1	IN THE SUPREME COURT OF THE UNITED STATES					
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3	AMERICAN NEEDLE, INC.,	:				
4	Petitioner	:				
5	v.	: No. 08-661				
6	NATIONAL FOOTBALL	:				
7	LEAGUE, ET AL.	:				
8		-x				
9	Washington	, D.C.				
10	Wednesday,	January 13, 2010				
11						
12	The above-entitled	matter came on for				
13	oral argument before the Supreme Court of the United					
14	States at 10:08 a.m.					
15	APPEARANCES:					
16	GLEN D. NAGER, ESQ., Washington, D.C.; on behalf of					
17	Petitioner.					
18	MALCOLM L. STEWART, ESQ., Deputy Solicitor General,					
19	Department of Justice, Washi	ngton, D.C.; on				
20	behalf of the United States,	as amicus curiae,				
21	supporting neither party.					
22	GREGG H. LEVY ESQ., Washington, D	.C.; on behalf of				
23	Respondents.					
24						
25						

1	CONTENTS	
2	ORAL ARGUMENT OF	PAGE
3	GLEN D. NAGER, ESQ.	
4	On behalf of the Petitioner	3
5	MALCOLM L. STEWART, ESQ.	
6	On behalf of behalf of the United States,	
7	as amicus curiae, supporting neither party	29
8	GREGG H. LEVY, ESQ.	
9	On behalf of the Respondents	39
10	REBUTTAL ARGUMENT OF	
11	GLEN D. NAGER, ESQ.	
12	On behalf of the Petitioner	65
13		
14		
15		
16		
17		
18		
19		
20		
21		
22		
23		
24		
25		

1	PROCEEDINGS
2	(10:08 a.m.)
3	CHIEF JUSTICE ROBERTS: We'll hear argument
4	first this morning in Case 08-661, American
5	Needle v. The National Football League.
6	Mr. Nager.
7	ORAL ARGUMENT OF GLEN D. NAGER
8	ON BEHALF OF THE PETITIONER
9	MR. NAGER: Thank you, Mr. Chief Justice,
10	and may it please the Court:
11	In this case, the Court of Appeals for the
12	Seventh Circuit held that an agreement of the 32 teams
13	of the National Football League was immune from any
14	scrutiny under section 1 of the Sherman Act on the
15	ground that the agreement allegedly fails the
16	plurality of actor requirement of this Court's
17	jurisprudence.
18	The 32 teams of the National Football League
19	are separately owned and controlled profit-making
20	enterprises. Under this Court's decision in NCAA, as
21	well as the Court's more general joint venture
22	jurisprudence, those clubs are entities whose distinct
23	agreements are, indeed, subject to section 1 scrutiny.
24	The fact of the matter is there is a long-
25	standing consensus, judicial and legislative, that

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- 2 they will participate in the marketplace is subject to
- 3 scrutiny under the Sherman Act, section 1.
- 4 The Court's decision in NCAA is most
- 5 directly on point. In that case, the Court held that
- 6 a policy of the NCAA that restricted the ability of
- 7 member institutions of the NCAA to sell TV rights
- 8 violated section 1. Just as with the NFL, the
- 9 decisions of the NCAA were ultimately controlled by
- 10 the vote of its members, and for that reason, the
- 11 Court held that the NCAA policy was a horizontal
- 12 restraint, and it --
- 13 JUSTICE SOTOMAYOR: But there was no joint
- 14 venture with respect to the television rights, meaning
- 15 there was no separate activity, other than the
- 16 televising of the shows at issue. Here, the Solicitor
- 17 General is saying there is a joint venture, and it has
- 18 to do with the licensing of trademarks, with their
- 19 quality control, et cetera.
- Isn't that a substantial difference?
- 21 MR. NAGER: No, I don't -- I don't think so,
- 22 because what we're -- what we're asking about here is
- 23 -- is the question of whether or not the agreement of
- 24 the teams involves a plurality of actors. And just as
- 25 in NCAA, the members' institutions -- because they

- 1 controlled the operation of the NCAA and the policy
- 2 that it was promulgating, there was a plurality of
- 3 actors.
- 4 So, too, here, the 32 teams of the National
- 5 Football League have entered into an agreement and
- 6 control the use, collectively, of the trademarks and
- 7 logos of the individual teams. And for that reason,
- 8 there is concerted activity that is involved.
- 9 Justice Sotomayor, the point that you raise
- 10 might be of -- a point of difference that the NFL
- 11 could argue in the context of an ancillary restraint
- 12 analysis, in the context of a rule of reason analysis,
- 13 but it's not a point of distinction that they can
- 14 argue properly in the context of the concerted conduct
- 15 inquiry.
- 16 The NCAA case simply applies the consistent
- 17 teachings of this Court in cases like Sealy, BMI, and
- 18 Copperweld, that separately owned and controlled
- 19 entities entering into agreements -- those agreements
- 20 constitute concerted conduct subject to scrutiny under
- 21 the antitrust laws. The --
- JUSTICE GINSBURG: Does that cover
- 23 everything that the NFLA does? Because everything is
- 24 subject to agreement. It's all concerted action. So,
- 25 is everything under the Sherman Act, and then it goes

