1	IN THE SUPREME COURT OF THE UNITED STATES
2	x
3	TALK AMERICA, INC., :
4	Petitioner : No. 10-313
5	v. :
6	MICHIGAN BELL TELEPHONE COMPANY, :
7	DBA AT&T MICHIGAN :
8	x
9	and
10	x
11	ORJIAKOR ISIOGU, ET AL., :
12	Petitioners : No. 10-329
13	v. :
14	MICHIGAN BELL TELEPHONE COMPANY, :
15	DBA AT&T MICHIGAN :
16	x
17	Washington, D.C.
18	Wednesday, March 30, 2011
19	
20	The above-entitled matter came on for oral
21	argument before the Supreme Court of the United States
22	at 11:07 a.m.
23	APPEARANCES:
24	JOHN J. BURSCH, ESQ., Solicitor General, Lansing,
25	Michigan; on behalf of Petitioners.

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1	ERIC D. MILLER, ESQ., Assistant to the Solicitor
2	General, Department of Justice, Washington, D.C.; on
3	behalf of the United States, as amicus curiae,
4	supporting Petitioners.
5	SCOTT H. ANGSTREICH, ESQ., Washington, D.C.; on behalf
6	of Respondents.
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1	PROCEEDINGS
2	(11:07 a.m.)
3	CHIEF JUSTICE ROBERTS: We'll hear argument
4	next this morning in Case 10-313, Talk America v.
5	Michigan Bell, and the consolidated case.
6	Mr. Bursch.
7	ORAL ARGUMENT OF JOHN J. BURSCH
8	ON BEHALF OF THE PETITIONERS
9	MR. BURSCH: Thank you, Mr. Chief Justice,
10	and may it please the Court:
11	Interconnection is the lifeblood of local
12	phone competition. That is why, in section 251(c)(2) of
13	the Telecommunications Act, Congress guaranteed that
14	competitors would have interconnection at the location
15	and at the method of their choosing and at TELRIC rates
16	irregardless of market impairment. The question in this
17	case is whether that 251(c)(2) obligation encompasses
18	the tens of thousands of existing entrance facilities
19	that even today are interconnecting competitive and
20	incumbent networks. And the answer
21	JUSTICE SCALIA: Did you get you get
22	(c)(2) at TELRIC rates?
23	MR. BURSCH: Yes, you do, Your Honor. You
24	get $(c)(2)$ and $(c)(3)$ at TELRIC rates.
25	And so, the answer to the question presented

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is yes, for three reasons: First, because the FCC says
 so. And, as the expert agency charged with interpreting
 and implementing the Act, that conclusion is entitled to
 deference.

5 Second, the FCC's conclusion is consistent 6 with the plain text of the statute and the implementing 7 regulations.

8 And, third, the FCC's conclusion is consistent with the policies embodied in the Act, 9 because the practical result of affirming the Sixth 10 11 Circuit opinion in this case is that a competitive 12 carrier, like Sprint for example, will be forced to either charge its customers more for interconnection or 13 14 lay tens of thousands of duplicate entrance facility 15 cables, and those are precisely what the Act were 16 designed to prevent.

17 I'd like to start with the Sixth Circuit opinion -- and, specifically, this is at page 20a of the 18 19 Talk America cert petition appendix -- because this goes 20 to the heart of AT&T's position and the Sixth Circuit's 21 conclusion with respect to the orange plugs and cords 22 analogy. You'll recall that the Sixth Circuit said this 23 was like a situation where a homeowner had a plug in their garage and a long orange cord extending out to a 24 25 park, which the court called the entrance facility, and

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1 then the competitive carrier would be that person in the 2 park.

3 On page 20a of the petition appendix in 4 footnote 9, about halfway down, this is the key flaw in the Sixth Circuit's reasoning: The Sixth Circuit says, 5 "If you, as the homeowner" -- that's the -- I'm sorry, 6 7 that's the incumbent -- "had said that they may plug 8 into the surge protector, then the big orange extension 9 cord is just an 'entrance facility.' But, if you had 10 said they must plug into the big orange extension cord, 11 then the big orange extension cord becomes the 12 'interconnection facility' and, consequently, the park goers" -- the competitors -- "may plug into it." 13 14 The problem with this is that the Sixth 15 Circuit was wrong in that the incumbent doesn't get to 16 choose where the point of connection is. The statute and the regulations and the FCC make clear it's the 17 18 competitor that gets to choose. So, if the competitor 19 chooses the end of the extension cord where it connects 20 to the CLEC network in the park, then even the Sixth 21 Circuit agrees with us and the Seventh, Eighth, and

22 Ninth Circuits that the entrance facility is the

23 interconnection facility.

24 JUSTICE KENNEDY: I have just one small 25 question on that.

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1	MR. BURSCH: Yes.
2	JUSTICE KENNEDY: Suppose that there are two
3	competitors and each of them wants to connect, but each
4	of them wants to connect at a different point and in a
5	different way. Must the incumbent accommodate both if
б	they're technically feasible?
7	MR. BURSCH: Justice Kennedy, the answer is
8	yes. The statute gives the competitive carrier the
9	opportunity to choose the point and the method, all at
10	TELRIC rates.
11	JUSTICE GINSBURG: Doesn't it say something
12	about feasible? It it doesn't it doesn't give
13	free choice entirely. It says what are the words?
14	That the the interconnection doesn't have to be put
15	just anyplace if it's not feasible or it's undue expense
16	or something to that effect.
17	MR. BURSCH: Justice Ginsburg, the statute
18	and the regulations make clear that it must be
19	technically feasible, but there is an almost
20	irrebuttable presumption that when there are already
21	facilities in place performing that function, that is
22	technically feasible.
23	JUSTICE SCALIA: But you you want the
24	incumbent here to to build the the orange cord and
25	extend it to wherever you have your switching equipment.

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And what they say is, no, you -- you bring your switching equipment here; we'll -- we'll allow you to connect at, you know, the end of our facilities; but, by God, you -- you make -- you make your own connection to -- to the switches.

Now -- now, moreover, you're -- you're 6 7 making them -- you'll pay them for the orange cord, but 8 only at TELRIC rates, which are not realistic. Now, why -- why are they wrong and you're right, especially when 9 10 you have legislation, the purpose of which was to 11 encourage the independent building of new facilities? I 12 mean, it's clear that the Act wanted these new entrants where -- where possible to build new facilities, and not 13 14 simply to glom on to the extant facilities of the 15 incumbents.

16 MR. BURSCH: Three responses to that argument, Your Honor. First, this case is about 17 18 existing facilities, not about facilities to be built, 19 although there's a lot of talk about that. This isn't a 20 head-on challenge to the statute or the regulations. 21 The procedural posture is that this was AT&T trying to 22 get out of arbitration agreements that it had for existing entrance facilities. And so, that's the 23 posture of our case. 24

25 JUSTICE SCALIA: Well, but the logic of your

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Official 1 case, as you described it, would also require AT&T to 2 build out the orange cord. 3 MR. BURSCH: Right. And -- and two 4 additional points, Your Honor, on that. First, they say this is a large obligation because we're talking about 5 miles and miles. That is not the position that AT&T б 7 took with the FCC when they were commenting on the TRRO. 8 At page 16a of the Michigan blue brief, in footnote 397 of the TRRO, the FCC acknowledges AT&T's statement that 9 10 entrance facilities involve very short distances. In 11 addition, we have the FCC's regulation and the Local 12 Competition Order, paragraph 553 --13 JUSTICE SCALIA: Excuse me, excuse me. 14 MR. BURSCH: Yes. 15 JUSTICE SCALIA: Extant entrance facilities 16 I assume they were referring to. 17 MR. BURSCH: Yes. I believe that's correct, 18 yes. 19 JUSTICE SCALIA: Okay. Well --20 MR. BURSCH: They're very short distances. JUSTICE SCALIA: Right. But if you ask for 21

22 a longer distance, they would presumably have to build

23 it.

