RESTORING INTERNET FREEDOM

By Dan Savickas and Luke Hogg

In 2003, Columbia Law professor Tim Wu attempted to strike a balance between the interests of broadband providers and the supposed issues that network control poses for new application markets. He proposed a regulatory regime that “would forbid broadband operators, absent a showing of harm, from restricting what users do with their internet connection, while giving the operator general freedom to manage bandwidth consumption and other matters of local concern.” The proposal would accomplish this by developing a binary “forbidden and permissible” system for the discrimination of packets transiting the networks. Professor Wu called this regulatory scheme “network neutrality;” net neutrality for short.

The ongoing debate surrounding the treatment of data on broadband networks didn’t start when Professor Wu published his paper. This debate is as old as the internet itself. In the late 1980’s, the few dispersed local area networks across the country that had already been communicating with one another adopted a set of pro forma rules for what they termed “inter-networking.” And thus, the internet was born.

As firms quickly began to learn how to capitalize on this new form of communication, more users and firms began to use the networks. Since then, the amount of uses and applications of the internet have grown exponentially, as have the number of devices that are connecting to the networks. This massive increase in traffic, and the congestion it creates, is what drives the swirling debate around net neutrality. Congestion in the networks is an inevitability. It is how we choose to unclog it that has stirred the ire of many on both sides of the aisle.

In order to understand this debate, and why it has burned so hot for so long, one must understand a little bit about how the internet works. Surprisingly, though it pervades our daily lives, very few of us have taken the time to gain even a fundamental understanding of the internet.

When you open up an internet browser and log into your favorite website, information that is being stored in a server (or the cloud) is broken down into bits known as “packets.” These packets are sent from the server along the network to a local router that directs the packet to a client (your browser). These packets are then reassembled on your device and transmitted to you as content like a YouTube video or your Facebook feed.

Computers communicate all of this information based on protocols that specify how information should be transmitted across the network. The problem of net neutrality arises when too many packets are being sent over a finite amount of network cable, creating congestion. Internet Service Providers (ISPs) have taken a diversity of approaches to reducing congestion. The fight over net neutrality revolves around the question of who should have oversight of what methods of decongestion are permissible, how tightly this space should be regulated, and what federal agency should hold jurisdiction over this regulation.

The ethereal idea of equality on the internet is certainly a utopian goal. Unfortunately, the reality is often far from theory and political talking points. The original push to enforce network neutrality was based on the flawed assumption that all data should be treated exactly equally. As the Competitive Enterprise Institute’s Jessica Melugin and Ryan Radia explained: “In reality, not every consumer perceives every byte of internet traffic to be equally valuable. If a mobile ISP were to degrade video content from ultra-high-definition to ‘ordinary’ high-definition, how many consumers could even tell the difference?...ISPs have been willing to experiment with a variety of strategies to handle network congestion, seeking the practices that work best for them and their customers, but the FCC’s net neutrality rules have thwarted such exploration, ultimately reducing innovation and consumer choice.”

**Background**

The regulatory history of the internet begins far before the internet would become a reality. In 1934, President Franklin Roosevelt signed into law the Communications Act that, most notably, created the Federal Communication Commission. Initially intended to replace the Federal Radio Commission and update communications rules, “its seven subchapters regulate virtually all aspects of the communications and broadcasting industry, including assignment of frequencies, rates and fees, standards, competition, terms of subscriber access, commercials, broadcasting in the public interest, government use of communications systems.” The Communications Act is the basis for the majority of FCC authority in regulating the internet, and the title under which a particular medium is classified is the determining factor in whether an industry is regulated with a light or heavy touch, and how much jurisdiction the FCC has.

With the advent of the internet in the form we are now familiar with in the 1990’s spurred passage of the Telecommunications Act of 1996. That legislation was enacted in bipartisan fashion to establish a “light touch” regulatory framework to govern the internet. This is the very same framework that allowed the web to thrive and expand in the manner that it had up until the Open Internet Order, and the

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manner that it has ever since the Restoring Internet Freedom Order was enacted.

Again, this is not a partisan framework. The 1996 Telecommunications Act passed with broad bipartisan support. It passed the House of Representatives by voice vote with not one member from either party raising an objection to its unanimous passage. In the Senate, it passed by a vote of 81-18. It earned the support of then-Senator and future Obama administration Secretary of State, John Kerry (D-Mass.) as well as Sen. Ron Wyden (D-Ore.), a man who would later criticize the same framework he helped implement.