- 1 to rule of reason analysis? Or are there some things
- 2 that escape, entirely, antitrust analysis?
- 3 MR. NAGER: Certainly everything in the --
- 4 that's challenged in this case, because this involves
- 5 a restriction on the activities of the venturers
- 6 themselves. But more generally, I would -- I would
- 7 answer your question, Justice Ginsburg, to say that
- 8 yes, that everything that these 32 separately owned
- 9 and controlled teams joined together to do by -- in
- 10 concert, by agreement, by consent, is a contract.
- 11 JUSTICE KENNEDY: Changes in the -- in the
- 12 rule apply? They make a change to make it -- give
- 13 the passer more protection, but there's -- this really
- 14 hurts certain teams, which mostly run, and so -- rule
- 15 of reason?
- 16 MR. NAGER: Yes, it is concerted activity.
- 17 I don't think it would be a plausible rule of reason
- 18 claim.
- 19 JUSTICE KENNEDY: Well, how -- you know the
- 20 litigation system. How do we know?
- 21 MR. NAGER: Well, I think we know the
- 22 following, Justice Kennedy: That under this Court's
- 23 rule of reasons jurisprudence, a plaintiff has to be
- 24 able to plead an identifiable anticompetitive effect
- 25 in a market in which the defendant plausibly has

- 1 market power, and the -- the plaintiff also has to be
- 2 one who can --
- JUSTICE KENNEDY: Well, my -- my
- 4 hypothetical: Two or three teams which aren't
- 5 particularly popular in the league are hurt by the
- 6 rule change. And --
- 7 MR. NAGER: That --
- 8 JUSTICE KENNEDY: And notice, there's --
- 9 that the owners sit around the room, they are liable
- 10 for a conspiracy. I mean, this is serious stuff.
- 11 Triple damages.
- I don't -- and my question, really, was the
- 13 same as Justice Ginsburg's. Can you give us a zone
- 14 where we are sure a rule of reason inquiry will be --
- 15 would be inappropriate? We can take care of it on
- 16 summary judgment. Because if you don't have some sort
- 17 of section 1 carve-out for joint action, then -- then
- 18 everything is under the rule of reason.
- 19 MR. NAGER: Well, Justice Kennedy, let me
- 20 answer your question in two parts. First of all, to
- 21 the extent that the Court is looking for a zone, the
- 22 concerted conduct doctrine is the wrong place to do
- 23 it, because remember, if something is deemed not to be
- 24 concerted conduct, it is a per -- then it's per se,
- 25 not subject to section 1 and per se legal. And I

- 1 think for the Court's jurisprudence over the last
- 2 30 years, the Court has been trying to get out of per
- 3 se rules and have a more focused inquiry into what the
- 4 anticompetitive effects and pro-competitive effects of
- 5 a particular restraint are. The concerted conduct
- 6 doctrine would be a very blunt tool to use for that
- 7 purpose.
- Now, that is not to say -- and I appreciate
- 9 your question -- in the NCAA case itself, where
- 10 conditions of competition and the like were raised,
- 11 Justice Stevens's opinion for the Court says that in
- 12 contrast to the TV restraint, these other types of
- 13 rules and regulations of the sports league are
- 14 presumptively competitive, pro-competitive,
- 15 presumptively favorable to consumers, because they are
- 16 integral and bound up with the creation of the
- 17 football venture itself.
- 18 JUSTICE ALITO: Well, let me give you
- 19 another example that you mention in your brief. The
- 20 NFL teams agree among themselves regarding scheduling:
- 21 They'll play 16 games a year and they will have a
- 22 playoff schedule and they won't play any other games.
- 23 Now, would that be a clear case under the rule of
- 24 reason? You mention and some of your amici mention
- 25 that, for example, the English football leagues

- 1 operate very differently.
- 2 MR. NAGER: Justice Alito, if I -- I may not
- 3 have gotten all of your question, but let me answer it
- 4 in two parts. The antitrust laws do not require joint
- 5 ventures to maximize output. They don't require joint
- 6 ventures to maximize competition. They simply
- 7 prohibit people entering into contracts from
- 8 unreasonably restraining trade.
- 9 So a mere agreement among the team owners
- 10 that they would have a 14-game schedule rather than a
- 11 16-game schedule is not a prima facie showing of an
- 12 anticompetitive impact, because all it's showing us is
- 13 what the joint venturers have done with their own
- 14 output. They have -- you haven't alleged a
- 15 market-wide reduction in output. Now, if by your
- 16 question you were saying, in addition --
- 17 JUSTICE ALITO: Well, what if one of the
- 18 team wants -- one of the teams wants to play
- 19 additional games --
- MR. NAGER: Well --
- 21 JUSTICE ALITO: -- against a rival team
- 22 where they will get more money?
- 23 MR. NAGER: What I -- what I was going to
- 24 jump right to is: If in addition to changing the
- 25 league schedule, the team owners in concert agreed to

- 1 prohibit the teams of the National Football League
- 2 from -- from playing any other games -- doing an
- 3 exhibition game in Japan, the Redskins and the Giants
- 4 playing another game -- that might show a market-wide
- 5 reduction in output. And the Court's decision in NCAA
- 6 says very specifically that the most important
- 7 condition of ensuring the competitiveness of joint
- 8 ventures is ensuring the freedom of the individual
- 9 venturers to produce output, increase output.
- Now, that doesn't mean that a league rule of
- 11 that type would be unlawful. All I'm trying to
- 12 suggest is if, in addition to changing the schedule of
- 13 games for the league, they also imposed a restriction
- 14 on the individual venturers from producing additional
- 15 games on their own, we might have something that
- 16 looked more like a plausible rule of restraint --
- 17 JUSTICE SOTOMAYOR: They couldn't -- they
- 18 couldn't stop that team from joining another league?
- 19 Let's assume -- and I -- you know, I don't know enough
- 20 about football, but let's assume there are two leagues
- 21 playing. One of them plays on Saturday and the other
- 22 plays on Sunday. You're suggesting that the venture
- 23 couldn't stop their members from joining that other
- 24 league? What's the purpose of being in a venture if
- 25 -- if you are free to reject it and go to somewhere