24 MR. BURSCH: Well, not necessarily -25 JUSTICE SCALIA: And charge you TELRIC

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1 rates.

2	MR. BURSCH: Right, because the FCC has
3	promulgated in in 521, the meet-point obligation,
4	which is another way that you can have interconnection.
5	And that demonstrates two things: First, that sometimes
6	AT&T as the incumbent is required to build out
7	facilities, that it's not just a passive obligation.
8	But, in addition, when they're talking about
9	meet point, they say that it's up to State commissions
10	to decide the appropriate and reasonable distance.
11	So, even if we were presented with the
12	case not this case, but a different case where
13	you're talking about what's the appropriate length of
14	the facilities, the FCC has already acknowledged there
15	could be some reasonable limits on that.
16	And the most important fundamental point,
17	the fourth point on this, is that Congress already in
18	(c)(2) said you're going to have interconnection without
19	regard to market impairment, and so we're not going to
20	look at the availability of other entrance facilities in
21	the market. If a competitor asks to have this location
22	and this method and it's technically feasible, they do
23	get the TELRIC rates.
24	And the competitive carriers would take

25 issue with the presumption that TELRIC rates are -- are

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1 unfair. You know, the regulations do contemplate that 2 they're going to recover not only their cost but a 3 reasonable profit. And we can disagree about the 4 congressional wisdom of requiring rates like that, but in the Verizon case, this Court definitively put to bed 5 the question of the reasonableness of the TELRIC rates. б 7 JUSTICE BREYER: Where would I read this? 8 As I read the statute, the statute says the cheap system here is where they provide -- they have a duty to 9 provide the incumbent interconnection, okay? 10 That 11 requires some physical stuff. 12 MR. BURSCH: Yes. 13 JUSTICE BREYER: Okay. And they have to --14 they -- you have to -- you're not charged a lot for 15 that; there's a limit on what they can charge you for 16 the interconnection. 17 MR. BURSCH: Correct. 18 JUSTICE BREYER: Now, somebody is going to 19 have to decide whether if Pacific Tel and Tel is being 20 tried to forced to connect with Maine, you know, they 21 have to pay for a wire across country to get the interconnection or not. That seems unreasonable. 22 Across the street, maybe they do. 23 24 My candidate would normally be the FCC or some regulator decides that kind of thing, and it's up 25

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1 to them to say whether this is or is not what's needed 2 for interconnection. That would be an intuitive account 3 I would have, without having read the statute in depth. 4 So, now what do I read to find out how this What is it that distinguishes something that is 5 works? б ridiculous, like my California example, from something 7 that makes a lot of sense, like they're next door and have to make 50 feet of wire. 8 9 MR. BURSCH: Justice Breyer, if you look at paragraph 553 of the Local Competition Order, which 10 11 appears at page 27a of the Michigan blue brief --12 JUSTICE BREYER: Michigan blue --MR. BURSCH: At least that's where it 13 14 If you flip over to -- to page 28a, this is the begins. 15 second page of the paragraph. 16 JUSTICE BREYER: Where -- where -- 28a, 17 okay. 18 MR. BURSCH: Very good. 19 About halfway down the -- that paragraph 20 there, it says: "Regarding the distance from an 21 incumbent LEC's premises that an incumbent should be 22 required to build out facilities for meet-point arrangements" -- so, again, this is in the meet-point 23 context -- "we believe that the parties and State 24 25 commissions are in a better position than the commission

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to determine the appropriate distance that would 1 constitute the required reasonable accommodation for 2 3 interconnection." So, again --4 JUSTICE BREYER: Okay. So, it's up to the State commission. 5 6 MR. BURSCH: Exactly. 7 JUSTICE BREYER: This is the FCC speaking? 8 MR. BURSCH: The FCC is speaking --9 JUSTICE BREYER: All right. And the State 10 commission says -- they say it's up to the State 11 commission. And the State commission here said? MR. BURSCH: Well, here, the State 12 commission didn't say anything, because we're talking 13 14 about existing facilities. There's no one requesting a 15 new entrance facility to be built, for example, from 16 Lansing to Detroit. That's not this case. This case is about the existing facilities. 17 18 JUSTICE SCALIA: Mr. Bursch, the -- the key 19 to your case is -- is that an entrance facility is 20 interconnection, right? 21 MR. BURSCH: Correct. 22 JUSTICE SCALIA: You have to equate those 23 two -- those two terms. 24 MR. BURSCH: I do. 25 JUSTICE SCALIA: What do you rely upon to

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1 equate them? Because the -- as I read the regulations, 2 they -- they use them as separate terms. 3 MR. BURSCH: Regulation 51.5 defines 4 "interconnection" as the mutual -- or, I'm sorry -- as the linking of two networks for the mutual exchange of 5 traffic. There is no dispute that an entrance facility б 7 physically links a competitive network with an incumbent 8 network; thus, when that entrance facility is used for the mutual exchange of traffic, it is providing 9 10 interconnection. And that's exactly what the FCC has 11 concluded. 12 JUSTICE SCALIA: Doesn't -- doesn't the interconnection -- doesn't it have to be part of the 13 14 internal system of the incumbent carrier? 15 MR. BURSCH: It has to be part of their 16 network. But in the TRRO, the FCC made clear repeatedly that entrance facilities constructed by incumbents are 17 part of their network. And so, there's really no 18 19 dispute that it can be part of the network. And so --20 JUSTICE KENNEDY: You say that this is a 21 link, and your -- the opposition says that it's a --22 that it's transport. Is that correct?

23 MR. BURSCH: It is transport. By 24 definition, interconnection has to include transport 25 because it involves the mutual exchange of traffic from

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1 one to another. 2 JUSTICE KENNEDY: But the -- but the reg 3 says interconnection does not include transport. 4 MR. BURSCH: Well, we address that point at 5 length in our reply brief, because AT&T advances that argument, and it's really a fundamental misconception or б 7 misunderstanding of the regulation. 51.5 --8 JUSTICE KENNEDY: I have -- I've got it in front of me. It says, "This term does not include 9 10 transport." But you -- you say it does? 11 MR. BURSCH: Yes. Well, the entrance 12 facilities do include transport. All interconnection 13 facilities --14 JUSTICE KENNEDY: No, I'm talking about --15 MR. BURSCH: Yes. 16 JUSTICE KENNEDY: -- interconnection. MR. BURSCH: Right. What 51.5 -- I assume 17 that's what you're looking at. 18 19 JUSTICE KENNEDY: Yes. 20 MR. BURSCH: That -- that goes to a term of 21 art or a phrase of art, "transport and termination of 22 traffic." And as the FCC made clear in its regulation 23 51.701, which is at page 35a of the red brief, what 24 they're really distinguishing there are the two types of 25 charges. You have 251(c)(2) interconnection charges and

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1 you have 251(b)(5) transport and termination of traffic 2 charges. And those are two separate concepts. 3 The interconnection charge runs from the 4 competitive network to the incumbent network. The transport and termination of traffic charge runs from 5 the point of interconnection to the incumbent's end б 7 customer, and that's very clear. The Ninth Circuit 8 specifically acknowledged that point in note 16 of the Pacific Bell case. But common sense tells you that has 9 10 to be right because under AT&T's view, the way they 11 interpret 51.5, there would be no interconnection 12 obligation because there's always going to be transport, a mutual exchange of traffic when interconnection is 13 14 involved.

15 CHIEF JUSTICE ROBERTS: Is that right or --16 JUSTICE BREYER: Do you read --CHIEF JUSTICE ROBERTS: Is there a mutual 17 exchange of traffic when you're talking about 18 19 backhauling? 20 MR. BURSCH: No, there is not, and we don't 21 take that position. The mutual exchange is when a 22 competitive customer talks to an incumbent customer or 23 vice versa. Everything else we can call backhauling, 24 and that's not what's at issue when we're talking about

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251(c)(2).

