ This discussion suggests that the Court’s patentee-friendly interpretation of exhaustion depended, at least in part, on the fact that Monsanto’s licensing agreement reasonably permitted farmers to plant Roundup Ready seeds once. These conflicting signals obfuscate the role of the licensing agreement in the Court’s interpretation of exhaustion, leaving patentees and users of patented self-replicating technologies unsure about the legal significance of their licensing agreements and lower courts without a guiding principle for resolving disputes.

Second, exhaustion doctrine is ill suited to address the challenges posed by self-replicating technologies. As the Court implicitly acknowledged in its exhaustion analysis, the self-replicating nature of Monsanto’s seeds presented an interesting puzzle: On the one hand, exhaustion means that farmers could use purchased seeds as they please, and planting is arguably one of “the normal way[s]” farmers *use* seeds.⁸⁰ On the other hand, this normal use naturally results in *new* seeds, in violation of the principle that buyers cannot create new copies of patented inventions.⁸¹ As Professor Jeremy N. Sheff explains, the application of the use/make distinction — a distinction at the heart of

⁷⁶ *Monsanto*, 686 F. Supp. 2d at 839.

⁷⁷ *Bowman*, 133 S. Ct. at 1767 n.3.

⁷⁸ *Id.* at 1768.

⁷⁹ *Id.*

⁸⁰ *Id.*

⁸¹ *Id.* at 1766.

exhaustion doctrine — “ignores the elephant in the room” in cases of self-replicating technologies: “[T]he only and intended ‘use’ of seeds or any other self-replicating technology necessarily ‘makes’ a newly infringing article — this is the defining characteristic of self-replicating technologies.”⁸² Indeed, Monsanto’s licensing agreement explicitly permitted “farmers to plant, grow (i.e., *make*), harvest, and sell” Monsanto’s patented seeds once.⁸³ What the agreement restricted was the farmers’ “commercial *uses* of those patented articles, the *making* of which is explicitly authorized.”⁸⁴ This interpretive puzzle cannot be resolved analytically: “[S]elf-replicating technologies, by their nature, destabilize the use/make distinction and render it an inadequate tool for defining the scope and limits of patent rights.”⁸⁵

Instead, the Court tried to resolve this challenge by appealing to policy: if planting were a mere use, “[t]he grower could multiply his initial purchase, and then multiply that new creation, *ad infinitum* — each time profiting from the patented seed without compensating its inventor.”⁸⁶ But there is no clear way to extend this policy rationale to other self-replicating technologies. The Court ruled that exhaustion did not apply in the case of genetically modified seeds; would it apply in the case of a computer program whose use automatically results in a new copy of the program? The Court acknowledged that an “article’s self-replication might occur outside the purchaser’s control” or “might be a necessary but incidental step in using the item for another purpose,” but explicitly declined to address these situations.⁸⁷ The exhaustion doctrine is ill equipped to resolve these challenges.

Although the conditional sales doctrine is not a perfect substitute for exhaustion,⁸⁸ courts should apply the doctrine in cases with express

⁸² Jeremy N. Sheff, *Self-Replicating Technologies*, 16 STAN. TECH. L. REV. 229, 238 (2013); see also Yee Wah Chin, *Inexhaustible: Patents on Self-Replicating Technologies*, LANDSLIDE, May–June 2011, at 12, 13 (“[I]n the context of self-replicating technology, it is unclear how the patent-exhaustion/first-sale doctrine should apply.”); Kevin Rodkey, *Exhaustion and Validity of Single-Use Licenses for Transgenic Seeds in the Wake of Quanta v. LG Electronics*, 19 FED. CIR. B.J. 579, 590 (2010) (“[S]elf-replicating technologies present a unique set of challenges for companies who wish to avoid the exhaustion doctrine.”); Jason Savich, *Monsanto v. Scruggs: The Negative Impact of Patent Exhaustion on Self-Replicating Technology*, 22 BERKELEY TECH. L.J. 115, 115 (2007) (explaining that inventors of self-replicating technologies “face a unique challenge when trying to make a return on their investments . . . because every consumer turns into a potential producer”).

⁸³ Sheff, *supra* note 82, at 238.

⁸⁴ *Id.*

⁸⁵ *Id.*

⁸⁶ *Bowman*, 133 S. Ct. at 1767.

⁸⁷ *Id.* at 1769.

⁸⁸ Despite exhaustion doctrine’s weaknesses in this context, courts may need to apply this doctrine in the few cases without express licensing agreements. If the parties never bargained to limit exhaustion of the patentee’s rights through a contract, then the conditional sales doctrine would not apply. Such failure to bargain could occur from inadvertence, failure to reach a compromise,

licensing agreements. Whenever parties have successfully bargained to allocate rights to a self-replicating technology, courts should give effect to the parties' intentions, recognizing that each self-replicating technology presents unique challenges that cannot be addressed with a blanket judicial rule. This approach would not only create certainty and consistency, but also fulfill the purpose of the exhaustion doctrine: to ensure that the buyer can control those items, and only those items, for which the patentee received a reward.⁸⁹ In the case of non-replicating technologies, the exhaustion doctrine reflects the principle that "once a user owns the chattel, that user's interest in free alienation of personal property outweighs the patentee's interest in further recouping the investment."⁹⁰ When the chattel can generate multiple embodiments of itself, however, there is a risk that the consumer will remake it, undercutting the patent's value and "heighten[ing] the patentee's interest in policing the purchaser's exploitation of the chattel's self-replicating qualities."⁹¹ Whether this risk exists and the extent to which it threatens the patentee's rights depend on the nature of the self-replicating technology. Buyers and patentee-sellers — the parties that are most knowledgeable about the self-replicating technology at issue — may well find that exhaustion doctrine does not fit their needs. For example, a software company may seek to sell its patented computer program with a licensing agreement that permits the program to be copied without limit on a single device but forbids copying to all other devices. To encourage the creation, development, and commercialization of new inventions, the Court ought to offer innovators the opportunity to decide which bundle of rights to their inventions to sell at which price.

A robust conditional sales doctrine would enable buyers and sellers of self-replicating technologies to agree to different sets of limitations on patent exhaustion within the scope of the patent right. The no-copy principle may have sufficiently incentivized innovation in the day of mostly mechanical inventions, but there may not be a one-size-fits-all exception to exhaustion that protects modern patentees of self-replicating technologies.

or even reliance on the exhaustion doctrine. In cases without an express contract, courts could fall back on the exhaustion doctrine and the no-copy exception to find that reasonable terms were implied in the transaction. *See id.* at 1767 n.3. As the *Bowman* Court observed, however, such cases are "unlikely to arise." *Id.*

⁸⁹ *See Bowman*, 133 S. Ct. at 1766.

⁹⁰ Douglas Fretty, Note, *Both a License and a Sale: How to Reconcile Self-Replicating Technology with Patent Exhaustion*, 5 J. BUS. ENTREPRENEURSHIP & L. 1, 2 (2011).

⁹¹ *Id.*

Patent Act of 1952 — Patentable Subject Matter —
Ass'n for Molecular Pathology v. Myriad Genetics, Inc.

The traditional account of patent law assumes that profits generated from patent exclusivity incentivize innovation.¹ However, many leading biotechnology innovators work for universities, government agencies, and nonprofit organizations;² these researchers may be driven by incentives including grant funding, academic recognition, and altruism.³ Tensions among researchers in different sectors recently came to a head over the question of gene patentability: while for-profit companies insisted that they need patent exclusivity to attract capital investment, not-for-profit entities maintained that innovation requires a free flow of information.⁴ Last Term, in *Ass'n for Molecular Pathology v. Myriad Genetics, Inc.*,⁵ the Supreme Court took a middle ground, holding that molecules isolated from native DNA are not patent eligible, but certain molecules synthesized in a laboratory can be patented.⁶ Focusing on rules derived from statutes and precedent, the Court did not discuss underlying incentives. Avoiding this policy debate was reasonable because reconciling disparate incentives for biotechnology research requires a legislative solution.

In 1990, researchers at the University of California, Berkeley, published a paper revealing the general location of a gene linked to breast cancer.⁷ Soon after, a competing group of scientists founded Myriad Genetics and obtained more than \$50 million in venture capital funding to pursue related research.⁸ In 1994 and 1995, Myriad announced that it had located and sequenced two breast cancer susceptibility genes, now termed BRCA1 and BRCA2.⁹ Myriad then developed clinical tests to detect BRCA gene mutations that correlate with a substantially higher risk of developing breast and ovarian cancer.¹⁰

Myriad obtained a variety of patents related to its discoveries.¹¹ While some of the patents covered testing methods (the “method claims”), others involved isolated DNA molecules and synthetic cDNA

¹ Arti Kaur Rai, *Regulating Scientific Research: Intellectual Property Rights and the Norms of Science*, 94 NW. U. L. REV. 77, 116–17 (1999).