- 1 else?
- 2 MR. NAGER: What I'm saying is, first of
- 3 all, it would plainly be concerted activity on the
- 4 part of the team owners because they would have
- 5 entered into a horizontal restraint on the activity of
- 6 the venturers. Whether or not that horizontal
- 7 restraint violated the antitrust laws, one would have
- 8 to go through the following analysis, Justice
- 9 Sotomayor: First, we would ask whether or not that
- 10 restriction is an ancillary -- an ancillary restraint.
- 11 And an ancillary restraint, starting with
- 12 Judge Taft, later Chief Justice Taft's, opinion in the
- 13 Addison Pipe case, is: Is that restraint reasonably
- 14 necessary to achieve the efficiency-enhancing purposes
- of the joint venture and is it no broader than
- 16 necessary?
- 17 CHIEF JUSTICE ROBERTS: It seems --
- 18 MR. NAGER: And if it is, then we would
- 19 analyze that restraint by reference not only to its
- 20 own pro-competitive benefits and anticompetitive
- 21 effects; we would analyze it by reference to the
- 22 benefits of the joint venture as a whole.
- 23 CHIEF JUSTICE ROBERTS: Counsel, it seems to
- 24 me -- your last few answers seem to me to beg the
- 25 question. You start out by saying, well, obviously

- 1 it's a horizontal agreement among the teams, and then
- 2 you explain how you are going to analyze it.
- I thought that was the very question before
- 4 us: Whether these sorts of rules and regulations are
- 5 horizontal agreements between the teams or whether
- 6 they are part of a particular -- a single entity's
- 7 articulation of rules.
- 8 MR. NAGER: Well, Mr. Chief Justice, you are
- 9 exactly right, and the real --
- 10 CHIEF JUSTICE ROBERTS: That you have been
- 11 begging the question? Is that -- that part?
- 12 (Laughter.)
- MR. NAGER: Well, let me try to address
- 14 Justice Sotomayor's subsequent question in the context
- of the way you are posing the question,
- 16 Mr. Chief Justice.
- 17 The reason it's a horizontal restraint is
- 18 because these -- under the Court's doctrine,
- 19 consistent teachings, whether it be Sealy, BMI,
- 20 Copperweld, these teams are separately owned. They're
- 21 separate decision-makers joining together, and they're
- 22 making a decision about how they are going to jointly
- 23 produce something or not produce something. And
- 24 that's what makes it concerted activity under this
- 25 Court's consistent teachings. The distinction between

- 1 unilateral activity under section 1 and concerted
- 2 activity under section 1 has consistently been the
- 3 distinction between ownership integration of assets --
- 4 JUSTICE STEVENS: Can I --
- 5 MR. NAGER: -- and contract integration of
- 6 assets.
- 7 JUSTICE STEVENS: Can I interrupt with this
- 8 question? Is it not part of your burden not only to
- 9 argue there are multiple actors, but also that their
- 10 agreement has an adverse effect on competition?
- 11 MR. NAGER: It -- absolutely, as the
- 12 plaintiff in the case, Justice Stevens, that we do.
- 13 That is not the ground of decision of the court below.
- 14 JUSTICE STEVENS: I understand it isn't, but
- 15 it is part of your burden to say that this is not a
- 16 pro-competitive agreement.
- MR. NAGER: Absolutely. And I'm not --
- 18 JUSTICE SCALIA: But not -- not here.
- 19 MR. NAGER: In the -- I'm sorry, Justice --
- JUSTICE SCALIA: Not here.
- 21 MR. NAGER: I -- I don't have to argue -- I
- 22 mean, I don't think I have to argue in this Court. I
- 23 just have to answer your questions, but --
- 24 JUSTICE STEVENS: Well, you at least have to
- 25 relate it.

1	JUSTICE	SCALIA:	If	if	we	find	for	you
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- 2 and it goes back, then you would -- you would bear
- 3 that burden.
- 4 MR. NAGER: That's correct. And, in fact,
- 5 in this case, Justice Stevens, I would point out that
- 6 the NFL initially moved to dismiss the -- the rule of
- 7 reason count on the ground that it didn't state a
- 8 cognizable, plausible rule of reason claim, and the
- 9 district court judge denied that motion.
- 10 He found that the complaint alleged a market
- in which he could not say, as a matter of law, that
- 12 the NFL defendants did not have market power, and he
- 13 recognized that the -- that the teams had agreed
- 14 together to prohibit competition in an aspect of their
- 15 licensing activity and in an aspect of their
- 16 merchandising activity.
- 17 JUSTICE SCALIA: How does it work?
- 18 JUSTICE STEVENS: But what if he -- what if
- 19 he further concluded that the agreement had the
- 20 overall effect of stimulating additional -- it was
- 21 pro-competitive in that it would equalize the economic
- 22 strength of the teams and, therefore, made them all
- 23 better competitors on the playing field? Would that
- 24 have been a defense?
- MR. NAGER: I'm sorry, Justice Stevens, I'm

- 1 not quite sure. I thought you were saying if in the
- 2 response to a motion to dismiss --
- JUSTICE STEVENS: Right.
- 4 MR. NAGER: -- he had -- had held --
- 5 JUSTICE STEVENS: He said: Sure, there's an
- 6 agreement here, but the burden is on the plaintiff to
- 7 show that the agreement has an adverse effect on
- 8 competition. And that the -- as I understand the
- 9 facts, you've -- there's revenue sharing here, isn't
- 10 there? That they -- they all share in the product of
- 11 the sales of the joint product?
- MR. NAGER: Well, let me explain what
- 13 they've done, and I will then explain why it does have
- 14 a -- identifiable anticompetitive effects, which
- 15 certainly satisfy the pleading standards for a rule of
- 16 reason claim.
- 17 What the teams did here was they got
- 18 together and they agreed that they would not
- 19 themselves individually license their trademarks or
- 20 logos. They agreed that they -- under -- the current
- 21 market system included the issuance of multiple
- 22 blanket licenses. They would eliminate all but one of
- 23 those blanket licenses from the market, and they would
- 24 give it in the exclusive control of Reebok, and they
- 25 would limit the circumstances in which they competed