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1	JUSTICE BREYER: Can I go back to my
2	question? Because I haven't gotten an answer.
3	MR. BURSCH: Yes.
4	JUSTICE BREYER: You see, I would think
5	you said, well, this is an existing facility.
6	MR. BURSCH: Yes.
7	JUSTICE BREYER: But my intuition would be
8	that makes no difference whatsoever. You could have
9	some kind of mechanism that connects two companies.
10	Now, half of it is a simple wire and half of it is bells
11	and whistles. And so, we have to decide which part is
12	the part that's necessary for the interconnection and
13	which part is some kind of well, I don't know, extra
14	bells and whistles, and therefore, since it's not an
15	impairment kind of problem, they have to pay full price
16	for it.
17	That, again, seems like the kind of job that
18	Congress would leave up to a commission, but I guess I
19	want you to tell me: Who's to decide that kind of
20	thing, and how do we decide it?
21	MR. BURSCH: Are you talking about the
22	distance, or what the bells and whistles are
23	JUSTICE BREYER: I don't know what it is.
24	Often, these things are not distance. Often, a
25	connection is all kinds of complex things, you know?

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1 And some are necessary and some aren't. But I can --2 can't you imagine with me the same kind of California 3 problem arising, but it just arises in -- in kind, rather than in distance? 4 5 MR. BURSCH: Well, as far as --JUSTICE BREYER: My -- if I'm so far off 6 7 base you can't get the question, forget it. 8 MR. BURSCH: No, not at all, Justice Breyer. 9 JUSTICE BREYER: I mean, I might not be able 10 to get an answer. 11 MR. BURSCH: I think it's a very good 12 question. And really --13 JUSTICE BREYER: You don't have to think 14 it's that. 15 MR. BURSCH: I'll take it in two parts. You 16 know, again, with respect to distance, in the meet-point context, the FCC has already delegated in LCO paragraph 17 18 553 appropriate and reasonable distances. 19 With respect to the bells and whistles, it's 20 really not that complicated. You've got a cable. 21 That's your entrance facility, you know, typically a 22 fiberoptic cable. And there's going to be a conduit 23 that it needs to run through. There might be, you know, risers or spacers with little twisty ties or something 24 25 similar to that, zip cords, that will allow the cable to

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1	be run into a building and up a wall and connect into
2	the appropriate place. But to the extent those are
3	interconnection facilities, those are necessarily part
4	of the 251(c)(2) obligation.
5	And unless there are any further questions,
6	I'll reserve the remainder of my time.
7	CHIEF JUSTICE ROBERTS: Thank you, counsel.
8	MR. BURSCH: Thank you.
9	CHIEF JUSTICE ROBERTS: Mr. Miller.
10	ORAL ARGUMENT OF ERIC D. MILLER
11	ON BEHALF OF THE UNITED STATES, AS AMICUS CURIAE,
12	SUPPORTING THE PETITIONERS
13	MR. MILLER: Mr. Chief Justice, and may it
14	please the Court:
15	There are a lot of statements by the FCC at
16	issue in this case, but I'd like to focus on two
17	statements by the commission in its published regulation
18	and orders that, taken together, resolve the question
19	presented here. And the first is the commission's
20	determination in 47 CFR 51.305(e), which appears at page
21	5a of Michigan's brief, that it is the competitor, not
22	the incumbent, that gets to select the point at which
23	interconnection takes place.
24	Specifically, that regulation says that if
25	an incumbent wants to deny a request for

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1 interconnection, it has -- at a particular point, it has 2 the burden of proving that interconnection at that point would be technically infeasible. And that undercuts a 3 key premise of the decision below, which was that as 4 long as the incumbent provides interconnection at some 5 technically feasible point that it has selected, then б 7 it's discharged its obligation, and if the competitor 8 doesn't like it, that's just too bad. They can build 9 their own facility if they want to interconnect 10 somewhere else. That's --

11 JUSTICE SOTOMAYOR: Counsel, underlying that 12 question is an issue that I think Justices Ginsburg and Scalia were asking. Technically feasible is different 13 14 from economically ridiculous or economically burdensome. 15 How does that, "economically burdensome" -- does it get 16 considered by anyone so that -- because one could 17 imagine, as Justice Breyer said, that a competitor could 18 come in and say, now, build me the Taj Mahal as an 19 entrance facility or as an interconnection facility. 20 So, is there anyone controlling for that latter issue? 21 MR. MILLER: In terms of the definition of 22 "technical feasibility" -- that's a defined term in section 51.5 of the regulations, and it does not include 23 economic considerations. 24

25 Nonetheless, as the commission explained

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1	when it adopted those regulations in 1996 at paragraph
2	209 of the Local Competition Order, competitors have an
3	incentive to ask for an economically efficient means of
4	interconnection because they have to pay for it. I
5	mean, the they don't pay as much as AT&T would
6	like because they're paying TELRIC rates but they
7	do still have to pay for interconnection, so they have
8	incentive to ask for a reasonable method of it.
9	And what's at issue in this case, to get to
10	the second part of your question, is not
11	JUSTICE GINSBURG: That's why it's only
12	technically feasible, because the economic burden is
13	is not on the company. It has to provide it at the
14	place if it's technically feasible, but it doesn't pay
15	for it.
16	MR. MILLER: That that's right.
17	CHIEF JUSTICE ROBERTS: Mr. Miller, you
18	began by saying there were two regulations that disposed
19	of the case. You got one. What's the second?
20	MR. MILLER: The the second is the
21	commission's determination in the Triennial Review
22	Remand Order in response to the D.C. Circuit's remand of
23	its previous order, that entrance facilities are,
24	indeed, part of the incumbent's network because the
25	statutory obligation, of course, is to allow

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interconnection at any technically feasible point within
 the incumbent carrier's network.

3 JUSTICE BREYER: Where do I find that? 4 MR. MILLER: That's in paragraph 137 of the Triennial Review Remand Order, which appears at page 10a 5 б of Michigan's brief. And in the preceding paragraph, 7 the commission traced the history of its definition of 8 the dedicated transport network elements in the Local 9 Competition Order, its revision of that in the Triennial Review Order, in which it had said that the facilities 10 11 are not part of the network. The D.C. Circuit then 12 vacated that. 13 JUSTICE SCALIA: What section are you 14 referring to? On page 10a? Which one is it? 15 MR. MILLER: Well, I've -- I've just gone 16 back to the previous two pages, but it -- 10a is 17 paragraph 137, where the court says, "In response" --18 excuse me -- where the commission says, "In response to 19 the court's remand" -- that's the D.C. Circuit's remand 20 in the USTA case -- "we reinstate the Local Competition 21 Order of dedicated" -- "Order definition of dedicated transport." And that was a definition of a network 22

23 element that included entrance facilities. So, what the 24 commission was saying there by its reference back to 25 that definition --

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1	JUSTICE SCALIA: You you do not need to
2	provide unbundled access under (c)(3) to entrance
3	facilities, right?
4	MR. MILLER: That that's correct, and the
5	court of appeals, I think, perceived a contradiction
б	between saying that this isn't something to which you
7	have to provide unbundled access under (c)(3), but it is
8	something that has to be made available for
9	interconnection under (c)(2).
10	And there is no contradiction there because
11	these are separate, independent statutory obligations,
12	and what's particularly significant about the difference
13	between the two statutes statutes is that (c)(3) has
14	an impairment test. You only have to make available
15	those network elements without which the competitor
16	would be impaired in its provision of service.
17	(C)(2) does not have an impairment test, and
18	that's because Congress recognized that interconnection
19	is absolutely fundamental to any effective telephone
20	competition.
21	JUSTICE BREYER: So, what's the
22	definition difference between entrance facility and
23	interconnection facility? How do we know which is
24	which?
25	MR. MILLER: If you're referring to the