² See *Ass'n for Molecular Pathology v. U.S. Patent & Trademark Office*, 702 F. Supp. 2d 181, 186–88 (S.D.N.Y. 2010).

³ Dan L. Burk & Mark A. Lemley, *Policy Levers in Patent Law*, 89 VA. L. REV. 1575, 1586 (2003).

⁴ See *Ass'n for Molecular Pathology*, 702 F. Supp. 2d at 190–92.

⁵ 133 S. Ct. 2107 (2013).

⁶ See *id.* at 2219–20.

⁷ *Ass'n for Molecular Pathology*, 702 F. Supp. 2d at 201.

⁸ See *id.*

⁹ See *id.* at 201–02.

¹⁰ See *id.* at 203.

¹¹ See *id.* at 202.

molecules (the “composition claims”).¹² Myriad’s patents gave it the exclusive right to isolate the BRCA genes and to create BRCA cDNA.¹³ And when other institutions infringed the patents, Myriad took aggressive enforcement action.¹⁴ Since genetic testing requires gene isolation, the patents made Myriad the sole provider of BRCA1 and BRCA2 testing,¹⁵ generating hundreds of millions in revenue.¹⁶

In 2009, a group of organizations and individuals filed suit under the Declaratory Judgment Act,¹⁷ seeking to invalidate fifteen of Myriad’s composition and method claims.¹⁸ The plaintiffs included six nonprofit organizations that engage in research and advocacy, eight university-affiliated scientists whose work was impeded by Myriad’s patents, and six individuals who were unable to obtain desired BRCA screenings because of Myriad’s monopoly on testing.¹⁹

Aided by briefing from more than two dozen amici,²⁰ Judge Sweet of the Southern District of New York granted summary judgment for the plaintiffs.²¹ In a prior proceeding, the court had found that all of the plaintiffs had standing.²² Turning to the merits, the court noted that U.S. law allows patenting of “any new and useful process, machine, manufacture, or composition of matter.”²³ To be patentable, an invention or discovery must satisfy three requirements: novelty, utility, and statutory subject matter.²⁴ This suit involved only the third requirement, generally termed “patent eligibility.”²⁵ As the Supreme Court has determined, no one may patent “laws of nature, physical

¹² See *id.* at 212. Isolated DNA molecules are segments extracted from longer strands of naturally occurring DNA. Complementary DNA (cDNA) is synthesized in a laboratory and contains only the exons, not the noncoding introns, from a genetic sequence. See *id.* at 196–99. The U.S. Patent and Trademark Office (PTO) granted patents for both types of molecules, and about twenty percent of human genes had been claimed as intellectual property in the United States by the time the *Myriad* litigation commenced. See *id.* at 185, 208.

¹³ *Myriad*, 133 S. Ct. at 2113.

¹⁴ See *Ass’n for Molecular Pathology*, 702 F. Supp. 2d at 204–05. For instance, researchers at the University of Pennsylvania offered BRCA screening using a different method but the same isolated genes as Myriad. *Id.* Myriad sent cease-and-desist letters, then filed a lawsuit; the researchers ultimately ceased performing BRCA testing to settle the case. See *id.*

¹⁵ *Myriad*, 133 S. Ct. at 2114.

¹⁶ *Ass’n for Molecular Pathology*, 702 F. Supp. 2d at 203.

¹⁷ See *id.* at 186, 211. The Declaratory Judgment Act authorizes courts to “declare the rights and other legal relations of any interested party” in any “actual controversy” regardless of “whether or not further relief is or could be sought.” 28 U.S.C. § 2201(a) (2006).

¹⁸ *Ass’n for Molecular Pathology*, 702 F. Supp. 2d at 211.

¹⁹ See *id.* at 186–89. The defendants were Myriad Genetics, the PTO, and the directors of the University of Utah Research Foundation, a part owner of the patents. *Id.* at 189–90.

²⁰ See *id.* at 190–92.

²¹ *Id.* at 184–85.

²² *Id.* at 186.

²³ *Id.* at 218 (quoting 35 U.S.C. § 101 (2006)).

²⁴ *Id.* at 219 (discussing “what considerations were salient” in an analysis of 35 U.S.C. § 101).

²⁵ See *id.* at 220.

phenomena, and abstract ideas.”²⁶ To be patent eligible, an invention must have “a distinctive name, character, or use.”²⁷ Without this limitation, the law would provide “too much patent protection” and would “impede rather than ‘promote’” scientific progress.²⁸

Applying this standard, Judge Sweet found for the plaintiffs on all claims.²⁹ Starting with the composition claims, he argued that a “clear line” of Supreme Court precedent has established that “purification of a product of nature, without more, cannot transform it into patentable subject matter.”³⁰ DNA “serves as the physical embodiment of laws of nature,” so Myriad’s claims were valid only if the isolated DNA and cDNA molecules were “markedly different” from natural DNA.³¹ The molecules failed this test because their function and utility stem from the naturally occurring nucleotide sequences.³² Judge Sweet also held the method claims to be invalid because they involved mental processes of analyzing and comparing, which cannot be patented.³³

The Federal Circuit affirmed in part and reversed in part.³⁴ The Supreme Court granted certiorari, then vacated and remanded for reconsideration³⁵ in light of its decision in *Mayo Collaborative Services v. Prometheus Laboratories, Inc.*³⁶ In *Mayo*, the Court held that a process for determining the appropriate dosage of a medication was not patent eligible because the method involved little more than a description of natural laws.³⁷ Writing for all nine Justices, Justice Breyer emphasized that granting monopolies over laws of nature through patents would impede future research rather than promote innovation.³⁸

On remand, the Federal Circuit adhered to its original positions.³⁹ All three judges agreed that only one plaintiff had standing.⁴⁰ The

²⁶ *Id.* at 218 (quoting *Diamond v. Chakrabarty*, 447 U.S. 303, 309 (1980)).

²⁷ *Id.* at 222 (quoting *Am. Fruit Growers, Inc. v. Brogdex Co.*, 283 U.S. 1, 12 (1931)).

²⁸ *Id.* at 219 (quoting *Lab. Corp. of Am. Holdings v. Metabolite Labs., Inc.*, 548 U.S. 124, 126 (2006) (Breyer, J., dissenting from dismissal of certiorari)) (emphasis omitted).

²⁹ *Id.* at 185.

³⁰ *Id.* at 227.

³¹ *Id.* at 228.

³² *Id.* at 229.

³³ *Id.* at 232–37. Since he was able to resolve the issues and provide the requested relief on statutory grounds, Judge Sweet dismissed the constitutional claims against the PTO. *Id.* at 238.

³⁴ *Ass’n for Molecular Pathology v. U.S. Patent & Trademark Office*, 653 F.3d 1329, 1333–34 (Fed. Cir. 2011).

³⁵ *Ass’n for Molecular Pathology v. Myriad Genetics, Inc.*, 132 S. Ct. 1794 (2012) (mem.) (order granting certiorari, vacating, and remanding).

³⁶ 132 S. Ct. 1289 (2012).

³⁷ *See id.* at 1294, 1297.

³⁸ *See id.* at 1293, 1294, 1301–04.

³⁹ *See Ass’n for Molecular Pathology v. U.S. Patent & Trademark Office*, 689 F.3d 1303, 1308–09 (Fed. Cir. 2012).

⁴⁰ *Id.* at 1308–09; *id.* at 1337 (Moore, J., concurring in part); *id.* at 1348 (Bryson, J., concurring in part and dissenting in part). In patent suits, standing requires “meaningful preparation to con-

panel then affirmed Judge Sweet's invalidation of some of the method claims, but a majority reversed his findings on the composition claims and held that all were valid.⁴¹ Like the district court, the Federal Circuit began with the premise that no one can patent "[l]aws of nature, natural phenomena, and abstract ideas."⁴² In *Funk Bros. Seed Co. v. Kalo Inoculant Co.*,⁴³ the Supreme Court determined that a bacteria mixture for inoculating plants was not patent eligible because the product's useful qualities were the "work of nature."⁴⁴ By contrast, in *Diamond v. Chakrabarty*,⁴⁵ the Court held that a bacterium genetically engineered to break down crude oil was patent eligible because it had "markedly different characteristics" and functions from anything found in nature.⁴⁶ Extending these holdings, the panel unanimously agreed that cDNA is patent eligible because the molecules lack introns present in natural DNA, rendering the molecules "especially distinctive."⁴⁷

The panel fractured on the disposition of claims related to isolated DNA. Writing for the majority, Judge Lourie focused on the chemical structure of molecules⁴⁸ and argued that isolated DNA is "markedly different" from native DNA because it has been separated from a larger molecule.⁴⁹ Breaking covalent bonds requires "skill, knowledge, and effort"⁵⁰ and gives isolated DNA a "distinctive chemical identity."⁵¹ Judge Lourie also noted that the U.S. Patent and Trademark Office (PTO) had a longstanding policy of granting patents for gene sequences and argued that any changes should come from Congress.⁵² Despite this professed reticence to address policy questions,⁵³ he did address the incentive to innovate, noting that "patents on life-saving material and processes, involving large amounts of risky investment, would seem to be precisely the types of subject matter that should be subject to the incentives of exclusive rights."⁵⁴

duct potentially infringing activity." *Id.* at 1318 (majority opinion). The panel found that only one researcher alleged "a sufficiently real and imminent injury" because he alone claimed "an intention to actually and immediately engage in allegedly infringing *BRCA*-related activities." *Id.* at 1319.