- 1 against each other and with Reebok, and said --
- 2 JUSTICE BREYER: All right. So I thought --
- 3 I thought -- as I read your complaint, almost every
- 4 word of it had to do with pro -- per se violations.
- 5 So I forget those here, right?
- 6 MR. NAGER: The per se violation was
- 7 dismissed and --
- 8 JUSTICE BREYER: You forget -- just yes or
- 9 no. I forget it. Okay.
- 10 MR. NAGER: -- is not before the Court.
- JUSTICE BREYER: Now, I've suddenly heard
- 12 you talk -- the only thing left I could see was where
- 13 you say, by their agreement to grant an exclusive
- 14 license to Reebok, they unreasonably restrained trade
- in the markets. That's what I'm supposed to focus on?
- MR. NAGER: Well, no. What I -- what I
- 17 would say, Justice --
- 18 JUSTICE BREYER: What other paragraph do you
- 19 want me to focus on?
- MR. NAGER: Well, what I would point you to
- 21 is the statement -- I mean, if --
- JUSTICE BREYER: No, I'm interested in the
- 23 complaint at the moment.
- 24 MR. NAGER: What the complaint talks about
- 25 is the granting of an exclusive license here.

- 1 JUSTICE BREYER: Yes. Okay. So I'm looking
- 2 at the complaint.
- 3 MR. NAGER: -- with the exclusivity as to --
- 4 JUSTICE BREYER: Fine. I get the point.
- 5 I'm asking a question. And I just heard you say that
- 6 you want, for example, were it -- you want the
- 7 Patriots to sell T-shirts in competition with the
- 8 Saints, or whoever. The Red Sox. All right. You see
- 9 the point? The Red Sox -- I know baseball better.
- 10 (Laughter.)
- 11 JUSTICE BREYER: You want the Red Sox to
- 12 compete in selling T-shirts with the Yankees; is that
- 13 right?
- 14 MR. NAGER: The ability to compete. Yes.
- 15 JUSTICE BREYER: Yes. Okay. I don't know a
- 16 Red Sox fan who would take a Yankees sweatshirt if you
- 17 gave it away.
- 18 (Laughter.)
- 19 JUSTICE BREYER: I mean, I don't know where
- 20 you're going to get your expert from that is going to
- 21 say there is competition --
- MR. NAGER: Well --
- JUSTICE BREYRE: -- between those two
- 24 products. I think they would rather -- they would
- 25 rather wear a baseball, a football, a hockey shirt.

1	MR. NAGER: I understand the the point.
2	JUSTICE BREYER: But you're going to go back
3	and prove that actually there is competition between
4	those
5	MR. NAGER: Well, I understand the point you
6	are making. I would also make the point that
7	JUSTICE BREYER: Is that what this case is
8	about?
9	MR. NAGER: In part. But you've got to
10	recognize what the competition is for. The
11	competition is for fans. And the fact of the matter
12	is you're right that someone who has lived in New York
13	City for a long time is unlikely to be a Red Sox fan
14	and easily be persuaded to be a Red Sox fan, but the
15	person who is 3 years old can easily be persuaded.
16	JUSTICE BREYER: They have very small
17	allowances, the 3-year-olds.
18	(Laughter.)
19	JUSTICE BREYER: All right You think I

- 20 guess you have a right to that. I'm not -- you have a
- right, but that's what you're going to have to try --21
- MR. NAGER: Well --22
- 23 JUSTICE BREYRE: -- to prove: That they're
- 24
- 25 MR. NAGER: But the other point I would make

- 1 is --
- JUSTICE BREYER: Yes.
- 3 Mr. NAGER: -- that's just showing that each
- 4 team has substantial market power.
- JUSTICE BREYER: Yes.
- 6 Mr. NAGER: And again, they --
- 7 JUSTICE BREYER: But I'm trying to look --
- 8 what I'm trying to get in my mind is what specific
- 9 restraint you are focusing on.
- 10 You listed three or four, and one of them is
- 11 you want, in effect -- I'm joking about it, but it's
- 12 true -- you are arguing that the Yankees should
- 13 compete with the Red Sox in selling shirts.
- 14 Another thing you are complaining about,
- 15 which is the one I understand less, is that these
- 16 teams got together and they agreed that they would
- 17 just have one person sell all this stuff together.
- 18 And what you think is that they individually should
- 19 have decided whether to choose that one person, or
- 20 maybe to choose two people, or three.
- MR. NAGER: We --
- JUSTICE BREYER: Is that right?
- MR. NAGER: Not quite.
- JUSTICE BREYER: No.
- JUSTICE SCALIA: Mr. Nager, do I have to

- 1 figure this out here? Is --
- 2 MR. NAGER: No.
- 3 JUSTICE SCALIA: Is this issue before us
- 4 here? Or is it just the issue of whether the lower
- 5 court was wrong to dismiss your suit on the basis that
- 6 this is a unitary operation?
- 7 MR. NAGER: You're --
- 8 JUSTICE SCALIA: I thought that was the only
- 9 issue.
- 10 MR. NAGER: That is the only issue,
- 11 Justice Scalia.
- JUSTICE SCALIA: Well, why am I worrying
- 13 about this other stuff?
- MR. NAGER: Because counsel has an
- 15 obligation to respond to questions.
- 16 (Laughter.)
- 17 JUSTICE BREYER: I find --
- 18 MR. NAGER: I appreciate, Your Honor --
- 19 JUSTICE BREYER: I find it easier --
- 20 Mr. NAGER: You'd be a good blocker.
- 21 JUSTICE BREYER: -- to think about the case
- 22 if I know what's going on. And I'm not certain this
- 23 is irrelevant, but given Justice Scalia's persuasive
- 24 remark, I will withdraw my question.
- 25 (Laughter.)