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what the -- in the way the commission used those terms 1 2 in the --3 JUSTICE BREYER: No, no, I'm not. I want to 4 know what's the difference. Tell me in English what the difference is. 5 MR. MILLER: An entrance facility --6 7 JUSTICE BREYER: No, no. I mean, how do we know which is which? We see some big lines and stuff in 8 it; how do we know which is which? 9 10 MR. MILLER: The -- an entrance facility, as the commission explained in the TRRO, is just the link 11 between the incumbent's office and the competitor's 12 office. And an interconnection facility is anything --13 14 any part of the network that's being used for 15 interconnection. 16 JUSTICE SCALIA: It's a genus and -- and the entrance facility is the species --17 18 MR. MILLER: It can be. 19 JUSTICE SCALIA: -- in your estimation? 20 MR. MILLER: It -- it can be when it is used for interconnection. It could also sometimes be used 21 22 for other things, but we're talking about the situation where the competitor wishes to use the entrance facility 23 24 for interconnection. CHIEF JUSTICE ROBERTS: I'm sorry. Could 25

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you run that by me again? 1 2 MR. MILLER: The -- the entrance facility is 3 just the link between the two offices --4 CHIEF JUSTICE ROBERTS: Okay. MR. MILLER: -- the incumbent and the 5 6 competitor. 7 CHIEF JUSTICE ROBERTS: Got it. 8 MR. MILLER: That can be used for a couple 9 of different purposes, but one of the purposes for which 10 it can be used is interconnection. And when it is being 11 used for that purpose, it is appropriately described as 12 a -- as an interconnection facility. 13 JUSTICE GINSBURG: Mr. Miller, would you, 14 before you sit down, explain what is the Government's 15 position when an agency is asked to file a brief? The 16 Sixth Circuit asked -- invited the FCC to file a brief, 17 it did, and then the Sixth Circuit disagreed. And there was some suggestion that when an agency files a brief 18 19 here in this Court, as opposed to a court of appeals, it 20 deserves more weight. 21 MR. MILLER: We -- we agree with the view 22 expressed by Judge Sutton in his dissenting opinion

24 between amicus briefs, particularly those filed at the 25 invitation of a court, in the court of appeals, from

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below, that there really is no reason to distinguish

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1 those -- filed here. In this case, of course, the 2 question of --3 JUSTICE SCALIA: But there may be a -- a 4 reason to give less weight to briefs in this Court, different from the briefs filed with a court of appeals. 5 And you've taken a different position here on -- on the б 7 issue of whether, when backhauling is included, it's 8 part of the -- it's -- it's part of the interconnection 9 facility? 10 MR. MILLER: No. 11 JUSTICE SCALIA: I do not think you made 12 that distinction below about, you know, oh, it is part where there is back -- where there is not backhauling, 13 14 but where there is, it isn't. 15 MR. MILLER: I think our briefs in -- in the 16 two cases are consistent. Our brief here provides more detail in explaining the commission's orders, but in 17 both cases, we have taken the view, as the commission 18 19 has consistently taken the view since the TRRO, that 20 entrance facilities don't have to be made available as 21 unbundled elements for purposes of back haul, but they do have to be made available when the incumbent seeks to 22 use them for interconnection. And I think this is 23 precisely the sort of case where --24 25 JUSTICE SCALIA: Wait. They have to be as

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1	unbundled elements? I thought they never had to be
2	MR. MILLER: No, they they
3	JUSTICE SCALIA: made available as
4	unbundled elements. That's (c)(3).
5	MR. MILLER: That's right. Then they are
6	JUSTICE SCALIA: Your argument here is that
7	only have to be made available under (c)(2)?
8	MR. MILLER: Exactly.
9	JUSTICE SCALIA: Which is not unbundled?
10	MR. MILLER: Right. And it's only for
11	purposes of of interconnection. And I think this is
12	precisely the sort of case where deference under Auer is
13	appropriate, given that you have a highly complex
14	statute regulating a very complex, dynamic industry, and
15	so the commission's regulations involve not only the
16	exercise of
17	JUSTICE SCALIA: You certainly encourage us
18	to throw up our hands. There's no doubt about it.
19	(Laughter.)
20	MR. MILLER: I another way of saying that
21	would be that it's appropriate to recognize the
22	commission's not only policy-making discretion but
23	technical expertise in the industry that's being
24	regulated. And certainly the commission has tried to be
25	as clear as it can in its regulations, but this is an

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area where some level of imprecision is probably 1 2 inevitable. And I think that's why it's appropriate to 3 defer to --JUSTICE KENNEDY: Well, I don't know why --4 why it's so hard. I mean, I got out my orange cord, and 5 I -б 7 (Laughter.) 8 JUSTICE KENNEDY: But I -- I wasn't sure of 9 if -- if it was a transport or link. That -- that's my 10 concern. MR. MILLER: Well, I guess I would say maybe 11 12 we need to put the difference between interconnection 13 and transport in concrete terms. It would be the 14 interconnection charge which is at TELRIC rates under 15 252(d)(1). There would be a flat fee for setting it up 16 and then a flat monthly fee just for having the link 17 there. 18 CHIEF JUSTICE ROBERTS: Oh, continue. 19 MR. MILLER: Thank you. And that's 20 independent of usage. 21 Then, separately, each time a call is made, 22 there is a charge under 252(d)(2) for the transport and termination of the call. And that goes both ways. 23 So, when the competitor's customer calls the ILEC, the 24 25 customer -- the competitor pays the ILEC for terminating

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1 the call and vice versa. 2 CHIEF JUSTICE ROBERTS: Thank you, 3 Mr. Miller. 4 Mr. Angstreich. ORAL ARGUMENT OF SCOTT H. ANGSTREICH 5 ON BEHALF OF THE RESPONDENTS 6 7 MR. ANGSTREICH: Thank you, Mr. Chief 8 Justice, and may it please the Court: 9 In this case, the agency is trying to use an amicus brief to interpret a few sentences in orders from 10 11 years ago to create a new legal rule without ever going 12 through a process that would result in judicial review. 13 In fact, in the Triennial Review Orders, where the 14 agency supposedly announced this new obligation, it 15 assured incumbents like AT&T that it was not altering 16 its interpretation of the statutory interconnection 17 duty. And the Government correctly concedes here that before those orders, the Government had never 18 19 interpreted the statutory interconnection duty to 20 require companies like AT&T to sell a fiberoptic cable 21 at TELRIC rates. Yes --22 JUSTICE SOTOMAYOR: Counsel, I know you're 23 saying that, but everybody's arguing about what the --24 what the TRO and the TRRO say or don't say. But I go 25 behind that and I go -- I think the Government's entire

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1 argument is not based even on those. It's based on the 2 LCO regulations themselves. They've cited two, which is 3 51.305 and 51.321. They're not relying on those TROs in 4 their back and forth there; they're relying on the 5 regulation. 6 MR. ANGSTREICH: Well, Your Honor, I 7 actually read their brief differently, and I note that 8 in the Sixth Circuit, they didn't rely on any regulations at all. The argument was entirely based on 9 10 paragraph 140. 11 But going to the regulations, at the same 12 time they promulgated those rules, the government did 13 define interconnection to exclude transport, and when 14 they defended that exclusion --15 JUSTICE SOTOMAYOR: So, how do you address 16 their point that there are two different charges at 17 issue? 18 MR. ANGSTREICH: There are --19 JUSTICE SOTOMAYOR: That one -- that 20 interconnection by definition includes transport. It's 21 hard for me to think of how it doesn't because they've 22 got to travel from one place to another, so --23 MR. ANGSTREICH: Your Honor, when the FCC explained this to the Eighth Circuit, what it said is 24 25 there are really three things going on. One is (c)(2),

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is the duty to interconnect at a point, not to provide a whole host of facilities that get you to the point, but literally the duty to interconnect at a specific point in the world; selected by the competitor to be sure, but that only tells you where interconnection occurs. That's the point.

7 The commission then said: Okay, then there 8 are other obligations in the statute. One of them is in 9 section 251(b)(5), and that's what obligates the 10 incumbent to accept telephone calls that are sent to 11 that point and to send telephone calls through that 12 point to the competitor.