⁴¹ See *id.* at 1309.

⁴² *Id.* at 1324 (quoting *Mayo*, 132 S. Ct. at 1293).

⁴³ 333 U.S. 127 (1948).

⁴⁴ *Id.* at 130.

⁴⁵ 447 U.S. 303 (1980).

⁴⁶ *Id.* at 310.

⁴⁷ *Ass'n for Molecular Pathology*, 689 F.3d at 1329; see also *id.* at 1309; *id.* at 1337 (Moore, J., concurring in part); *id.* at 1348 (Bryson, J., concurring in part and dissenting in part).

⁴⁸ See *id.* at 1330 (majority opinion).

⁴⁹ *Id.* at 1328.

⁵⁰ *Id.* at 1332.

⁵¹ *Id.* at 1328.

⁵² *Id.* at 1330, 1332–33.

⁵³ See *id.* at 1324–25, 1330 (arguing that the judiciary should leave policy questions to the legislature).

⁵⁴ *Id.* at 1324.

Judge Moore concurred in the judgment but offered distinct reasoning.⁵⁵ In her interpretation, *Funk Bros.* and *Chakrabarty* established a “flexible test” that hinges on function rather than structure.⁵⁶ Accordingly, isolated DNA is patent eligible not because of the chemical differences created by breaking covalent bonds, but instead because of its “new and distinct” uses and applications.⁵⁷ Echoing Judge Lourie’s concerns, she also noted that the “dramatic step” of “destroy[ing] existing property rights” is “best left to Congress.”⁵⁸

Dissenting in part, Judge Bryson reasoned that the process of extracting DNA segments, though difficult, does not render the resulting molecules patent eligible — no one could patent a mineral merely because she extracted it from the earth or a kidney because she removed it from a body.⁵⁹ Considering both function and structure, Judge Bryson argued that the functions of isolated DNA and native DNA are identical, while the structural differences are irrelevant.⁶⁰ In this case, as in *Mayo*, the defendants’ patent claims added little to the laws of nature and relied on “well-understood, routine, conventional activity” engaged in by other researchers.⁶¹ Finally, Judge Bryson challenged the majority’s reluctance to disrupt existing patent rights,⁶² urging that “[t]here is no collective right of adverse possession to intellectual property, and we should not create one.”⁶³

The Supreme Court granted certiorari, this time to address one question: whether human genes are patentable.⁶⁴ The Court affirmed in part and reversed in part.⁶⁵ Writing for a unanimous Court, Justice Thomas noted that “extensive effort alone is insufficient” to render a product patent eligible,⁶⁶ and “[g]roundbreaking, innovative, or even

⁵⁵ See *id.* at 1337 (Moore, J., concurring in part).

⁵⁶ *Id.* at 1338.

⁵⁷ *Id.* at 1341.

⁵⁸ *Id.* at 1345. Since longer strands of isolated DNA do not have unique functionality, Judge Moore suggested that she would find them patent ineligible if she had a “blank canvas.” *Id.* at 1343. However, Congress has “authorized an expansive scope of patentable subject matter,” and the PTO “has allowed patents on isolated DNA sequences for decades.” *Id.* Judge Moore therefore joined Judge Lourie in upholding all of Myriad’s composition claims. See *id.* at 1348.

⁵⁹ *Id.* at 1350 (Bryson, J., concurring in part and dissenting in part).

⁶⁰ See *id.* at 1354.

⁶¹ *Id.* at 1355 (quoting *Mayo Collaborative Servs. v. Prometheus Labs., Inc.*, 132 S. Ct. 1289, 1294 (2012)).

⁶² See *id.* at 1356–58.

⁶³ *Id.* at 1358.

⁶⁴ See *Ass’n for Molecular Pathology v. Myriad Genetics, Inc.*, 133 S. Ct. 694 (2012) (mem.) (order granting certiorari); Petition for a Writ of Certiorari at i, *Myriad*, 133 S. Ct. 2107 (No. 12-398). The Court therefore addressed the composition claims but not the method claims. See *Myriad*, 133 S. Ct. at 2117–19.

⁶⁵ *Myriad*, 133 S. Ct. at 2111. The Supreme Court agreed with the Federal Circuit that one plaintiff had standing under the Declaratory Judgment Act. See *id.* at 2115 n.3.

⁶⁶ *Id.* at 2118.

brilliant discovery does not by itself satisfy the § 101 inquiry.⁶⁷ Instead, under *Funk Bros.* and *Chakrabarty*, a product must be “markedly different” from anything found in nature to be patentable.⁶⁸ This judicially created exception to patent exclusivity “strikes a delicate balance” between creating incentives to innovate and protecting the free flow of information.⁶⁹

Applying this standard, the Court held that isolated DNA molecules are not patent eligible.⁷⁰ The Court rejected the Federal Circuit’s contention that the chemical changes created during the isolation process made the molecules distinctive, as Myriad’s patents were not articulated in terms of and did not depend on those chemical changes.⁷¹ Additionally, the PTO’s longstanding policy of granting patents for isolated DNA molecules merited no deference; Congress had not endorsed the PTO’s view, and the Justice Department argued against it.⁷² By contrast, the Court held that cDNA is patent eligible because it is not naturally occurring and is distinct from DNA.⁷³ Since “the lab technician unquestionably creates something new when cDNA is made,” the Court upheld Myriad’s cDNA claims.⁷⁴

The Constitution specifies that the purpose of granting patents is to promote scientific progress.⁷⁵ However, the *Myriad* plaintiffs and defendants have fundamentally different and potentially irreconcilable conceptions of what conditions foster innovation. As a profit-driven entity, Myriad argued that the promise of patent exclusivity is essential to incentivizing investment in research and development.⁷⁶ By contrast, the academic researchers and nonprofit organizations that brought the lawsuit argued that scientific progress cannot occur without a free flow of information.⁷⁷ Though dozens of amici brought this controversy to the Court’s attention, the opinion devoted minimal space to policy analysis. That focus on rules rather than policy was appropriate considering the judiciary’s institutional constraints. Rec-

⁶⁷ *Id.* at 2117.

⁶⁸ *Id.* (quoting *Diamond v. Chakrabarty*, 447 U.S. 303, 310 (1980)).

⁶⁹ *Id.* at 2116 (citing *Mayo Collaborative Servs. v. Prometheus Labs., Inc.*, 132 S. Ct. 1289, 1305 (2012)).

⁷⁰ *Id.* at 2120.

⁷¹ *Id.* at 2118.

⁷² *Id.* at 2118–19.

⁷³ *Id.* at 2111, 2119.

⁷⁴ *Id.* at 2119. Justice Scalia joined most of the majority opinion but also wrote a one-paragraph concurrence to note that some of the scientific background in Part I of the majority opinion was not necessary to the holding and that he could not confirm the validity of that information. *See id.* at 2120 (Scalia, J., concurring in part and concurring in the judgment).

⁷⁵ *See* U.S. CONST. art. I, § 8, cl. 8.

⁷⁶ *See Ass’n for Molecular Pathology v. U.S. Patent & Trademark Office*, 702 F. Supp. 2d 181, 211 (S.D.N.Y. 2010).

⁷⁷ *See id.* at 208.

onciling disparate incentives to innovate and facilitating research in all sectors — private, academic, government, and nonprofit — may require creative legislative solutions.

According to the traditional narrative, patents reward individuals for devoting time and resources to research and development by allowing those innovators to exclude others from the use of their inventions.⁷⁸ Without the promise of this reward, individuals will have less incentive to innovate.⁷⁹ Myriad and its amici — primarily biotechnology corporations, trade associations, and patent lawyers who represent for-profit corporations⁸⁰ — adhered to this account: The company and its investors relied on stable patent rights when they “risked billions of dollars to research and develop advances,”⁸¹ and Myriad needed patent exclusivity to “recoup its vast investment in creating these new molecules.”⁸² Amici warned that a decision for the plaintiffs could have “grave consequences for America’s global economic and scientific leadership in biotechnology” because innovation requires robust patent rights.⁸³ As one amicus asserted, “[b]iotechnology would not exist without patents.”⁸⁴

Plaintiffs and their amici — predominantly nonprofit research organizations, advocacy groups, and academics⁸⁵ — conveyed a different vision of scientific progress. First, they argued that patent rights are not necessary to incentivize innovation.⁸⁶ For example, competing research groups had been in a “tight race” to determine the structure of DNA even though neither team intended to seek patents related to that discovery.⁸⁷ More recently, scientists have developed genetic tests

⁷⁸ See, e.g., JOHN GLADSTONE MILLS III ET AL., PATENT LAW BASICS § 1:2 (2012), available at Westlaw PATBASICS.