- 1 MR. NAGER: Thank you, Justice Breyer.
- 2 JUSTICE KENNEDY: Well, but it seems to me
- 3 what we are doing is exploring the consequences of
- 4 completely discarding the unitary theory.
- 5 MR. NAGER: Well, we're not --
- 6 JUSTICE KENNEDY: And so -- and the earlier
- 7 questions, it seemed to me, were helpful. The
- 8 Saturday/Sunday scheduling issue, it seems to me,
- 9 pretty clearly on its face does limit competition.
- 10 You -- you have one day instead of two days.
- 11 Then Justice Stevens said: Suppose it makes
- 12 them better players because they are rested and so
- 13 they can perform better. I take it that was the
- 14 purpose of the question. And I -- I still don't get
- 15 any answers. I don't know where we are with this.
- MR. NAGER: The answer to --
- 17 JUSTICE KENNEDY: And -- and it's a
- 18 difficult area, but I'd like -- and -- but I'd like
- 19 some quidance.
- 20 MR. NAGER: Well, the guidance I would give
- 21 you, Justice Kennedy, is that as Justice Scalia says,
- 22 the only question before the Court is whether or not
- 23 these agreements constitute concerted activity. They
- 24 plainly do, because they are agreements between
- 25 separately owned and controlled competing businesses.

- 1 JUSTICE GINSBURG: Mr. Nager, I think you
- 2 answered my question originally: Yes, everything.
- 3 Because they are separate entities, they agree on
- 4 everything. There's agreement in every case. So
- 5 there's nothing that you would take outside, and you
- 6 put everything under the rule of reason analysis.
- 7 MR. NAGER: That -- that is correct. But
- 8 that doesn't mean that the rule of reason is some
- 9 unstructured, indeterminate --
- 10 JUSTICE GINSBURG: One -- one concern in the
- 11 litigation is, you know, if it doesn't come under the
- 12 Sherman Act at all, they go home after the case is
- 13 dismissed on the -- on the pleadings.
- 14 But once you say no, it's got to be a rule
- 15 of reason analysis, then you have discovery, which can
- 16 be costly. And I thought that that was a feature of
- 17 this case, that the -- that the plaintiff wanted more
- 18 discovery, and the court said: You've had enough.
- 19 MR. NAGER: Well, no. The -- the judge only
- 20 allowed discovery on the single entity issue. He did
- 21 not allow discovery on -- on the rule of reason
- 22 question. So there's been -- not been -- discovery on
- 23 the substance of the case has not been conducted.
- 24 So in that regard, the question of how the
- 25 case would be managed going forward is something that

- 1 would be in the hands of the district court on remand
- 2 from this Court and the court of appeals, after this
- 3 erroneous conclusion that the agreements don't
- 4 constitute concerted conduct is put to the side.
- 5 CHIEF JUSTICE ROBERTS: Counsel, could you
- 6 articulate for me as succinctly as possible the extent
- 7 to which your position departs from the position of
- 8 the Solicitor General?
- 9 MR. NAGER: The Solicitor General's position
- 10 is correct insofar as it criticizes the Seventh
- 11 Circuit's reasoning.
- 12 The test that the Solicitor General proposes
- is conceptually and doctrinally unsound, and it will
- 14 create a lack of clarity where there presently exists
- 15 clarity in the cases, and it will produce inefficiency
- 16 and waste in the conduct of litigation that does not
- 17 presently exist. And I could give --
- 18 CHIEF JUSTICE ROBERTS: Well, I would have
- 19 thought it's just the transfer of the inefficiency and
- 20 lack of clarity from the -- the first question to the
- 21 rule of reason. I mean, I'm not quite sure it -- you
- 22 don't have the same problem. It's just a question of
- 23 where you want to rest the inefficiency and confusion.
- 24 MR. NAGER: Well, I understand your point,
- 25 Mr. Chief Justice: That to the extent that rule of

- 1 reason inquiries are not as refined as they need to
- 2 be, since the Solicitor General's concerted conduct
- 3 inquiry includes rule of reason inquiries -- indeed,
- 4 on its effective merger standard, it says it has to
- 5 survive a rule of reason analysis or somehow be
- 6 waived, or you would have to do it as part of the
- 7 concerted conduct inquiry, so that there is no doubt
- 8 to the extent that -- that the rule of reason is a
- 9 continuing project of this Court, we would be
- 10 transferring some of that project into the concerted
- 11 conduct inquiry.
- 12 With all respect, Mr. Chief Justice, I don't
- 13 think that would be a healthy development in the law.
- 14 The courts actually understand the concerted conduct
- 15 doctrine as it presently exists.
- 16 CHIEF JUSTICE ROBERTS: Well, I -- I thought
- 17 the purpose of their submission was to respond to some
- 18 of the questions we've seen, like scheduling, like
- 19 what the rules are going to be about, about the game.
- 20 There are some things that it just seems odd to
- 21 subject to a rule of reason analysis. And you
- 22 yourself have said: Well, that's going to be an easy
- 23 case under the rule of reason. Why doesn't it make
- 24 sense to sort of carve those out at the outset, rather
- 25 than at the end of the case?