In 2005, the FCC, under the direction of the Bush administration, passed the Internet Policy Statement that classified broadband internet access services as Title I information services under the Communications Act. This meant that broadband internet services were placed under a less stringent regulatory structure than telecommunications services. In the same meeting, the FCC also agreed to adopt the following four principles “to ensure that broadband networks are widely deployed, open, affordable, and accessible to all consumers.”

- To encourage broadband deployment and preserve and promote the open and interconnected nature of the public Internet, consumers are entitled to access the lawful Internet content of their choice.
- To encourage broadband deployment and preserve and promote the open and interconnected nature of the public Internet, consumers are entitled to run applications and use services of their choice, subject to the needs of law enforcement.
- To encourage broadband deployment and preserve and promote the open and interconnected nature of the public Internet, consumers are entitled to connect their choice of legal devices that do not harm the network.
- To encourage broadband deployment and preserve and promote the open and interconnected nature of the public Internet, consumers are entitled to competition among network providers, application and service providers, and content providers.

That same year, the Supreme Court ruled in *NCTA v. Brand X Internet Services* that the classification of cable modem services as interstate information services, making them subject to Title I regulation, was a valid interpretation, relying heavily upon the FCC’s own view of statute. This decision also set the precedent that the principle of *Chevron* deference applied to the U.S. Court of Appeals, meaning that the court must defer statutory interpretation to the agency unless the statute is “unambiguous.” The FCC used this opinion, in part, to extend its previous opinion of Title I classification to telephone company internet access services like Digital Subscriber Lines (DSL).

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During his presidential campaign of 2008, future-President Barack Obama brought the issue of net neutrality out of the administrative meeting rooms and onto the public stage. In 2007, Obama said of net neutrality, “As president, I am going to make sure that [net neutrality] is the principle that my FCC commissioners are applying as we move forward,” regardless of the fact that the FCC is supposed to be an independent agency. Once elected, President Obama moved relatively swiftly to fulfill his promise.

In President Obama’s first attempt at imposing net neutrality, the FCC adopted the Open Internet Order on December 21, 2010. The rule was extensive. Among other things, the new regulations banned fixed and mobile broadband ISPs from blocking lawful content, applications, services, or non-harmful devices. It also established the “no unreasonable discrimination rule” that banned ISPs from discriminating between any traffic crossing their network, either positively or negatively.

In that same vein, the rule established an Open Internet Advisory Committee with the sole task of monitoring the broadband sector and providing recommendations to the FCC on ways to enforce the Open Internet Order. Furthermore, “the authority to adopt the order abandoned the ‘third way approach’ previously endorsed by then-Chairman Julian Genachowski and other Democratic commissioners, and treated broadband internet access service as an information service under Title I. The order relied on a number of provisions contained in the 1934 Communications Act, as amended, to support FCC authority.”

But the Open Internet Order wasn’t built to last. Dozens of claimants filed lawsuits against the FCC which were later consolidated into *Verizon Communications Inc. v. FCC*. Verizon’s basic claims were that the order violated the free speech clause of the First Amendment and that the FCC exceeded its statutory authority in promulgating the rule. In short, the court upheld the FCC’s authority to promulgate the rule and the disclosure requirements, but struck down the nondiscrimination and anti-blocking rules. The court remanded the Open Internet Order, sending the Obama administration back to the drawing board to try and find a constitutional way to implement net neutrality.

After four years of revision, the FCC reopened the notice of proposed rulemaking for the Open Internet Order in late 2014 with voting to approve the revised rule taking place in February 2015. The new rule expanded the original grounds for authority beyond the Communications Act to include Title II, Title III, and Section 706 of the Telecommunications Act of 1996. The 2015 order also reclassified broadband internet access services as telecommunications services to be regulated as Title II entities. But the 2015 Order also went several steps further.

than the original order, just in more creative ways.

The 2015 Open Internet Order banned all forms of blocking, throttling, and paid prioritization on broadband networks. It created a stringent general conduct standard for ISPs and once again expanded transparency rules. Importantly, the 2015 Order corrected an original error and did not apply to non-Broadband Internet Access Service data service like heart monitors that require priority bandwidth. Though interest groups and industry leaders challenged the new rule in court, the U.S. Circuit Court of Appeals for the D.C. Circuit upheld the legality of the Order in its entirety and the Supreme Court denied review.

**Restoring Internet Freedom Order**

Despite the fact that the Open Internet Order had only been on the books for two years, the nation knew it was in for a change when President Trump nominated then-Commissioner Ajit Pai to be the new Chairman of the FCC. Pai was a staunch critic of Chairman Tom Wheeler and shortly after Donald Trump’s election, Pai stated that the Open Internet Order’s “days were numbered.” This was all before he ascended to the chairmanship.