⁷⁹ See, e.g., JOHN W. SCHLICHER, PATENT LAW, LEGAL AND ECONOMIC PRINCIPLES § 1:1 (2012), available at Westlaw PATLEGECON.

⁸⁰ At the district court level, the defendants were supported by fifteen amici, eleven of whom represented corporate interests. See *Ass’n for Molecular Pathology*, 702 F. Supp. 2d at 190–92.

⁸¹ Brief for Respondents at 5, *Myriad*, 133 S. Ct. 2107 (No. 12-398).

⁸² *Id.* at 8; see also, e.g., Brief of the American Bar Ass’n as *Amicus Curiae* in Support of Respondents at 9, *Myriad*, 133 S. Ct. 2107 (No. 12-398).

⁸³ Brief for Amicus Curiae the Biotechnology Industry Organization in Support of Respondents at 3, *Myriad*, 133 S. Ct. 2107 (No. 12-398) [hereinafter BIO Brief]; see also, e.g., Brief for Amici Curiae Genentech, Inc. et al. in Support of Respondents at 11, *Myriad*, 133 S. Ct. 2107 (No. 12-398).

⁸⁴ Brief of *Amicus Curiae* National Venture Capital Ass’n in Support of Respondents at 9, *Myriad*, 133 S. Ct. 2107 (No. 12-398).

⁸⁵ At the district court level, the plaintiffs were supported by twenty-one amici, all of which were nonprofit organizations. See *Ass’n for Molecular Pathology*, 702 F. Supp. 2d at 190.

⁸⁶ See, e.g., Transcript of Oral Argument at 11–15, *Myriad*, 133 S. Ct. 2107 (No. 12-398) (arguing that researchers are motivated by nonpecuniary factors including recognition and curiosity); Brief of *Amici Curiae* American Medical Ass’n et al. in Support of Petitioners at 16, *Myriad*, 133 S. Ct. 2107 (No. 12-398) [hereinafter AMA Brief] (“[T]he majority of geneticists are willing to undertake the research to discover genes and develop genetic tests without the possibility of a patent.”).

⁸⁷ Brief of James D. Watson, Ph.D. as *Amicus Curiae* in Support of Neither Party at 6, *Myriad*, 133 S. Ct. 2107 (No. 12-398) [hereinafter Watson Brief].

for a variety of diseases without pursuing patent protection.⁸⁸ Likewise, the plaintiffs argued that scientists with no intention of filing patents “were looking equally vigorously for the genes” at issue in *Myriad*.⁸⁹ In fact, many members of the scientific community believe that another group sequenced the BRCA2 gene before Myriad did but did not attempt to patent the discovery.⁹⁰

Second, plaintiffs and their amici argued that broad patent exclusivity hinders scientific and medical progress by preventing further discovery and invention.⁹¹ If Myriad’s claims had been upheld, the company could have enjoined a vast range of research.⁹² Though Myriad’s amici assured the Court that the biotechnology industry frowns upon enforcing patents against researchers,⁹³ this nonbinding promise did not satisfy plaintiffs and their supporters. They contended that attorney’s fees and court costs resulting from lawsuits are “devastating,” especially to nonprofit organizations, even if the suit is ultimately settled or dismissed.⁹⁴ Accordingly, the threat of litigation has a powerful chilling effect.⁹⁵ Here, some of the plaintiffs had ceased BRCA testing to settle pending lawsuits, while others had voluntarily terminated research and testing to avoid any possibility of litigation — demonstrating the direct and indirect effects of Myriad’s patents.⁹⁶ Even setting aside potential litigation expenses, amici argued that patent exclusivity dramatically increases the cost of research and testing.⁹⁷ For example, nonprofit organizations have estimated that they could test all 20,000 genes in the human genome for about \$1000,

⁸⁸ See AMA Brief, *supra* note 86, at 16 (providing examples of hearing loss, spinocerebellar atrophy, breast cancer, long-QT syndrome, Canavan disease, and hereditary hemochromatosis).

⁸⁹ Reply Brief for Petitioners at 21, *Myriad*, 133 S. Ct. 2107 (No. 12-398).

⁹⁰ AMA Brief, *supra* note 86, at 19.

⁹¹ See, e.g., Brief for Petitioners at 42, *Myriad*, 133 S. Ct. 2107 (No. 12-398) (“Patenting a gene or genetic sequence impedes scientific progress much the same way that patenting a naturally occurring element such as oxygen or gold would impede science.” (quoting 1 Joint Appendix at 136 (statement of Nobel Prize-winning biologist John Sulston))); Brief *Amici Curiae* of the National Women’s Health Network et al. in Support of Petitioners at 12–14, 19–24, *Myriad*, 133 S. Ct. 2107 (No. 12-398) [hereinafter Women’s Health Brief].

⁹² See Brief for Petitioners, *supra* note 91, at 3 (“Myriad can prevent researchers from determining if mutations on the genes correlate with increased risk of other diseases. . . . If it were determined that the genes could be used for purposes not now known, such as a substitute for silicon chips in computers (a use currently being explored by companies), Myriad can prevent that use. Myriad can even prevent scientists from looking at their own genes.”).

⁹³ See, e.g., BIO Brief, *supra* note 83, at 33 (“[R]ational forbearance against researchers is the norm.”).

⁹⁴ Brief of Amicus Curiae AARP in Support of Petitioners at 4, *Myriad*, 133 S. Ct. 2107 (No. 12-398).

⁹⁵ *Id.* at 3–6.

⁹⁶ Ass’n for Molecular Pathology v. U.S. Patent & Trademark Office, 702 F. Supp. 2d 181, 187–88, 204–05 (S.D.N.Y. 2010).

⁹⁷ See, e.g., AMA Brief, *supra* note 86, at 11–13; Women’s Health Brief, *supra* note 91, at 18–19.

but that paying royalties for each gene at Myriad's BRCA rate would inflate the total cost to \$37 million.⁹⁸

Finally, plaintiffs and their amici argued that scientific discovery thrives on communication and collaboration, not exclusivity. To maintain a "vibrant intellectual climate" conducive to innovation,⁹⁹ the scientific community must keep certain "basic knowledge tools" in the public domain.¹⁰⁰ For example, James Watson and Francis Crick discovered DNA's double-helix structure by building on the work of other scientists.¹⁰¹ Myriad's discovery relied on the foundational research of the Human Genome Project and, more proximately, the work of the Berkeley research team that discovered the chromosomal region where the BRCA genes were located.¹⁰² Further, Myriad used processes and techniques developed by others and collaborated with researchers from nonprofit organizations.¹⁰³

Despite this profound and deep-seated tension between for-profit and not-for-profit entities, the Supreme Court relegated its discussion of policy issues to a few sentences.¹⁰⁴ The Court acknowledged the interests and goals underlying the patent system, but its brief analysis emphasized the rules rather than their constitutionally grounded rationales. However, the Court's avoidance of policy considerations is not necessarily a flaw in the opinion. Instead, the Court sidestepped an issue that the judiciary lacks the capacity to resolve.

At each stage of the litigation, courts were limited to upholding or invalidating Myriad's patent claims. The opinions reflect the full range of options: invalidate all claims like the district court did, uphold all claims like the Federal Circuit did, or invalidate some claims and uphold others like the Supreme Court did. Though the Federal Circuit devoted considerable attention to the type of environment that best fosters innovation, the panel did not resolve the conflicting demands; each judge merely took a side in an ongoing policy debate.¹⁰⁵ This impasse reflects an institutional constraint that persisted even at the Supreme Court — none of the available dispositions could have

⁹⁸ See AMA Brief, *supra* note 86, at 13.

⁹⁹ Brief of Professor Eileen M. Kane as *Amicus Curiae* in Support of Petitioners at 6, *Myriad*, 133 S. Ct. 2107 (No. 12-398).

¹⁰⁰ *Id.* at 5; see also, e.g., Brief for Canavan Foundation et al. as *Amici Curiae* in Support of Petitioners at 7-9, *Myriad*, 133 S. Ct. 2107 (No. 12-398).

¹⁰¹ See Watson Brief, *supra* note 87, at 6.

¹⁰² See *Ass'n for Molecular Pathology v. U.S. Patent & Trademark Office*, 702 F. Supp. 2d 181, 201 (S.D.N.Y. 2010).