13 And then, there's the third thing, and this 14 is directly from the government's brief to the Eighth 15 Circuit, where they explain that section (c)(2) --16 JUSTICE SCALIA: The Sixth Circuit? 17 MR. ANGSTREICH: The Eighth Circuit. We cite this at -- from 1996, this is the contemporaneous 18 19 view of the agency at the time it promulgated the 20 interconnection regulations. It's defending those 21 regulations against a challenge that they are too 22 And what the agency says to the Eighth Circuit, narrow. 23 which then deferred to this interpretation, is if section (c)(2), interconnection, included routing and 24 25 transmission, (c)(2) would overlap with other sections

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1 that, one, describe a duty to route and transmit 2 traffic, telephone calls; and, two, a duty to lease facilities that will be used for routing and 3 transmission. Footnote: Those duties are (b)(5) and 4 (c)(3). To the extent there is a duty to lease the 5 facilities, the fiberoptic cables that competitors are б 7 going to use to get to the interconnection point of 8 their choice, that duty has to arise, the commission is saying here, only under section 251(c)(3). 9

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10 And we know it doesn't arise under that 11 section because these aren't things that are bottleneck 12 These aren't things that competitors can't elements. 13 get themselves. Competitors are interconnecting today. 14 Wireless carriers, other competitors, everyone in the 15 State of Ohio has since 2005 not been paying TELRIC 16 rates, and as the amicus brief showed, there has been no detriment to competition. Interconnection is occurring. 17

18 And so, what the Government is trying to do 19 here is impose this leasing obligation under the 20 interconnection duty in a way that never gave AT&T and 21 other incumbents any opportunity to challenge it. They 22 never explain how it squares with the text and structure 23 of the statute, with their prior statements, or why there's any policy basis for interpreting what they 24 25 claim is an ambiguous statute to require TELRIC pricing

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1 for things that are not bottleneck elements.

2 Back in the Local Competition Order, Justice 3 Sotomayor, when they adopted the TELRIC methodology, 4 they recognized -- this is in paragraph 702 -interconnection services -- that's what they called it 5 back then -- are bottlenecks, not things that б 7 competitors can build themselves or buy from third 8 parties in the marketplace, as the agency has found is 9 the case since 2005. They never --

JUSTICE SOTOMAYOR: Well, now you're reading limitation into the statute. All the statute says is you're obligated to provide interconnection services. It doesn't say how or limit it only to things that are not bottlenecks or things that are bottlenecks. It just says you're obligated to do X. And that's what the agency's saying.

17 MR. ANGSTREICH: I understand this, Your 18 But if the agency had ever done that through Honor. 19 notice and comment with a rule and published it in the 20 Federal Register -- which they concede that before 2003 21 they hadn't done that as to entrance facilities -- and 22 they claim they had no occasion to address the question -- and then in 2003 we get a single sentence in 23 a paragraph of an order where there was no notice they 24 25 were considering interconnection duties, no publication

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of a new regulation, no publication -- nothing that would have, you know, told AT&T and other incumbents you should seek judicial review of this if you think it's wrong.

5 And now we're being told 8 years later that when they said "facilities" in that paragraph, they б 7 meant entrance facilities. And we're being told 2 years 8 later when they said "interconnection facilities," that they meant entrance facilities, even though when they 9 10 were asked that question by the Sixth Circuit they said 11 we didn't define that term. And Mr. Miller might want 12 to say they've just said a little bit more now, but they've said something radically different. 13

JUSTICE SOTOMAYOR: I -- in that regard, in all of these years, are -- you mean to tell me there is no other incumbent that has provided interconnection services at an entrance facility and charged TELRIC rates?

MR. ANGSTREICH: Prior to 2003 and 2005, when there was an unbundling rule in place -- and the commission had always recognized when it established that unbundling rule in 1996 that competitors would use unbundled transport facilities to connect to incumbent switches, so to connect to those interconnection points. And, sure, prior to 2005 when the unbundling rule was in

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place, competitors would lease these facilities and pay TELRIC rates and use them to get to the interconnection point, but there was never during that time any statement that even if there was no impairment, section 5 251(c)(2) would require the exact same thing to get to the interconnection point.

7 JUSTICE SCALIA: What happened to the 8 unbundling rule?

9 MR. ANGSTREICH: It got -- it was gotten rid It doesn't exist anymore. So, now AT&T has said 10 of. 11 those things you used to buy under the unbundling rules, 12 we don't have to sell them to you at TELRIC rates 13 anymore. We have a tariff. We've always had a tariff. 14 We'll sell them to you at just and reasonable rates 15 under the tariff. You can build them yourself, as 16 competitors and wireless carriers are doing. You can buy them from the third parties that build them and 17 18 advertise their offering of them.

But what you can't do is say all of a sudden that the interconnection duty had always required the exact same thing as the unbundling duty, at least not without going through a rulemaking where you lay out your policy grounds.

24 JUSTICE SCALIA: Why was the unbundling rule 25 abandoned?

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1 MR. ANGSTREICH: It was abandoned because 2 the record evidence showed unambiguously that competitors don't need these things from incumbents. 3 4 JUSTICE SCALIA: It's not a bottleneck? 5 MR. ANGSTREICH: It's not in any way, shape, or form a bottleneck. And I guess that gets to the б second point I'd make, which is that, again -- and I 7 8 don't think they rely on the regulations, Justice Sotomayor, and they've never -- and the Government 9 10 concedes in footnote 6 that the regulations themselves 11 don't get them to where they want to go. They need 12 these statements they made in 2003 and 2005. And even if you credit their new position that when they said 13 14 facilities and interconnection facilities, that was just 15 an imprecise way of saying entrance facilities, those 16 statements don't get you to the rule that they're endorsing. 17 18 What the agency actually said is that 19 competitors will have access to these facilities -- and

20 let's pretend that means entrance facilities for the 21 time being -- will have access to entrance facilities at 22 cost-based rates to the extent that they require them to 23 interconnect, and that's paragraph 140 of the Triennial 24 Review Order and -- remand order, and they said the same 25 thing, although they used the word "need," not

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1 "require."

2 JUSTICE SCALIA: Which is (c)(3). 3 MR. ANGSTREICH: Well, I think the point is what they -- this is why we think the right reading of 4 those statements is that the facilities they're 5 referring to are things they actually do require and б 7 need, which are the things inside AT&T buildings that 8 they can't replicate, that it's strange for them to have said you're going to get these facilities you require, 9 10 but to have meant something that they don't in fact 11 require. But even if you want to read, again, 12 13 facilities and interconnection facilities to mean 14 entrance facilities, the rule that they're endorsing --15 and, you know, Michigan now wants, if it's in the ground 16 we have to provide it; if we'd have to build it, we don't have to provide it. It's the first time we've 17 18 heard of that in the scope of this litigation. The 19 Government seems to only be willing to -- to talk about 20 those few facilities that had been gotten under the old, now-gone unbundling rules, but that's not the 21 distinction that the commission drew when it said this 22 23 thing that's supposedly imposing an obligation on AT&T and other companies. It limited it to those things that 24 25 competitors require.