- 1 MR. NAGER: Well, I think the answer is, you
- 2 should -- you should use English language and doctrine
- 3 to address the issue that you are actually trying to
- 4 address, rather than call it something else.
- 5 Right now, we have an antitrust doctrine
- 6 that says you've got to have concerted conduct and you
- 7 have to have an unreasonable restraint of trade. We
- 8 have courts that understand how to apply this Court's
- 9 cases on concerted conduct. This Court, for
- 10 understandable reasons, is sensitive to the fact that
- 11 the rule of reason is not quite as well understood and
- is an evolutionary doctrine, perfectly well understood
- 13 by me.
- 14 There are certain issues this Court has
- 15 said come up in a rule of reason analysis and, to
- 16 quote the Court from Cal. Dental, "can be dealt with
- 17 in the twinkling of an eye"; that is, some claims, as
- 18 the NCAA Court said, are not going to be serious rule
- 19 of reason claims and can be dismissed on the
- 20 pleadings. The Court said that in Twombly as well.
- 21 JUSTICE STEVENS: And as I understand your
- 22 position, that could be the result in this case. We
- 23 don't know whether the district court was right or
- 24 wrong in what he did on the -- on the rule of reason
- 25 issue.

- 1 MR. NAGER: In terms of what this Court --
- 2 obviously, on my client's behalf, I have to vigorously
- 3 state to the Court we think we have a bona fide,
- 4 serious rule of reason claim -- but, yes, Justice
- 5 Stevens --
- 6 JUSTICE STEVENS: And one thing I wondered
- 7 about the record: There is discussion in the briefs
- 8 about the fact that the teams share the revenues from
- 9 these -- these sales. Is that -- how did that get in
- 10 the record, the revenue sharing aspect of their -- of
- 11 the different teams' participation?
- 12 MR. NAGER: Well, I -- I didn't handle the
- 13 case below, so I don't quite know how it got into the
- 14 record. It is my -- certainly my understanding that
- 15 there is an affidavit in the record that says that the
- 16 revenues that the NFLP entity receives are distributed
- 17 to the teams in equal shares, so that that --
- 18 JUSTICE STEVENS: Would -- wouldn't that --
- 19 that affidavit support the conclusion that this is
- 20 basically a pro-competitive agreement because it tends
- 21 to make competition stronger on the playing field,
- 22 and, therefore, that's a sufficient defense under the
- 23 rule of reason, and that's the end of the ball game?
- 24 MR. NAGER: I -- I think not. You have to
- 25 remember that that agreement to not compete and have

- 1 only one entity --
- JUSTICE STEVENS: Yes, but you are not just
- 3 competing --
- 4 MR. NAGER: That's the very thing the case
- 5 challenges.
- 6 JUSTICE STEVENS: But with regard to sales
- 7 of the paraphernalia and so forth that you have here,
- 8 you're not just competing among the members of the
- 9 league; you're competing in a market that includes all
- 10 sports paraphernalia.
- MR. NAGER: No, our market was alleged and
- 12 held not to be legally invalid by the district court,
- 13 to be NFL-logoed hats and apparel.
- 14 JUSTICE STEVENS: That assumes there is no
- 15 competition between the sales of those logos and the
- 16 sales of other sports logos.
- MR. NAGER: Well, that -- that's correct.
- 18 And the district court judge held that that was a --
- 19 based upon this Court's decision in NCAA and the
- 20 International Boxing case, was a plausible market to
- 21 allege in which the NFL teams had market power. And
- 22 so it would be a question for the district court
- 23 managing the case going forward to determine whether
- 24 or not that was a factually supportable market.
- JUSTICE SOTOMAYOR: Counsel, you -- the

- 1 Solicitor General is asking us to remand under his new
- 2 test to find out whether you are challenging the joint
- 3 venture or challenging simply the licensing to one
- 4 individual or one entity. What are you doing? Do you
- 5 have an answer to that?
- 6 MR. NAGER: Well, the -- the answer is --
- JUSTICE SOTOMAYOR: Meaning -- I don't --
- 8 MR. NAGER: I understood -- that the
- 9 American Needle said in the court below that what it
- 10 was challenging was the grant of an exclusive license
- 11 to NFLP that prohibited the individual team
- 12 competition and limited all competition in the market
- in blanket licenses.
- 14 When the case came to this Court, on page 2
- 15 of the orange brief, the NFL said they understood
- 16 exactly what our case was -- this is on page 2, the
- 17 second sentence: "American Needle alleged that the
- 18 decades-old agreement among the member clubs to
- 19 collectively market such intellectual property was
- 20 unlawful under Sections 1 and 2 of the Sherman Act, at
- 21 least after the 2001 decision to collectively license
- the marks to a single headwear manufacturer."
- 23 The NFL stood -- understood exactly what we
- 24 were arguing, and they have understood it throughout
- 25 this case, as did the lower courts. I'm not quite

- 1 sure why the Solicitor General doesn't understand it.
- 2 JUSTICE GINSBURG: Is your point that your
- 3 client wasn't hurt until they dealt exclusively with
- 4 one manufacturer?
- 5 MR. NAGER: That's correct,
- 6 Justice Ginsburg.
- 7 JUSTICE GINSBURG: So you have nothing --
- 8 you had no damages before?
- 9 MR. NAGER: Before.
- 10 CHIEF JUSTICE ROBERTS: Thank you,
- 11 Mr. Nager.
- 12 Mr. Stewart.
- ORAL ARGUMENT OF MALCOLM L. STEWART
- 14 ON BEHALF OF THE UNITED STATES
- 15 AS AMICUS CURIAE, SUPPORTING NEITHER PARTY
- 16 MR. STEWART: Mr. Chief Justice, and may it
- 17 please the Court:
- 18 I think that by focusing on a rather mundane
- 19 aspect of the NFL commissioner's powers, this may help
- 20 to explain why the United States is not four-square in
- 21 support of either party's theory in this case. Among
- 22 the powers that is vested in the commissioner by the
- 23 NFL -- by the NFL constitution is the power to incur
- 24 expenses to carry on the ordinary business of the
- 25 league, and this includes renting office space, hiring