¹⁰³ See *id.* at 201-03.

¹⁰⁴ See *Myriad*, 133 S. Ct. at 2116.

¹⁰⁵ See *Ass'n for Molecular Pathology v. U.S. Patent & Trademark Office*, 689 F.3d 1303, 1333 (Fed. Cir. 2012); *id.* at 1347 (Moore, J., concurring in part); *id.* at 1356 (Bryson, J., concurring in part and dissenting in part).

meaningfully reconciled the disparate incentives prevalent in different sectors of the biotechnology industry. Indeed, during the previous Term, a similar group of amici presented a nearly identical conflict in *Mayo*.¹⁰⁶ The Supreme Court acknowledged the policy arguments for each side but concluded that Congress is better suited to crafting new, industry-specific rules.¹⁰⁷

Like the Supreme Court, numerous scholars and scientists have argued that accounting for the different actors engaged in contemporary biotechnology research requires a novel legislative solution. As alternatives to patent exclusivity, amici suggested monetary prizes for particular discoveries¹⁰⁸ or the creation of other forms of intellectual property such as a transferrable right to accelerated FDA review.¹⁰⁹ Other commentators have proposed compulsory licensing to ensure universal access at a reasonable cost,¹¹⁰ tax incentives to donate intellectual property to charitable organizations,¹¹¹ federal contracts conditioned on the development of open-source products,¹¹² and legislative codification of a common law “safe harbor from infringement” for nonprofit research and testing,¹¹³ among many other possibilities. These solutions could accommodate the needs of the *Myriad* plaintiffs and defendants alike. While for-profit companies would retain access to funding, not-for-profit entities would be free from the threat of infringement suits.

Unable to order or implement solutions like these, the Supreme Court was sensible to focus on the current state of patent law and leave further action to Congress. Framing the issue as whether the Court should defer to PTO policy or avoid altering existing property rights, as the Federal Circuit judges did, misses the point.¹¹⁴ Instead, as the Federal Circuit and *Mayo* opinions demonstrated, the range of available options would not have allowed the Justices to do more than take sides. Optimizing patent law for the mix of incentives at play in the biotechnology industry is a path open only to Congress.

¹⁰⁶ See *Mayo Collaborative Servs. v. Prometheus Labs., Inc.*, 132 S. Ct. 1289, 1304–05 (2012).

¹⁰⁷ *Id.*

¹⁰⁸ Brief of *Amicus Curiae* Knowledge Ecology International in Support of Petitioners at 13–15, *Myriad*, 133 S. Ct. 2107 (No. 12-398) (discussing, among other things, two bills introduced in Congress that would have created cash prizes to promote innovation).

¹⁰⁹ *Id.* at 11–12.

¹¹⁰ Watson Brief, *supra* note 87, at 19–20.

¹¹¹ Xuan-Thao Nguyen & Jeffrey A. Maine, *Giving Intellectual Property*, 39 U.C. DAVIS L. REV. 1721, 1725 (2006).

¹¹² Peter Lee, *Contracting to Preserve Open Science: Consideration-Based Regulation in Patent Law*, 58 EMORY L.J. 889, 893–94 (2009).

¹¹³ Kenneth Offit et al., Special Article, *Gene Patents and Personalized Cancer Care: Impact of the Myriad Case on Clinical Oncology*, 31 J. CLINICAL ONCOLOGY 2743, 2747 (2013).

¹¹⁴ See *Ass'n for Molecular Pathology v. U.S. Patent & Trademark Office*, 689 F.3d 1303, 1330, 1332–33 (Fed. Cir. 2012); *id.* at 1345 (Moore, J., concurring in part).

*Title VII — Employer Liability for Supervisor Harassment —
Vance v. Ball State University*

Title VII of the Civil Rights Act of 1964¹ prohibits employers from “discriminat[ing] against any individual with respect to his compensation, terms, conditions, or privileges of employment, because of such individual’s race, color, religion, sex, or national origin.”² In the landmark case of *Meritor Savings Bank, FSB v. Vinson*,³ the Supreme Court recognized for the first time that workplace harassment creating a hostile or offensive work environment is an actionable form of discrimination under Title VII.⁴ After the lower courts struggled for more than a decade to situate workplace harassment within the standard frameworks for assessing vicarious employer liability,⁵ the Court intervened in *Burlington Industries, Inc. v. Ellerth*⁶ and *Faragher v. City of Boca Raton*,⁷ adapting traditional agency principles to find that an employer’s vicarious liability for discriminatory harassment turns on the status of the harasser — supervisor or coemployee — in relation to the victim.⁸ Last Term, in *Vance v. Ball State University*,⁹ the Court squarely addressed a question that *Ellerth* and *Faragher* had left open — who qualifies as a “supervisor” for purposes of the vicarious liability rule. Upholding the Seventh Circuit’s definition of a “supervisor” as one who is “empowered by the employer to take tangible em-

¹ 42 U.S.C. §§ 2000e to 2000e-17 (2006 & Supp. V 2011).

² *Id.* § 2000e-2(a)(1).

³ 477 U.S. 57 (1986).

⁴ To constitute actionable discrimination, such harassment must be so severe or pervasive as “to alter the conditions of [the victim’s] employment and create an abusive working environment.” *Id.* at 67 (alteration in original) (quoting *Henson v. Dundee*, 682 F.2d 897, 904 (11th Cir. 1982)) (internal quotation marks omitted).

⁵ The *Meritor* Court held that because Title VII defines “employer” to include any “agent” thereof, Congress intended “to place some limits on the acts of employees for which employers under Title VII are to be held responsible.” *Id.* at 72. To that end, the courts of appeals largely adopted Professor Catharine MacKinnon’s distinction between quid pro quo harassment and hostile environment harassment, see CATHARINE A. MACKINNON, *SEXUAL HARASSMENT OF WORKING WOMEN* 32 (1979) (defining quid pro quo harassment as that “in which sexual compliance is . . . proposed to be exchanged . . . for an employment opportunity” and hostile environment harassment as that in which “sexual harassment is a persistent *condition of work*”), subjecting employers to strict vicarious liability only in the case of the former. See, e.g., *Davis v. City of Sioux City*, 115 F.3d 1365, 1367 (8th Cir. 1997).

⁶ 524 U.S. 742 (1998).

⁷ 524 U.S. 775 (1998).

⁸ See *Ellerth*, 524 U.S. at 764–65; *Faragher*, 524 U.S. at 807–08. Though *Ellerth* and *Faragher* both dealt with sexual harassment, the lower courts have applied the *Ellerth/Faragher* liability framework to harassment committed on the basis of the other protected categories. See, e.g., *Spriggs v. Diamond Auto Glass*, 242 F.3d 179, 186 n.9 (4th Cir. 2001) (“[T]he holdings [in *Ellerth* and *Faragher*] apply with equal force to other types of harassment claims under Title VII.”).

⁹ 133 S. Ct. 2434 (2013).

ployment actions against the victim,”¹⁰ the Court rejected the more expansive definition favored by the Equal Employment Opportunity Commission (EEOC) and the dissent,¹¹ according to which a “supervisor” is authorized to undertake or recommend tangible employment decisions or to direct the employee’s daily work activities.¹² The Court had previously held that Congress intended the Court to look to traditional agency principles for guidance in formulating vicarious liability rules under Title VII.¹³ Notably, however, the Court’s choice of definition in *Vance* was largely unmoored from such principles. In particular, both the majority and the dissent neglected an area of agency law that bears on the question of supervisory status in the context of vicarious employer liability: the superior-servant exception to the fellow-servant rule. Had the Court engaged with the common law in this area, it would have found an approach more in keeping with the *Vance* dissent.

Maetta Vance, an African American server and catering assistant employed by Ball State University’s Dining Services, filed a series of internal harassment complaints against several Ball State employees beginning in 2005.¹⁴ Among her various complaints, Vance alleged that Sandra Davis, a white woman in her department, addressed her in a threatening manner on two occasions (including one incident where she asked Vance, “Are you scared?” while affecting a Southern accent) and that Davis stood by and laughed while Davis’s husband and daughter taunted Vance with racial slurs.¹⁵ Dissatisfied with Ball State’s response to her complaints, Vance filed suit against the university in 2006 in the United States District Court for the Southern District of Indiana and alleged, *inter alia*, “that she had been subjected to a racially hostile work environment” by Davis, her purported supervisor, in violation of Title VII.¹⁶

The district court granted Ball State’s motion for summary judgment and concluded that because Davis had no authority to “hire, fire, demote, promote, transfer, or discipline” Vance,¹⁷ she was not her supervisor and thus Ball State could not be held vicariously liable for the

¹⁰ *Id.* at 2439.

¹¹ *Id.* at 2443.