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1	JUSTICE SOTOMAYOR: But that's that's
2	(c)(3).
3	MR. ANGSTREICH: But that's what
4	JUSTICE SOTOMAYOR: (C)(2) says you just
5	you have to. It imposes an affirmative obligation to
6	provide interconnection an interconnection.
7	MR. ANGSTREICH: Well, it imposes an
8	obligation, Your Honor, to provide interconnection at a
9	point it's at a point within our network.
10	JUSTICE SCALIA: Excuse me. That's your
11	point, I thought. I thought it is precisely your point
12	that it is $(c)(3)$ rather than $(c)(2)$.
13	MR. ANGSTREICH: Well, that's my point
14	is, yes, if there is a facilities leasing obligation, it
15	has to exist under (c)(3). That's absolutely right,
16	Justice Scalia, that we think that's the right
17	reading of the statute, we think that's what the FCC
18	told the Eighth Circuit, we think it's what the FCC said
19	in the Local Competition Order.
20	JUSTICE BREYER: I don't what I
21	there's no way for you all to go to the FCC and decide
22	what part of this thing is or any State regulator,
23	what part of it is part of what's necessary to
24	facilitate interconnection and what part of it is really
25	providing the work primarily of the simply

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1 transporting services? 2 MR. ANGSTREICH: Your Honor --3 JUSTICE BREYER: What part is doing 4 something else? 5 MR. ANGSTREICH: There's really no dispute -б JUSTICE BREYER: There's no way to do that? 7 8 MR. ANGSTREICH: No. 9 JUSTICE BREYER: Okay, so a judge has to say, on the basis of what, on the basis -- the judge has 10 11 to say on the basis of the statute, which just uses the 12 word "interconnection"? 13 MR. ANGSTREICH: The Michigan commission 14 decided that the FCC in that paragraph 140 created this 15 obligation. 16 JUSTICE BREYER: Yes. But the -- the --17 MR. ANGSTREICH: That's wrong. 18 JUSTICE SCALIA: Excuse me. I -- I thought 19 it was conceded that -- that none of this is -- is 20 necessary under (c)(3). I thought that's what the 21 Eighth Circuit said and which is why they eliminated the 22 unbundling obligation under (c)(3). 23 MR. ANGSTREICH: That's -- that's absolutely 24 right, Your Honor. 25 JUSTICE SCALIA: So, it is accepted by both

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sides, I think, that this is not necessary. 1 2 MR. ANGSTREICH: That's right, and because it's not necessary, you can't read, as the government 3 4 tries to, belatedly, years after the fact, those statements in their orders from 2003 and 2005, those few 5 statements in these matching orders -б 7 JUSTICE BREYER: It doesn't help because it's a network element if it's in (3), and what this is, 8 is something that's going to be needed to -- to 9 interconnect. If it's -- if it's in -- if it's in the 10 11 first one. And I don't know which is which, and I 12 gather that sometimes it would be tough. And what 13 courts use to do with the ICC when they got into this 14 kind of situation is a doctrine called primary 15 jurisdiction, and they'd ask them for a brief. All 16 right? So, if that's what we've done hypothetically, we have the brief. 17 18 MR. ANGSTREICH: Well, Your Honor --19 JUSTICE BREYER: Now, why don't we have to 20 follow the brief? 21 MR. ANGSTREICH: Because the brief here 22 doesn't do what a decision on a primary jurisdiction 23 referral would do, which is square what the agency is doing with the text and structure of the statute with 24 prior statements that contradict --25

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1							
1	JUSTICE SCALIA: Do you agree that it has to						
2	be needed to interconnect?						
3	MR. ANGSTREICH: Your Honor						
4	JUSTICE SCALIA: The whole problem here is						
5	it doesn't have to be needed to interconnect.						
6	MR. ANGSTREICH: Our						
7	JUSTICE SCALIA: It has to be needed under						
8	(c)(3), but under (c)(2), it's it's up to the to						
9	the new company to say I want to interconnect here; and						
10	and the incumbent cannot say, oh, no, you you						
11	don't have interconnect here; you can interconnect						
12	somewhere else.						
13	MR. ANGSTREICH: That Your Honor, that's						
14	absolutely right, Justice Scalia. They get to pick a						
15	point. The point has to be within our network. Rule						
16	51.305 identifies a series of illustrative points, all						
17	of which exist inside AT&T buildings. And that's what						
18	they've done. They've picked a point						
19	JUSTICE SOTOMAYOR: But wait a minute. Does						
20	don't the regulations now and the commission's TRO,						
21	et cetera, say that an entrance facility is within your						
22	network? You haven't challenged that.						
23	MR. ANGSTREICH: We do disagree. I mean, at						
24	the time of the Triennial Review Order, they said it was						
25	outside of our network.						

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1	JUSTICE SOTOMAYOR: And it's now they
2	MR. ANGSTREICH: That's when they also
3	supposedly adopted this rule. So, somehow, this rule
4	they've adopted has to coexist with the notion that
5	these things are outside of our network. But in or out,
6	I think it's important to recognize they're not
7	claiming
8	JUSTICE SOTOMAYOR: If they're in your
9	network
10	MR. ANGSTREICH: Pardon me. I think if
11	you have the Network Engineers' brief, figure 4 on page
12	19, I think it does a very good job of illustrating what
13	it is we're talking about.
14	JUSTICE SCALIA: Like orange wires and such?
15	(Laughter.)
16	MR. ANGSTREICH: They draw them in black,
17	but yes.
18	JUSTICE SCALIA: In black?
19	JUSTICE SOTOMAYOR: Figure 4.
20	MR. ANGSTREICH: Figure 4 on page 19. What
21	the competitors in this case and Michigan have long said
22	is that the competitor has picked as its point of
23	interconnection a point inside the box on the right
24	labeled Incumbent Local Exchange Carrier Central Office.
25	And then they need some fiberoptic cable to bridge the

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gap to that interconnection point. That's how Judge 1 2 Sutton understood it in dissent. That's how Judge 3 Batchelder understood it in the majority. 4 And all the interconnection duty talks 5 about, all any of the interconnection regulations talk about, is letting the competitors pick that point. How б 7 they get to the point is up to them. 8 JUSTICE BREYER: That's not what the statute 9 says. The statute says the carriers have a duty to provide interconnection. 10 MR. ANGSTREICH: Right. 11 12 JUSTICE BREYER: Now, in carrying out a duty to provide, you say that's just picking a point. 13 14 Somebody could equally well say, no, it's a duty to 15 provide means to get to the point. Now, either of those 16 seem equally consistent with the language. 17 MR. ANGSTREICH: Your Honor, there's more language that I think forecloses those interpretations. 18 19 It's not just the duty to provide interconnection. It's 20 the duty to provide interconnection for the competitor's facilities and equipment --21 22 JUSTICE BREYER: Yes. 23 MR. ANGSTREICH: -- at a point within the incumbent's network. Nothing in that statutory language 24

25 says that the duty is to provide the competitor with the

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facilities and equipment --1 2 JUSTICE BREYER: No, it doesn't say that, 3 but it doesn't say the opposite. And, therefore, you 4 might have an agency reasonably deciding that to provide -- to fulfill that duty, you must provide equipment 5 reasonably necessary to allow the competitor to connect. б 7 That's equally sensible. MR. ANGSTREICH: And, Justice Breyer, you 8 9 might have an agency that did that. 10 JUSTICE BREYER: Yes. 11 MR. ANGSTREICH: We don't have an agency 12 that did that. 13 JUSTICE BREYER: Apparently, you have an 14 agency that never really said one way or the other. 15 MR. ANGSTREICH: And that means that 16 Michigan was wrong when it thought that the agency had said it, and the Sixth Circuit was right when it agreed. 17 18 JUSTICE SCALIA: Well, it used to say the 19 other. You -- you contend it used to say the other, and 20 it has never, by proper means, gainsaid its prior 21 position. 22 MR. ANGSTREICH: That's correct, Justice Scalia. 23 24 JUSTICE BREYER: I don't see what the other -- I didn't hear anything that said they said the 25

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1 other. They've said when you have wires and you're 2 using the wires for communication, then they don't fall 3 outside this; that's true. But if you're using them for 4 interconnection, and they're necessary to use for interconnection, maybe it does fall inside this. I 5 б don't --7 MR. ANGSTREICH: Well, Justice Breyer, again, we point you to their definition of 8 9 "interconnection" where they excluded transport from interconnection and explained to the Eighth Circuit's --10 11 you know --12 JUSTICE BREYER: Excluded -- they excluded transport -- all transport to the point of 13 14 interconnection, where you could not provide the 15 facility to interconnect unless you had the transport? 16 Is that what they did? 17 MR. ANGSTREICH: What they said is --18 JUSTICE BREYER: Did they do that? Yes or 19 no? I bet the answer is no. 20 MR. ANGSTREICH: What they -- I -- Your 21 Honor, I just -- I don't think you're describing it in 22 the way that consists --23 JUSTICE BREYER: All right. 24 MR. ANGSTREICH: -- comports with the language of the Act. 25