From his early days on the panel, Pai recognized that the issue of “network neutrality” should not be in the hands of the FCC. He testified at a 2014 hearing on the topic:

“A dispute this fundamental is not for us, five unelected individuals, to decide. Instead, it should be resolved by the people’s elected representatives, those who choose the direction of government, and those whom the American people can hold accountable for that choice.”

It would soon become quite clear that it was this principle that would guide the alternative to the young Open Internet Order. The FCC had never, until that point, had control over policing internet “fairness.” Also, the fact that Pai knew he could overturn the order simply with a contrasting order showed how flimsy a regulatory standard was. Only an act of Congress could provide the legal certainty tech companies would need to innovate and invest in the future.

The alternative finally came about in May of 2017, just four months after Pai’s appointment. The Restoring Internet Freedom Order reclassified the internet as a Title I information service as opposed to a Title II public utility. This was not fancy partisan footwork on behalf of the Commission. The Restoring Internet Freedom

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Order was a return to the pre-Obama framework. This was the same framework set forth by the 1996 Telecommunications Act.

It is also important to note that nothing in the 1996 Telecommunications Act, nor the Restoring Internet Freedom Order left the internet unpoliced. Under its classification as a Title I information service, perceived unfairness would be regulated by the Federal Trade Commission (FTC). They had been an effective “cop on the beat” until the Obama administration transferred that authority to the FCC. The Restoring Internet Freedom Order rightly entrusted them once again with the authority that had been stripped from them in a bureaucratic turf war led by Chairman Wheeler. Antitrust laws also still apply to ISPs, providing claimants with a route to restitution in the event of a violation.

Furthermore, nothing in the Restoring Internet Freedom Order precludes Congress from enacting legislation to clarify rules for internet governance. In fact, one of the goals of this exposition on the issue is to encourage Congress to set forth clear rules to provide certainty to the market on this issue. And, if you’ll remember, the desire to have this adjudicated once and for all by the legislature was one of Chairman Pai’s guiding principles for crafting a regulatory response to the Open Internet Order.

Lastly, the Commission put cost-benefit analyses in place for future attempts to regulate the internet in the manner Wheeler had. The previous practice of refusing to conduct such analyses was not actually unique to the FCC. Many agencies refuse to conduct them to seem as if they are acting in the public good without concern for special interests. However, failing to consider costs to the public hardly seems to accomplish this. The Restoring Internet Freedom Order mandated such analyses in the future to assess potential damage to the economy by further internet regulation emanating from the Commission.

The Commission voted to move forward with a notice of proposed rulemaking (NPRM) in May of 2017. The comment period would last through the middle of July, with an extended period for “reply comments” that would run through the middle of August.

The docket received over 21.7 million comments from citizens across the country. For perspective, the FCC received only 1.4 million comments complaining about the Justin Timberlake-Janet Jackson fiasco at the Super Bowl halftime show in 2004. That was the previous highest mark for comments the agency had received. There was some public controversy over whether activists on both sides were using fake names and form comments to inflate the numbers. Regardless, this was a national issue.

After the dust settled on the contentious comment period (most of which will be discussed subsequently), the Commission voted by a party-line 3-2 vote to enact

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the Restoring Internet Freedom Order on December 14, 2017. The rule was published in the Federal Register a few weeks thereafter on January 4, 2018 and took full effect on June 11, 2018.

Congress, instead of using the principles set forth by the Commission to establish a newer framework that would withstand the proverbial game of regulatory ping pong between the two parties, tried to use the Congressional Review Act (CRA). The CRA is a tool that can be used by Congress to repeal federal regulations within 60 days of them being published in the Federal Register.

However, in this instance, Congress was using the CRA to try and re-implement a regulation, rather than simply passing legislation to achieve their desired policy. It would rather pass the buck back to the FCC. The CRA resolution did pass the Senate 52-47, including a vote in favor by the aforementioned Sen. Wyden. However, it failed in the House of Representatives. The Restoring Internet Freedom Order had cleared its final legislative hurdle.