¹² *EEOC Enforcement Guidance: Vicarious Employer Liability for Unlawful Harassment by Supervisors*, EEOC Compl. Man. (CCH) ¶ 3116, at 3249 (June 18, 1999) [hereinafter *EEOC Guidance*].

¹³ See *Meritor Sav. Bank, FSB v. Vinson*, 477 U.S. 57, 72 (1986).

¹⁴ *Vance*, 133 S. Ct. at 2439.

¹⁵ *Vance v. Ball State Univ.*, No. 1:06-cv-1452-SEB-JMS, 2008 WL 4247836, at *2, *5, *8 (S.D. Ind. Sept. 10, 2008). Davis filed a complaint of her own, alleging that Vance referred to her as “an evil fucking bitch” and splattered her with gravy. *Id.* at *2, *8.

¹⁶ *Vance*, 133 S. Ct. at 2440.

¹⁷ *Vance*, 2008 WL 4247836, at *12 (quoting *Hall v. Bodine Elec. Co.*, 276 F.3d 345, 355 (7th Cir. 2002)).

alleged harassment.¹⁸ Under the *Ellerth* and *Faragher* framework, an employer's liability depends on the status of the harassing employee. When the harasser is the victim's coemployee, the employer is held to a negligence standard.¹⁹ But when the harasser is the victim's supervisor, the employer is subject to vicarious liability. If such harassment culminates in a tangible employment action — including such acts as “firing, failing to promote, reassignment with significantly different responsibilities, or a decision causing a significant change in benefits”²⁰ — the employer is strictly liable. If the harassment does not culminate in a tangible employment action, then the employer can avoid liability only by showing: (1) that it exercised reasonable care “to prevent and correct promptly” the harassment and (2) that the plaintiff “unreasonably failed to take advantage of any preventive or corrective opportunities” that the employer provided.²¹ The Seventh Circuit affirmed the district court's decision, holding that even if Davis had the authority to “tell [Vance] what to do,” Davis was not Vance's supervisor because the Seventh Circuit had “not joined other circuits in holding that the authority to direct an employee's daily activities establishes supervisory status.”²²

The Supreme Court affirmed. Writing for the majority, Justice Alito²³ began by rejecting Vance's contention that her preferred definition of “supervisor” accorded better with the commonplace understanding of supervisory status and its definition in other legal contexts.²⁴ Observing that the term “lacks a sufficiently specific meaning” in ordinary usage and that its meaning varies considerably across different statutes,²⁵ he concluded that any proposed definition for purposes of Title VII should be judged according to its ability to “fit[] within the highly structured framework” of *Ellerth* and *Faragher*.²⁶ Proceeding with that inquiry, Justice Alito argued that the Seventh Circuit's definition was consistent with the Court's characterization of the status of the alleged harassers in *Ellerth* and *Faragher*. He granted that the authority to direct an employee's daily tasks might assist the harasser in achieving his discriminatory ends. But because “most

¹⁸ See *id.*

¹⁹ See *Burlington Indus., Inc. v. Ellerth*, 524 U.S. 742, 759 (1998); *Faragher v. City of Boca Raton*, 524 U.S. 775, 799 (1998); see also *Vance*, 2008 WL 4247836, at *14.

²⁰ *Ellerth*, 524 U.S. at 761.

²¹ *Id.* at 765; *Faragher*, 524 U.S. at 807–08.

²² *Vance v. Ball State Univ.*, 646 F.3d 461, 470 (7th Cir. 2011).

²³ Justice Alito was joined by Chief Justice Roberts and Justices Scalia, Kennedy, and Thomas. Justice Thomas also wrote a brief concurrence stating that although he believed that *Ellerth* and *Faragher* were wrongly decided, he had joined the majority opinion because it “provide[d] the narrowest and most workable rule.” *Vance*, 133 S. Ct. at 2454 (Thomas, J., concurring).

²⁴ *Id.* at 2444 (majority opinion).

²⁵ *Id.*

²⁶ *Id.* at 2446.

workplace tortfeasors are aided in accomplishing their tortious objective by the existence of the agency relation,” the harasser’s reliance on such assistance is not sufficient to establish vicarious liability.²⁷

Pointing to language in *Ellerth* identifying supervisors as “a distinct class of agent” empowered “to make economic decisions affecting other employees under his or her control,”²⁸ Justice Alito drew the implication that “the authority to take tangible employment actions is the defining characteristic of a supervisor.”²⁹ He then noted that because the *Ellerth/Faragher* rule was meant to be “workable” and to incorporate both the interests of employers and employees, the definition of “supervisor” the Court had adopted — “one that can be readily applied” — was preferable to the EEOC’s.³⁰ The vagueness of the EEOC’s alternative definition, he argued, was reflected in the fact that Vance and the Government disagreed over whether Davis actually satisfied it.³¹ By contrast, the Court’s standard would make it easier to resolve the issue of supervisory status as a matter of law and would present juries with a simpler inquiry.³²

Justice Alito rejected the dissent’s suggestion that the more restrictive definition would shield employers from liability, noting that they would still be held to a negligence standard in the case of a nonsupervisory harasser.³³ He further argued that the dissent’s standard, which effectively presupposed a “highly hierarchical management structure,” was out of touch with the reality of the modern workplace.³⁴ Responding to various real-world examples of workplace harassment on which the dissent relied, Justice Alito doubted that the outcome in those cases would turn on the supervisory status of the harassers.³⁵ Finally, with respect to the case at hand, Justice Alito held that Davis was not Vance’s supervisor and that there was “no evidence” that Davis would satisfy even the more liberal EEOC standard.³⁶

Justice Ginsburg dissented.³⁷ She began by arguing that the majority’s standard failed to accord with the Court’s precedent. In *Faragher*, for instance, the Court had characterized one of the harassers as a supervisor even though there was no evidence that his au-

²⁷ *Id.* at 2447–48 (quoting *Burlington Indus., Inc. v. Ellerth*, 524 U.S. 742, 760 (1998)) (internal quotation marks omitted).

²⁸ *Id.* at 2448 (emphasis omitted) (quoting *Ellerth*, 524 U.S. at 762).

²⁹ *Id.*

³⁰ *Id.* at 2449.

³¹ *Id.*

³² *Id.* at 2450.

³³ *Id.* at 2451.

³⁴ *See id.* at 2452 (observing that in many “modern organizations . . . it is common for employees to have overlapping authority with respect to the assignment of work tasks”).

³⁵ *Id.* at 2452–53.

³⁶ *Id.* at 2453–54.

³⁷ Justice Ginsburg was joined by Justices Breyer, Sotomayor, and Kagan.

thority extended beyond assigning and overseeing daily work tasks.³⁸ Several years later, the Court treated as supervisors a group of employees who lacked the authority to discharge and demote the victim but oversaw the day-to-day operations of her workplace.³⁹ Justice Ginsburg noted that in each instance the Court had rested its determination on a uniform premise: a superior had “t[aken] advantage of the power vested in [him]” as an agent of the employer.⁴⁰ To “fortify [her] conclusion,” Justice Ginsburg proceeded to describe the facts of four real-life examples,⁴¹ where in each case “a person vested with authority to control the conditions of a subordinate’s daily work life used his position to aid his harassment.”⁴² Under the Court’s restrictive definition, Justice Ginsburg argued, none of those cases could give rise to vicarious liability.⁴³ The EEOC’s standard, on the other hand, aptly encompassed such cases and was owed *Skidmore* deference.⁴⁴

Justice Ginsburg then questioned the majority’s claim to simplicity and administrability, noting that Justice Alito’s frequent hedging and qualifying revealed a standard appreciably more intricate and fact-intensive than the majority suggested.⁴⁵ For instance, the Court included as “supervisors” at least some of those employees whose authority is limited to *recommending* a tangible employment decision.⁴⁶ In addition, an individual who has the authority to reassign an employee in a way that has possible economic consequences (such as “foreclosing . . . eligibility for promotion”) might also qualify as a “supervisor.”⁴⁷ Such hedging prompted Justice Ginsburg to question “just how ‘clear’ and ‘workable’ the Court’s definition is.”⁴⁸

Justice Ginsburg predicted that the Court’s definition of “supervisor” will “hinder efforts to stamp out discrimination in the workplace.”⁴⁹ While she agreed that Davis probably would not qualify as

³⁸ *Vance*, 133 S. Ct. at 2457–58 (Ginsburg, J., dissenting). The plaintiff in *Faragher* alleged that a lower-level supervisor had threatened her with yearlong toilet-cleaning duties unless she submitted to his advances. *See id.* at 2457.

³⁹ *Id.* at 2458 (citing *Pa. State Police v. Suders*, 542 U.S. 129, 140 (2004)).

⁴⁰ *Id.*

⁴¹ *Id.* at 2459–60.

⁴² *Id.* at 2460.

⁴³ *Id.*

⁴⁴ *Id.* at 2461.

⁴⁵ *Id.* at 2462–63.