- 1 employees, and procuring supplies.
- 2 And if the commissioner, pursuant to that
- 3 delegation of authority, decides from which company
- 4 he's going to -- to acquire paper for the league's
- 5 offices or decides what the wage scale for secretaries
- 6 in the league offices should be, our view is that
- 7 that's the conduct of a single entity. It may be that
- 8 the commissioner's power to do those things is
- 9 ultimately derived from the consent of the individual
- 10 teams within the league, but once that consent has
- 11 been given, once that authority has been centralized,
- 12 then the commissioner's decision about a paper
- 13 supplier or wages for employees --
- 14 JUSTICE BREYER: And then the question I
- 15 have -- I now understand this much better in light of
- 16 that. And -- but I don't -- and -- and I see your
- 17 point. What I'm not certain about is: Is it better
- 18 to characterize it as a single entity, in which case
- 19 we get into the kind of confusion that I think exists
- 20 in this case? Or just say, look, it's a joint
- 21 venture?
- 22 If Panagra creates a joint venture, of
- 23 course they are going to buy things like office space
- 24 and employees, so it's reasonable by definition. We
- 25 don't even look into it. Those things that are close

- 1 enough -- take your criteria from 17, page 17, which
- 2 are excellent criteria in my mind, and you say these
- 3 are the criteria by which we decide whether those
- 4 ancillary parts of a joint venture that is itself
- 5 reasonable are also reasonable.
- 6 MR. STEWART: I guess we would say two
- 7 things: The first is, up to now there has been no
- 8 such thing in the law as concerted action that is per
- 9 se legal or per se reasonable.
- 10 JUSTICE BREYER: No, no. We wouldn't say
- 11 per se. We are saying that the justification here:
- 12 They are reasonable. Why are they reasonable?
- 13 Because there is a legitimate joint venture, and this
- 14 is an ancillary part of that legitimate joint venture.
- People can attack it, but it's going to be
- 16 no easier to attack than if they tried to attack what
- 17 you call a single entity.
- 18 MR. STEWART: I quess my point is that if,
- 19 for instance, a disappointed bidder for the paper
- 20 supply conduct -- contract challenged this as a
- 21 section 1 violation and said the commissioner's
- 22 decision to go to Staples rather than Office Depot was
- 23 unreasonable --
- JUSTICE BREYER: I see.
- 25 MR. STEWART: -- because Office Depot was

- 1 offering a better product at a lower price -- that
- 2 there are certainly decisions that the commissioner
- 3 could make with respect to procurement of supplies or
- 4 the setting of wage levels that would be unreasonable
- 5 in a business judgment sense, in that they wouldn't
- 6 effectively carry on the mission of the organization,
- 7 but they wouldn't be unreasonable in the -- the
- 8 section 1 sense.
- 9 And the other thing I would say is that line
- of argument could have been made in Copperweld; that
- is, the Court could have concluded that --
- 12 JUSTICE BREYER: Copperweld -- look, your
- 13 second criteria opens it up to attack in precisely the
- 14 same way that my use of rule of reason does, because
- 15 they are going to have to show it doesn't
- 16 significantly affect actual or potential competition.
- 17 Therefore, they file their claim; they say they win
- 18 under the second criteria. That's precisely the same
- 19 as a person filing his claim and saying it's
- 20 unreasonable.
- 21 We are only talking terminology, but what
- 22 worries me about this is the terminology, because I
- 23 think that the lower courts have taken Copperweld
- 24 terminology and transferred it to a place where it
- 25 does, I think, perhaps not belong.

- 1 MR. STEWART: Well -- well, in Dagher, for
- 2 instance, the Court was dealing with a situation
- 3 that's in some ways analogous to the one that you have
- 4 here; that is, a joint venture in which entities that
- 5 were economic competitors in some aspects of their
- 6 businesses joined forces with respect to other
- 7 aspects. And the Court in Dagher didn't squarely
- 8 resolve these questions, whether section 1 applied,
- 9 but it said that in pricing its products, Equilon, the
- 10 joint venture, was acting as a single firm, a single
- 11 entity.
- The other point I would like to make
- 13 about my -- my paper and employee example is that, in
- 14 our view, the NFL commissioner, when carrying out
- 15 those functions on behalf of the league, would be
- 16 acting as a single entity, even though his power was
- 17 derived from the consent of the teams. But if the Jets
- 18 and the Giants agreed among themselves as to what
- 19 wages they would pay their secretaries or from whom
- 20 they would buy paper, that would be an entirely
- 21 different thing. The fact that those teams are for
- 22 some purposes part of a --
- JUSTICE STEVENS: May I ask you this
- 24 question, Mr. Stewart? Would the antitrust issue
- 25 before us be any different if instead of giving an

- 1 exclusive contract to one purveyor of the product, the
- 2 commissioner had entered into a multitude of different
- 3 contracts, but specified a minimum price in every one
- 4 he specified?
- 5 MR. STEWART: I think the section -- the
- 6 question of whether section 1 applied would not be any
- 7 different; that is, the central section 1 that --
- 8 JUSTICE STEVENS: So the fact that this is
- 9 an exclusive agreement is kind of a red herring in
- 10 this case, isn't it?
- 11 MR. STEWART: It -- it may not be a red
- 12 herring with respect to the ultimate resolution of the
- 13 case; that is, if the court on -- the lower court, on
- 14 remand, if the case were remanded, applied rule of
- 15 reason analysis, the -- the precise nature of the
- 16 contract might bear on whether the restraint was
- 17 reasonable, but it wouldn't bear on the question of
- 18 whether concerted activity was involved; that is,
- 19 what --
- 20 CHIEF JUSTICE ROBERTS: I don't -- I'm
- 21 sorry. I didn't mean to interrupt your answer.
- MR. STEWART: I guess my point was, once --
- 23 once the teams decided that they would -- rather than
- 24 each negotiating individually, either with a single
- 25 licensee or with multiple licensees, once they decided