Although opponents of the Order couldn’t repeal the rule through Congress, attempts at repeal through the judiciary continued. The courts condensed the relevant litigation to Mozilla v. FCC and sent the challenge to the U.S. Circuit Court of Appeals for the District of Columbia. There, the court upheld all of the classifications of the order -- classifying Broadband Internet Access Services (BIAS) as information services subject to Title I and mobile broadband service as a private mobile service -- as well as the vast majority of the rest of the order, including its stringent transparency requirements. Despite this, the court determined to remand the Order to the FCC for reconsideration on the grounds that the order presented constitutional issues surrounding the preemption of state and local regulations regarding the internet. In effect, the court told the FCC to go back and rewrite the rule to ensure that states and localities can institute their own rules with regards to data discrimination.

Importantly, the court did not vacate the Restoring Internet Freedom Order. As such, it remains in effect even as the FCC has reopened the docket to public comment and consideration by the Commission. Currently, the FCC is addressing three questions remanded to them by the D.C. Circuit. First, they are examining the implications of the order with regards to public safety. Second, they are examining the implications of reclassification on the regulation of pole attachments. Finally, they are examining the effects of deregulation on the FCC’s lifeline program that is designed to provide subsidies to provide broadband access in low income areas. The Commission seems confident that the revised version of the rule will pass with flying colors.

The End of the World As We Know It

Perhaps one of the more lasting legacies of the Restoring Internet Freedom Order will be the predictions of mass doom it spawned from the left side of the political spectrum. This reversion to the 2014 status quo was supposed to be the end of the internet, we were told. That is why one of the most important aspects of the support campaign for Restoring Internet Freedom was myth-busting these radical claims.

The most famous doomsday prognostication came from the Senate Democrats, claiming that repeal of the Title II regulations would lead to tweets loading “one word at a time.”¹⁴ We are now almost two years post-repeal and internet content is being delivered to faster than ever before. Sadly, this is not close to the only unhinged prediction. The lunacy surrounding the issue was more a desperate plea to keep a hold of this policy accomplishment rather than actual fear about irrevocable harm to the network.

The number one boogeyman in the leftist campaign against the Restoring Internet Freedom Order was “paid prioritization.” Opponents of the order spun the argument that ISPs would be able to “throttle” content and charge predatory prices for guaranteed service if they were not under the thumb of Title II. It conjured up visions of a marketplace dominated by only the companies who came crawling to the ISPs. This could not be further from the truth.

First off, there is very little market incentive, if any, for ISPs to engage in the type of predatory prioritization in the manner described by the left. The best evidence of this is the most straightforward. No ISP took part in such prioritization before the Title II regulations were put in place and there’s little to no evidence that the practice has started up since they were repealed. It’s simply bad business for them to do so. Furthermore, transparency requirements ensure that any such predatory practices would immediately be detected, if they were to appear. In this instance, there are many alternative treatments available to treat such action on a case-by-case basis.

As American Enterprise Institute fellow Daniel Lyons put it:

“All major broadband providers have terms of service prohibiting blocking, throttling, and unreasonable discrimination. And though advocates make much of paid prioritization — the ability to pay for priority delivery in the event of congestion — there isn’t much of a business case for prioritization at present because most networks are relatively congestion free. The Washington Post fact-checker gave “Three Pinocchios” to the claim that repealing net neutrality would

¹⁴ @SenateDemocrats. Twitter Post. Feb 27, 2018, 11:39 AM. https://twitter.com/SenateDems/status/968525820410122240
reduce internet speeds.”

In fact, the real boon for big companies is actually the absence of real prioritization. The Title II regulations acted as a big subsidy for companies like Netflix, YouTube, Google, and Amazon, who consume huge swaths of network traffic on any given day. It only stands to reason that a company like Netflix, which itself occupies roughly 35 percent of internet bandwidth, should pay more than smaller sites for guaranteed speed. This isn’t predatory. This is allowing ISPs to effectively and efficiently manage their network. If they’re forced to host Netflix at a loss, the only solution available to them under Title II is to raise the price of everything to maintain the “fairness” Title II advocates claim to crave.

Not only would this harm consumers, but it would also price the smaller websites out of the market. Title II is a surefire way to ensure that the entrenched players in the web space remain entrenched. That is a far quicker path to monopolization than through the logically inconsistent roadmap the left painted when claiming ISPs would create internet slow lanes.

Furthermore, in the modern world, there are a plethora of options for well-funded operations to effectively bypass paid prioritization. As is often the case, internet regulation is far eclipsed by the innovation in technology. One such method already in wide use is content delivery networks that bypass the public internet to provide networks services directly to end users. As technology advances, our ability to deal with congestion will expand in directions public policy hasn’t considered, making it all the more important to ensure a light touch framework so as not to hinder this positive innovation.