⁴⁶ *See id.* at 2446 (majority opinion) (noting that a supervisor’s authority to take tangible employment actions may be subject to “ministerial approval”); *id.* at 2446 n.8 (“[T]angible employment actions can be subject to . . . approval [by higher management].”); *id.* at 2452 (noting that an employer who delegates authority to take tangible employment actions to a small, centralized group of employees “may be held to have effectively delegated the power to take tangible employment actions to the employees on whose recommendations it relies”).

⁴⁷ *Id.* at 2447 n.9.

⁴⁸ *Id.* at 2462 (Ginsburg, J., dissenting).

⁴⁹ *Id.* at 2464.

Vance's supervisor even under the EEOC standard,⁵⁰ she criticized the majority for placing the burden of proving employer negligence on victims of harassment whenever their harasser "lacks the power to take tangible employment actions."⁵¹ Such a result is particularly troubling, in Justice Ginsburg's view, because vicarious liability serves to incentivize employers to "provide preventative instruction" to employees.⁵² She concluded by inviting Congress to intervene in correcting the Court's error,⁵³ just as she had done six years earlier in *Ledbetter v. Goodyear Tire & Rubber Co.*⁵⁴

Both the majority and the dissent acknowledged the importance of looking to agency law for guidance in formulating vicarious liability rules under Title VII.⁵⁵ But neither mentioned an agency law principle that offers relevant guidance: the superior-servant exception to the fellow-servant rule, the rule that limited employers' liability for injuries to a worker caused by the negligence of a coworker prior to the adoption of workers' compensation laws.⁵⁶ Had the Court examined the exception, it would have found that in most of the states that recognized it, an employee's status as a superior servant did not depend on whether that employee had the authority to hire and fire the injured party. Instead, courts looked to the facts and circumstances of each case to determine whether the tortfeasor had been granted the power to control the injured employee and whether that control was implicated in the tort. For this reason, the common law understanding of superior servants prefigures the dissent's context-sensitive inquiry, which asks whether the harassing employee's authority was "of a sufficient magnitude so as to assist [the employee] . . . in carrying out the harassment."⁵⁷ While the common law is by no means dispositive of the Court's choice, it does offer relevant guidance that both sides failed to address.

Beginning with *Meritor*, the Court has stressed the importance of looking to traditional agency principles in determining vicarious employer liability under Title VII: "Congress wanted courts to look to agency principles for guidance in this area," even though "such common-law principles may not be transferable in all their particulars

⁵⁰ *Id.* at 2465.

⁵¹ *Id.* at 2464.

⁵² *Id.*

⁵³ *Id.* at 2466.

⁵⁴ 550 U.S. 618, 661 (2007) (Ginsburg, J., dissenting).

⁵⁵ See *Vance*, 133 S. Ct. at 2441; *id.* at 2455–56 (Ginsburg, J., dissenting).

⁵⁶ See generally Comment, *The Creation of a Common Law Rule: The Fellow Servant Rule, 1837–1860*, 132 U. PA. L. REV. 579 (1984) (tracing the historical genesis of the fellow-servant rule and the superior-servant exception).

⁵⁷ *Vance*, 133 S. Ct. at 2461 (Ginsburg, J., dissenting) (omission in original) (quoting *EEOC Guidance*, *supra* note 12, at 3248) (internal quotation marks omitted).

to Title VII.⁵⁸ To that end, the Court in *Ellerth* and *Faragher* invoked and adapted the “master-servant” rule embodied in § 219 of the Restatement (Second) of Agency,⁵⁹ which provides that a master is subject to liability for the torts of his servants committed in the scope of their employment but not for torts committed outside that scope unless, *inter alia*, the servant “was aided in accomplishing the tort by the existence of the agency relation.”⁶⁰

In relying on § 219 for guidance, however, the Court in *Ellerth* and *Faragher* ignored the fact that beginning in the mid-nineteenth century, courts rejected the master-servant rule when employees were injured by their coworkers.⁶¹ Under the fellow-servant rule, which became “firmly entrenched in nearly every American jurisdiction” by 1880,⁶² an employee could not recover against his employer for injuries caused by the negligence of a coworker arising out of the scope of the tortfeasor’s employment.⁶³ But as the fellow-servant rule became settled law across the nation, some states recognized an exception to employer immunity when the tortfeasor was a servant who had been granted the authority to control other servants and the tort arose out of that control. This rule — known as the superior-servant or vice-principal exception — was adopted in one form or another by courts in at least twenty-two states at various times from the mid-nineteenth to the early twentieth centuries,⁶⁴ before the common law of workplace injury was supplanted by state workers’ compensation statutes.⁶⁵

⁵⁸ *Meritor Sav. Bank, FSB v. Vinson*, 477 U.S. 57, 72 (1986).

⁵⁹ *Burlington Indus., Inc. v. Ellerth*, 524 U.S. 742, 758–60 (1998); *Faragher v. City of Boca Raton*, 524 U.S. 775, 797 (1998).

⁶⁰ RESTATEMENT (SECOND) OF AGENCY § 219(2)(d) (1957).

⁶¹ Comment, *supra* note 56, at 579.

⁶² *Id.*

⁶³ For the leading case, see *Farwell v. Boston & Worcester Railroad Corp.*, 45 Mass. (4 Met.) 49 (1842).

⁶⁴ See FRANCIS M. BURDICK, *THE LAW OF TORTS* 208–09 (3d ed. 1913) (collecting cases from fifteen states: Arkansas, Georgia, Illinois, Kansas, Kentucky, Louisiana, Missouri, Nebraska, North Carolina, Ohio, South Carolina, Tennessee, Texas, Utah, and Washington). Subsequent to the publication of this treatise, Oklahoma began recognizing the exception. See *Ardmore Oil & Milling Co. v. Barner*, 179 P. 932, 934 (Okla. 1919). Other states adopted a more restricted version of the exception, holding employers vicariously liable when an employee was injured in connection with a risk, *not incident to his employment*, imposed on him by a superior servant with authority to control his work. See 4 C. B. LABATT, *COMMENTARIES ON THE LAW OF MASTER AND SERVANT* 3994–98 (1913) (collecting cases from six states: Colorado, Indiana, Michigan, Rhode Island, Vermont, and Virginia).

⁶⁵ See generally Richard A. Epstein, *The Historical Origins and Economic Structure of Workers’ Compensation Law*, 16 GA. L. REV. 775 (1982). Workers’ compensation statutes, adopted in every state by 1948, “fundamentally altered” the law of workplace injury by, *inter alia*, abolishing the fellow-servant rule for covered employees. Lawrence M. Friedman & Jack Ladinsky, *Social Change and the Law of Industrial Accidents*, 67 COLUM. L. REV. 50, 70 (1967). Nonetheless, the fellow-servant rule continues to have some viability in industries (typically farming) not covered by the state’s workers’ compensation statute. See 27 AM. JUR. 2D *Employment Relationship*

Notably, most of the states that recognized the superior-servant exception held that an employee's status as a superior servant did not depend on whether that employee had the authority to hire or discharge the injured party.⁶⁶ Indeed, according to a treatise published in 1907, Texas was alone in requiring such authority.⁶⁷ The following principle emerges from the clear thrust of these cases: where an em-

§ 343 (2004). *But see* Michael J. Phillips, *Employer Sexual Harassment Liability Under Agency Principles: A Second Look at Meritor Savings Bank, FSB v. Vinson*, 44 VAND. L. REV. 1229, 1252 n.132 (1991) (observing that the fellow-servant rule is "looked upon with disfavor by courts even when it still might apply").