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1	What they said is a duty to lease facilities						
2	that will be used for routing and transmission of						
3	telephone calls to the point, that's (c)(3). That's not						
4	part of the interconnection duty. When they contrasted,						
5	in their Local Competition Order, paragraph 172, they						
б	said what interconnection does is it lets the competitor						
7	pick the place where they're going to drop the traffic						
8	off. But it is section $(c)(3)$ that lets the competitor						
9	say: I'd prefer to use incumbent facilities at TELRIC						
10	rates to get to that point.						
11	They have made that very distinction. But						
12	what they're trying to do through their amicus brief						
13	here is to turn (c)(2) into a facilities leasing						
14	provision.						
15	Now, again, we don't think this Court needs						
16	to say that they could never have promulgated a rule						
17	with reasons that would get you there, but they've never						
18	done it. If they had done it, we would have had the						
19	opportunity to seek judicial review. They would have						
20	had to explain themselves. We've never had that						
21	opportunity.						
22	When they've said put, you know I						
23	think it's important, when they put out these sentences						
24	in the Triennial Review Order and Triennial Review						
25	Remand Order that supposedly told us of this new						
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1 obligation, they never asked for notice about this, even 2 though, in their notice of proposed rulemaking, they said, should we get rid of entrance facilities under 3 4 (c)(3)? They didn't say, and if we do, what would that mean for (c)(2)? They didn't ask the question. 5 б JUSTICE SCALIA: I thought they said, 7 moreover, that they were not amending (c)(2), 8 specifically. 9 MR. ANGSTREICH: That's exactly right. In the orders themselves, they assured AT&T and others that 10 11 they weren't changing anything with regard to (c)(2). 12 JUSTICE BREYER: But there are -- there are cases, I think, in primary jurisdiction where what a 13 14 district court has done, anyway, is to hold the case 15 while the ICC went and had a proceeding. And I'm sure 16 that hasn't been used in a long time. 17 MR. ANGSTREICH: No, that is still used, 18 Justice Breyer. 19 JUSTICE BREYER: It is? 20 MR. ANGSTREICH: But I'd point --21 JUSTICE BREYER: Well, maybe this is the case for it. 22 MR. ANGSTREICH: Well, I don't think 23 there's -- and I'd point to this Court's decision by 24 25 Justice Ginsburg in Northwest Airlines v. Kent, 510 U.S.

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355, where this Court said: Nobody has asked us to 1 invoke the doctrine of primary jurisdiction; we're not 2 going to do it; instead, we will adopt an interpretation 3 4 of the statute that will suffice for the purposes at hand. And as the Court later recognized in Brand X, 5 б that leaves it open to the agency, in a rulemaking, to 7 actually do the work that, as Justice Scalia noted, the 8 agency has never done here.

9 And so. It's -- rather than imposing 10 something through a combination of amicus briefs and 11 statements that don't actually set forth the rule that 12 the agency is trying to defend here, we'd have a real 13 rulemaking --

14 JUSTICE SOTOMAYOR: I --

15 MR. ANGSTREICH: -- and a chance --

JUSTICE SOTOMAYOR: I guess the problem I'm having is that you tell me on the one hand that up until, what, 2005, you were always paying the cost plus profit rates, the TELRIC's rates, for interconnection at a -- at an entrance facility.

21 MR. ANGSTREICH: That's not quite right, 22 Justice Sotomayor. Up until 2005, companies like Talk 23 America were allowed to get both the actual physical 24 linking at TELRIC rates and the transport facility at 25 TELRIC rates, but under two separate statutory

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provisions. They were getting the transport facility
 under (c)(3); that's gone away. They were getting the
 linking under (c)(2).

Now, there were other companies like
wireless carriers. They were getting the linking at
TELRIC rates under (c)(2), but they were paying full
freight for the transport, because they have never been
allowed to get unbundled network elements. So, this
notion that there's going to be a price increase to
wireless carriers is a fiction.

But what -- so, competitors were doing two things under two provisions. One of those has gone away. And it was only after it went away that anybody raised this notion that maybe that transport facility had always been required under (c)(2) also. But that's nothing the commission has ever done in a rulemaking.

17 It never did that in the proper way in the 18 Triennial Review Order or the Triennial Review Remand 19 Order. As Justice Scalia noted, it assured AT&T and 20 other incumbents that it wasn't changing the law. When 21 it published things in the Federal Register, which is where it's supposed to publish substantive rules, it 22 identified specifically the elimination of entrance 23 24 facilities as unbundled network elements, and said not a 25 word about any continued duty to provide them under

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1 section --

2 JUSTICE SOTOMAYOR: Well, it did in its 3 footnotes. It said -- that's what the whole dispute is 4 about, which is we're not changing the obligation to provide interconnection services. So, it said it 5 б clearly. MR. ANGSTREICH: It -- it said it --7 8 JUSTICE SOTOMAYOR: Its view --9 MR. ANGSTREICH: -- but then the question, Justice Sotomayor, is: Well, what was that obligation? 10 11 And the government concedes in footnote 6 that prior to 12 making those statements, it had never interpreted that 13 obligation to include the duty to lease that transport 14 facility. It claims the question never came up because, 15 while it was an unbundled element, it didn't matter. 16 Now, I think it's quite telling that while it was an unbundled element and we were having 10 years 17 18 of litigation about what the right standard is for an 19 unbundled element, nobody even thought to say: By the 20 way, all of this litigation is beside the point with

21 respect to the use of these facilities when we attach 22 them to an interconnection point.

JUSTICE SCALIA: The Eighth Circuit's decision would have been unnecessary and the revision of the rule?

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1	MR. ANGSTREICH: Exactly, Justice Scalia.
2	It's very strange that no I mean and I think from
3	the fact that nobody thought to say it comes to what we
4	view has happened, is that this is a rear-guard effort
5	to preserve TELRIC pricing for things that the
6	commission has said should no longer be available as
7	TELRIC at TELRIC pricing.
8	JUSTICE SCALIA: Maybe the commission didn't
9	like the Eighth Circuit's decision.
10	MR. ANGSTREICH: I I think it's probably
11	a fair statement that the commission does not like the
12	decisions vacating its unbundling rules, but
13	nonetheless, that's what happened, and the new rules get
14	rid of this element.
15	Again, what the Michigan commission found
16	was that the FCC had specifically determined that there
17	is a leasing obligation under (c)(2). That never
18	happened. The Sixth Circuit was right about that.
19	There is no leasing obligation that the commission has
20	ever established.
21	I think, Justice Breyer, to go back to your
22	question, whether they could do it is a separate
23	question. I don't think they could. I think we have an
24	incredibly good chance to prevail if they were to ever
25	promulgate such a rule, but they never did it. They

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said things directly to the contrary. 1 2 JUSTICE BREYER: It all didn't matter 3 because, in fact, they got the TELRIC rates under (c)(3) 4 until they changed the impairment part? 5 MR. ANGSTREICH: Right. 6 JUSTICE BREYER: So, who cared? And now 7 after that, they care. 8 MR. ANGSTREICH: Right, they care. 9 JUSTICE BREYER: And now -- now -- now the 10 other side cares, of course. And so, now -- now we're 11 faced with a situation where they're just putting this 12 in the brief for the first time, but they can't base it on anything the commission actually did? 13 14 MR. ANGSTREICH: That's exactly right. And 15 if the commission had actually --16 JUSTICE BREYER: Amd I'm glad it's right because I don't know what I'm talking about. 17 18 (Laughter.) 19 MR. ANGSTREICH: I'm glad -- I'm glad we're 20 at least agreeing with each other, Justice Breyer. 21 But -- and I think that really is the key administrative 22 law point here, is that if the agency in the Triennial Review Order or Triennial Review Remand Order had 23 actually said what they say in their brief, we never had 24 25 occasion to consider this question before. Now we're