In reality, the Restoring Internet Freedom Order helps almost all involved. ISPs can better manage their networks. Smaller sites can get access to bandwidth at a price that’s affordable to them. Larger sites like Netflix don’t have to worry about being throttled, because they can pay a rate in keeping with their usage to guarantee high speeds.

Lately we’ve also seen how light touch regulations and prioritization of web traffic help during the coronavirus outbreak. ISPs and data providers are now able to prioritize traffic to health sites and government information pages. With Title II in place, this would not be possible and it is likely that health sites getting heavier than normal traffic might be overrun and have to shut down.

The Restoring Internet Freedom Order was not the end of the internet as we know it. It was a vast improvement of the internet as we know it.

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The Effects

Two years after the formal repeal of Title II, we can start to reasonably assess the impact it has had on our economy and on the internet in general. As laid out above, it goes without saying that the predictions of doom were off-base. Not only were they wrong, but the opposite has come to fruition. Internet speeds have increased. Investment has gone up, and tech companies are handing out bonuses to workers because of the added regulatory certainty they now have.\(^\text{16}\)

Prior to the repeal of Title II, the United States ranked a respectable twelfth place globally in terms of internet speed. In just the first year since Restoring Internet Freedom, internet speeds jumped 40 percent year-over-year. This massive improvement leapfrogged the U.S. from twelfth to seventh place globally. A study by Ookla found that in 2019 broadband download speeds increased by 36 percent while broadband upload speeds increased by 22 percent.\(^\text{17}\)

This improvement should not come as a surprise to any observer, as they largely reflect the figures from 2011 to 2014, in the pre-Title II era. Internet companies, on average, outpaced their own expectations for upload speeds. Only 10 percent of Americans lacked access to the highest benchmark download/upload speeds of 25mbps/3mbps. Download speeds often rose by upwards of 60 percent year-over-year during that time.\(^\text{18}\) It’s no miracle that we are returning to those numbers once again.

According to a 2013 study conducted by the Information Technology and Innovation Foundation (ITIF), the U.S. stood as a global leader in deploying high-band fiber for expanded internet access.\(^\text{19}\) Not to mention that the U.S. ranked sixth in fiber availability without the massive subsidies provided by some of the higher countries.

This trend picked back up with the return of light touch regulations. In 2018, more fiber was deployed in the U.S. than any year previously on record. Research also shows that fiber development and deployment is being driven by small-scale ISPs. They can afford to do so, because they are not being priced out of the market by rigid government regulations that would force them to host Netflix the same way they would smaller sites. They could not manage that kind of bandwidth. With the flexibility of light-touch regulations they can, and can grow out their infrastructure to accommodate bigger sites. This is not possible under Title II.

Almost immediately after the Restoring Internet Freedom Order took effect, companies announced they were offering thousand dollar bonuses to their

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employees. It shortly became clear why they could afford to do so. Investment in broadband rose for the first time since Title II had been enacted during the Obama years. More money was finally coming into our tech infrastructure again now that there were at least four years of assurance the government would not strangle the tech space in red tape.

In short, we are just beginning to see what our tech sector can accomplish in this modern era absent the heavy hand of government regulation. Imagine the capabilities we have now and the untapped potential we had years ago. If our internet continues to grow at that rate from where we are now, the U.S. is well on its way to winning the race to deployment of fifth generation (5G) technology across the globe, which will provide an economic boom at a time where we may sorely need one.

Conclusion

There are many lenses through which to view the net neutrality debate. Yet, no matter which angle you choose, it is difficult to justify such policy when one looks at the technical and economic realities. On the technical side, not all data holds equal value, meaning that the ominous words like “throttling” and “blocking” are really just tools our ISPs use every day to provide consistent, reliable service. On the economic side, network speeds have increased significantly since the repeal of the Open Internet Order, and some have even credited the Restoring Internet Freedom Order with keeping America online during the COVID-19 crisis. Clearly, restricting the freedom of ISPs to manage their networks is not the way forward that will support a growing and innovative internet.

The idea of data equality has a nice ring to it, but the truth of the matter is that we can’t apply enlightenment principles with broad strokes. Data takes all sorts of forms. Some are absolutely vital while others barely make a noticeable difference. Forcing networks to treat all of this information equally is not only inefficient, but it results in lower quality service for everyone. We should be encouraging these industries to innovate creative solutions to these problems, as they have been, rather than butting in and hampering progress.

To put it frankly, the internet as a whole is just better off under a light touch framework. It was such a framework that first allowed the blossoming of this new and wonderful tool. If we wish to continue moving forward, we should learn from the past, and support the internet rather than burden it with regulation.

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