⁶⁶ *See, e.g., Illinois: Wilson v. Counsell*, 182 Ill. App. 79, 82–85 (1913) (holding that an employee with authority to direct injured employees "as to all matters relating to the manner in which the work should be done, and what work should be done," *id.* at 84, but with "no power to hire or discharge," *id.* at 82, qualified as a superior servant or vice principal); *Kansas: Atchison & E. Bridge Co. v. Miller*, 80 P. 18, 24 (Kan. 1905) ("[W]henver the master delegates to any officer, servant, agent, or employé, high or low, the performance of any of the duties above mentioned [all involving the provision of a safe work environment] . . . then such officer, agent, or employé stands in the place of the master, . . . and the master is liable for his acts or his negligence" (quoting *Atchison, T. & S. F. R. Co. v. Moore*, 29 Kan. 632, 644 (1883)); *Louisiana: Evans v. La. Lumber Co.*, 35 So. 736, 738 (La. 1903) ("[T]he master is liable when the work in which he is employed requires that one of the employés shall have the direction and control of the servant placed under him, although he may not have the independent power . . . to employ and discharge."); *Missouri: Smith v. Am. Car & Foundry Co.*, 99 S.W. 790, 791 (Mo. Ct. App. 1907) ("There is no ironclad rule by which to determine [whether an employee is a fellow servant or a vice principal]. Its solution does not depend upon [the employee's] rank, his power to hire and discharge employés, or the fact that he occasionally worked with the men, but upon the authority, if any, he had over the workmen, and their duty to obey his orders and follow his directions"); *Nebraska: Union Pac. Ry. Co. v. Doyle*, 70 N.W. 43, 46 (Neb. 1897) ("[N]or does it follow that one employé is not a vice principal, as to his co-employés, because he is not vested with authority to hire and discharge them. The most satisfactory evidence that one is, as to his co-employés, a vice principal, is that his co-employés are under his supervision and his control, — subject to his order and direction."); *North Carolina: Lamb v. Littman*, 44 S.E. 646, 647 (N.C. 1903) (noting that "[i]t is not absolutely necessary for a vice principal to have the authority to hire and discharge" so long as the employee reasonably believes that failure to comply with his superior's orders will result in discharge); *Oklahoma: Barner*, 179 P. at 934 ("[I]f it were a fact that he never employed any laborer and never discharged any, and had no authority to hire or discharge any, or that he was forbidden to exercise any such authority, the fact remains undisputed that he was foreman of the work in charge and directed the manner of the work, and that the master itself, the milling company, spoke through him in giving directions to the laborers."); *Rhode Island: Hanna v. Granger*, 28 A. 659, 660 (R.I. 1894) ("[A] servant is a vice principal only when he stands in place of the principal with reference to the principal's duty [to ensure workplace safety], or in the exercise of the principal's functions."); *Washington: O'Brien v. Page Lumber Co.*, 82 P. 114, 115 (Wash. 1905) ("It is true there is no evidence that the sawyer had power to hire men or to discharge them except as above stated; but we held . . . that 'the power of superintendence and control is the test' in such cases." (quoting *Allend v. Spokane Falls & N. Ry. Co.*, 58 P. 244, 248 (Wash. 1899))).

⁶⁷ J. Breckinridge Robertson & Clark A. Nichols, *Master and Servant*, in 26 CYCLOPEDIA OF LAW AND PROCEDURE 941, 1308 n.50 (William Mack ed., 1907) ("In [Texas] the rule is different from that in any other state in that a superior servant is a fellow servant unless he has the power to employ and discharge the injured servant."). North Carolina, although not requiring that superior servants have the power to discharge, did require that the injured employee reasonably believe that failure to comply with the superior's orders would result in discharge. *See Lamb*, 44 S.E. at 647.

ployer's vicarious liability depends on the tortfeasor's "superior" status, as defined *in relation to the injured employee*,⁶⁸ that status does not depend on the tortfeasor's having the authority to hire or discharge the injured employee.

What mattered, according to courts applying the exception, was whether the tortfeasor had employer-conferred control over the injured employee and whether that control was implicated in the tort. *Allend v. Spokane Falls & Northern Railway Co.*⁶⁹ provides an illustrative example. A railway laborer sustained injuries in an explosion allegedly caused by the negligence of his foreman, who had been vested with the "power to direct his work, labor, and movements."⁷⁰ The court found that the employer, by granting the foreman the power to direct and control the employee, had effectively offloaded its duty "to provide a reasonably safe place in which the respondent was to work."⁷¹ For this reason, the employer was vicariously liable for the foreman's torts committed in the exercise of his supervisory authority, even though the foreman lacked the authority "to discharge or employ workmen."⁷² The court's reasoning bears a notable resemblance to Justice Ginsburg's in *Vance*, who for purposes of vicarious liability in the harassment context would look to the harasser's "authority to control the conditions of a subordinate's daily work life" and whether the harasser used that control "to aid his harassment."⁷³

In addition, courts applying the superior-servant exception typically relied on context, not bright-line rules, to determine whether an employee qualified as a superior servant.⁷⁴ This fact-intensive inquiry

⁶⁸ Some jurisdictions recognized versions of the superior-servant or vice-principal exception but did not define the status of "superior servant" or "vice principal" in relation to the injured employee. In *Northern Pacific Railroad Co. v. Peterson*, for instance, the Supreme Court held that "the person whose neglect caused the injury must be 'one who was clothed with the control and management of a distinct department . . .'" 162 U.S. 346, 355 (1896) (quoting *Balt. & Ohio R.R. Co. v. Baugh*, 149 U.S. 368, 381 (1893)). But this decision has little relevance to *Vance*. For one, because *Peterson* involved the creation of general federal common law before *Erie Railroad Co. v. Tompkins*, 304 U.S. 64 (1938), the case now stands as one source of guidance rather than binding precedent. See 19 CHARLES ALAN WRIGHT, ARTHUR R. MILLER & EDWARD H. COOPER, FEDERAL PRACTICE AND PROCEDURE § 4518 (2d ed. 1996). In addition, the *Peterson* holding offers no guidance in resolving the central dispute in *Vance* since Justices Alito and Ginsburg agreed that supervisory status must be defined *in relation to* the injured employee.

⁶⁹ 58 P. 244.

⁷⁰ *Id.* at 244.

⁷¹ *Id.* at 248.

⁷² *Id.*

⁷³ *Vance*, 133 S. Ct. at 2460 (Ginsburg, J., dissenting).

⁷⁴ See, e.g., *Jolly v. Smith*, 65 S.W.2d 908, 909 (Ark. 1933) (noting that the vice-principal exception is "wholly dependent upon the facts and circumstances in each particular case"); *Radtke v. St. Louis Basket & Box Co.*, 129 S.W. 508, 515 (Mo. 1910) (noting that under Illinois law, the question of whether an employee acted as a fellow servant or vice principal is "a question for the jury to decide from all the circumstances of the case"); *Union Pac. Ry. Co. v. Doyle*, 70 N.W. 43, 44 (Neb. 1897) ("Whether one of several employés of the same master is a vice principal . . . is a mixed

seems to prefigure the *Vance* dissent's preferred approach to determining supervisory status under Title VII. Noting that the question of supervisory status is "not susceptible to mechanical rules and on-off switches,"⁷⁵ Justice Ginsburg argued that the answer "depends on a constellation of surrounding circumstances, expectations, and relationships"⁷⁶ and that "context is often key."⁷⁷

To be sure, the superior-servant exception contemplates negligent acts whereas harassment is an intentional tort. But that limitation says less about the inner logic of the superior-servant exception and more about its role under traditional common law: an exception to the fellow-servant rule, which itself was framed in terms of negligence.⁷⁸ The theoretical basis for the superior-servant exception, however, does not depend in any deep sense on a determination of negligence: what matters is whether the tort arises out of the tortfeasor's authorized control over the details of the injured employee's work, control that is the touchstone of the master-servant relationship.⁷⁹

Of course, nothing in the common law pertaining to the superior-servant exception compels a choice of definition in *Vance*. For one, the superior-servant exception contemplates acts arising out of the scope of the tortfeasor's employment, while harassment arguably falls outside (or at least not straightforwardly within) that scope.⁸⁰ More importantly, Congress has directed the Court to look to traditional agency principles for *guidance*, not controlling precedent, and those principles must be considered in tandem with relevant policy concerns.⁸¹ Still, the superior-servant exception provides a useful starting point for analysis. Had the Court addressed the common law in this area, it would have found an approach that supports the *Vance* dissent.

question of law and fact; and . . . we are not prepared to lay down any set rule as a test for determining when two or more employes are fellow servants, or one of them a vice principal. The relationship . . . is to be determined by the particular facts and circumstances in evidence . . .").

⁷⁵ *Vance*, 133 S. Ct. at 2463 (Ginsburg, J., dissenting).

⁷⁶ *Id.* (quoting *Oncale v. Sundowner Offshore Servs., Inc.*, 523 U.S. 75, 82 (1998)) (internal quotation marks omitted).

⁷⁷ *Id.* at 2462.

⁷⁸ See Comment, *supra* note 56, at 579 ("[The fellow-servant rule] relieved employers of liability for injuries negligently inflicted by any employee upon a 'fellow servant.'")

⁷⁹ See LABATT, *supra* note 64, at 4204–05 ("[T]he power of controlling the details of the work to be done is . . . the very element which serves to distinguish one who is, from one who is not, a master as regards the injured person.")

⁸⁰ But see David Benjamin Oppenheimer, *Exacerbating the Exasperating: Title VII Liability of Employers for Sexual Harassment Committed by Their Supervisors*, 81 CORNELL L. REV. 66, 141–43 (1995) (arguing that harassment can in fact fall within the scope of one's employment on traditional agency principles); see also Susan Estrich, *Sex at Work*, 43 STAN. L. REV. 813, 855 (1991) (noting that supervisors are responsible for "defin[ing] the acceptable working conditions of the workplace").

⁸¹ But see Phillips, *supra* note 65, at 1268 (arguing that policy issues ought to weigh more heavily than agency principles in this context).