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1								
1	considering it, and here is why we think it's							
2	appropriate to read (c)(2) to impose leasing.							
3	And despite the fact that, you know							
4	again, the commission claims that the statute's							
5	ambiguous. They'd need a policy reason why it's							
6	appropriate to read this ambiguous statute to require							
7	TELRIC pricing for things that third parties are							
8	actually investing in and selling at marketplace rates,							
9	why it's appropriate to undercut those third-party							
10	business models with this TELRIC pricing for something							
11	the competitors can and are building themselves, third							
12	parties are selling							
13	JUSTICE SOTOMAYOR: If we accept their							
14	policy arguments, what does that do to your main							
15	argument?							
16	MR. ANGSTREICH: I							
17	JUSTICE SOTOMAYOR: Because I think they've							
18	explained it to my satisfaction why this is necessary							
19	because (c)(2) requires interconnection. Congress has							
20	made a judgment that interconnection is the mainstay of							
21	competition in this area. So, if I accept that							
22	MR. ANGSTREICH: With due respect, Justice							
23	Sotomayor, I don't think they've made that policy claim							
24	here, and in particular this is not a case about whether							
25	interconnection is going to occur.							

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1	Competitors and wireless carriers are
2	picking their points of interconnection. They are
3	interconnecting today. They have been doing it. And
4	wireless carriers never had TELRIC priced transport
5	facilities, and yet they're interconnected. Competitors
б	in nearly a dozen States that have addressed this issue
7	and disagreed with Michigan and agreed with the Sixth
8	Circuit are interconnecting today using their own
9	facilities, using third-party facilities. And when they
10	come to AT&T and say we'd like to plug our facility into
11	this point, AT&T says, absolutely, and does the work
12	necessary to get those two things connected.
13	JUSTICE SCALIA: It doesn't say it that
14	happily. It really doesn't.
15	MR. ANGSTREICH: You're right. It
16	certainly
17	JUSTICE SCALIA: Well, okay.
18	MR. ANGSTREICH: It's it's an imposition
19	on AT&T. But the notion that in any way, shape, or form
20	the price of the cable will alter the interconnection of
21	telephone networks is simply false. Yes,
22	interconnection is an important policy, and Congress
23	said we have to provide it at points within our networks
24	selected by competitors. And we do that.
25	But Congress didn't say, and the FCC has

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1 never said, that we also have to provide them whatever 2 it is that they want to use to get to that point. And 3 there really is -- and I think some of the questioning 4 pulled that out, though they want to say I think because the Government won't endorse the absolute position the 5 Petitioners were taking in their opening briefs, that б 7 this is only about things that used to be ordered as 8 unbundled elements or things already in the ground.

9 But their position, their interpretation of 10 the statute has no stopping point. It would cover 11 anything a competitor might ever want to use to get 12 telephone calls to the interconnection point. And 13 they've never defended that limitless reading. And if 14 the agency ever wanted to adopt it, we would challenge 15 it. And as I've said, I like our chances, but until 16 they do it, Michigan was wrong to conclude that the commission had done it, and the Sixth Circuit was 17 18 correct to reject that.

19 If there are no further questions, I'll sit 20 down.

CHIEF JUSTICE ROBERTS: Thank you, counsel. Mr. Bursch -- Bursch, you have 4 minutes 22 23 remaining. 24 REBUTTAL ARGUMENT OF JOHN J. BURSCH

ON BEHALF OF THE PETITIONERS 25

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MR. BURSCH: Your Honors, everything you heard in the last 30 minutes is premised on the idea that the FCC is doing something new and that there was never a promulgated regulation. That is demonstrably false.

6 If you turn with me to page 32a of the red 7 brief, this is the FCC's regulation, promulgated all the 8 way back in 1996, which defined the scope of the (c)(2) 9 interconnection obligation. It's 47 CFR 51.321. And 10 this goes directly to the points that Justice Sotomayor 11 was making.

12 On page 32a, the FCC says that an incumbent must provide interconnection at a particular point upon 13 14 a request by a telecommunications carrier, such as a 15 competitor. "Technically feasible methods" -- this is in sub (b) -- "include, but are not limited to" -- and 16 they give two examples: collocation and meet points. 17 18 But this isn't the be-all-end-all of interconnection 19 obligations. These are exemplary.

To take an analogy, assume you had a high school cafeteria, and the school board said you have to provide vegetables to students when they ask for them, and you have to give them the vegetable that they ask for; those include broccoli and green beans. And they don't say anything else. Then you have a separate

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obligation in (c)(3), and the school board says until we see that the kids have enough nutrition, you must give them peas. That's entrance facilities unbundled under (c)(3).

5 So, some time goes by, and the school board says, okay, the kids are getting enough peas; we're 6 7 going to wipe away that second restriction, but the 8 initial restriction, the obligation in 321, is still 9 there; and if a student asks for peas, it's within the scope of 321 because broccolis and green beans were 10 11 representative examples, and peas are another one. And that's where entrance facilities fit. 12

JUSTICE SCALIA: Why did they fight the Eighth Circuit litigation? Why did -- I mean, it -you're telling me it made no difference whether (c)(3) allowed them to do what they wanted to do and what the Eighth Circuit said they couldn't do, right?

MR. BURSCH: The premise -- no, that's incorrect, Your Honor, because if you have an entrance facility under (c)(3), you can use it for more things than you can under (c)(2) because under (c)(3) you can have it for backhauling and still get TELRIC rates. Under (c)(2), you're limited to interconnection. So, it's a different question.

But the idea that somehow the FCC can --

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1 JUSTICE SCALIA: Very slightly different. 2 That's not that big a deal. 3 MR. BURSCH: Backhauling is a big deal to 4 competitors. And so, to say that they did something new in the TRRO is wrong. And to prove that point, if you 5 look at the comments -б 7 JUSTICE SCALIA: Incidentally, where do 8 you -- where do you get that backhauling restriction 9 from? 10 MR. BURSCH: The backhauling --JUSTICE SCALIA: Yes, yes. The --11 12 MR. BURSCH: From the TRO and the TRRO, and the FCC discussed that distinction in the Sixth Circuit 13 14 briefing at pages 6 to 7. So, this isn't anything new, 15 either. 16 So, the fact that this is not something new is demonstrated conclusively by comments in the TRRO 17 18 proceedings from Bell South, which is now an AT&T 19 subsidiary. And Bell South says, at page 59 of its 20 comments, fully recognizing the obligation that went all 21 the way back to 1996 in reg 321: Because entrance 22 facilities may be required for interconnection purposes and Congress explicitly enacted provisions that govern 23

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24 carrier obligations to provide interconnection in

25 251(c)(2), it was altogether reasonable for the

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1 commission to exclude these network elements from a 2 definition of ILEC dedicated transport intended for 3 unbundled access under 251(c)(3).

4 So, even incumbent carriers knew what the 5 FCC was doing in paragraph 140 of the TRRO, and there 6 was nothing new there.

7 One other small point with respect to the Network Engineers' map. This entrance facility right 8 here on page 19 already exists. We're talking about 9 existing facilities. And it's true, as the Sixth 10 11 Circuit said, that if the point of interconnection is 12 here at the ILEC switch, then that's where interconnection takes place, and this entrance facility 13 14 is -- is truly providing transport, not interconnection. 15 But when a competitive carrier chooses its 16 own switch as the point of interconnection, this is the end of the AT&T entrance facility, then interconnection 17 takes place there. And even in the Sixth Circuit's 18 19 view, that entrance facility is interconnection under 20 (c)(2). And as Congress has said, that's the obligation 21 that is immutable because it is so important,

22 fundamental to competition.

23 CHIEF JUSTICE ROBERTS: Thank you, counsel.
24 The case is submitted.
25 MR. BURSCH: Thank you.

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1	(Whereupon, at 12:05 p.m., the case in the	
2	above-entitled matter was submitted.)	
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