- 1 they would negotiate as a collective and that any
- 2 potential licensee had to go to the collective rather
- 3 than to the individual teams, that's the central
- 4 section 1 issue. And if the -- the collective had
- 5 decided, we will give contracts to a multitude of
- 6 potential bidders, that would not have affected the
- 7 fact that concerted action was involved.
- 8 CHIEF JUSTICE ROBERTS: So under your --
- 9 following of your paper case, are you saying that if
- 10 the teams delegated to the commissioner the authority
- 11 to decide whether we are going to enter -- whether the
- 12 league is going to enter into one contract on logo
- 13 products or let each team decide, that would be all
- 14 right?
- 15 MR. STEWART: That would -- that initial
- 16 delegation of authority would be subject to a
- 17 section 1 challenge, because that would be concerted
- 18 action in the same way that the Court in Dagher
- 19 said --
- 20 CHIEF JUSTICE ROBERTS: Well, why isn't the
- 21 decision to order paper from one company rather than
- 22 another subject to section 1 challenge?
- 23 MR. STEWART: Because that -- that occurs
- 24 after the point at which the commissioner has been
- 25 vested with that authority.

- 1 If somehow a plaintiff wanted to say there
- 2 was an -- there was illicit concerted action when the
- 3 teams agreed to give the commissioner this general
- 4 power, that would be subject to section 1 review. It
- 5 seems -- because that would be concerted action. It
- 6 seems highly unlikely that such a challenge would
- 7 prevail. But if --
- 8 CHIEF JUSTICE ROBERTS: Why is that? I
- 9 mean, if I'm Office Depot and I'm selling paper to
- 10 the -- to the Giants -- or does this only apply to the
- 11 commissioner's office?
- 12 MR. STEWART: This only applies to carrying
- 13 out the ordinary business of the league. It -- it
- 14 would only apply to the commissioner's running of --
- of the league office, not the running of the
- 16 individual teams. And as I say, our central point is
- 17 that --
- 18 JUSTICE SOTOMAYOR: Could -- using your
- 19 example, could you tell me what the different
- 20 questions would be under the single control theory
- 21 you're proposing and a rule of reason application in
- 22 its normal course? So, what are the questions you
- 23 would ask under your theory, and how do they differ
- from what would happen under a rule of reason
- 25 analysis?

- 1 MR. STEWART: I guess under our theory, we
- 2 would first ask, as to an entity like this, which is
- 3 entities that compete in some respects with --
- 4 JUSTICE SOTOMAYOR: Let's -- let's not go
- 5 into this case. Let's -- let's stay with your single
- 6 commissioner.
- 7 MR. STEWART: I think we would ask first:
- 8 Is -- is the commissioner acting as a single entity
- 9 when he exercises delegated authority in making a
- 10 business judgment about which supplier to buy paper or
- 11 what the wages should be?
- 12 If the answer is yes, then the section 1
- 13 inquiry is over, then the case is no different from a
- 14 challenge to the --
- 15 JUSTICE SOTOMAYOR: Well, how does that stop
- 16 any group of competitors from coming in and saying:
- 17 Gee, I want to sell my gas; I'm going to let this
- 18 single commissioner decide how much my gas will sell
- 19 for, and if he chooses to sell it at the same price to
- 20 everybody, both gas products, that's okay. How do you
- 21 get to that?
- MR. STEWART: Well, I think if a single
- 23 business is deciding whether to buy paper from one
- 24 supplier or from several, that wouldn't be subject to
- 25 section 1 review, because the decision of the single

- 1 business might affect the welfare of the competitors,
- 2 but it wouldn't be concerted action.
- 3 And our point is that when -- I think the
- 4 way in which our position differs from that of the two
- 5 parties is that on the one hand, I think it is the
- 6 logical implication of Petitioner's position that
- 7 because the commissioner's authority to buy supplies
- 8 for the league or hire referees for the league is
- 9 ultimately derived from the consent of the individual
- 10 teams who are independently owned, the logic of
- 11 Petitioner's position suggests that that would be
- 12 subject to section 1 scrutiny.
- On the other hand, the logic of the NFL's
- 14 position suggests that because the commissioner can
- 15 set price, can decide from whom to buy paper on behalf
- 16 of the league, the Jets and the Giants could reach a
- 17 similar agreement, and the -- or the Jets and the
- 18 Giants could agree on the prices they will pay
- 19 secretaries --
- 20 CHIEF JUSTICE ROBERTS: No, no, no,
- 21 because they are not part of the broader concerted
- 22 entity. There's no separate -- you're saying, well,
- 23 just because all 32 teams can act as -- as an
- 24 individual entity, any group of those teams can act as
- 25 an individual entity.

1	MR.	STEWART:	I	think	that	follows	logicall	ÿ
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- 2 from the position that this is one entity. Because in
- 3 Copperweld, for instance, the Court noted that
- 4 coordination between different divisions of a single
- 5 company would not be subject to section 1 scrutiny,
- 6 and that implies not just that all the divisions could
- 7 get together, but that any two could confer among
- 8 themselves without raising section 1 concerns.
- 9 CHIEF JUSTICE ROBERTS: Thank you, counsel.
- 10 Mr. Levy.
- ORAL ARGUMENT OF GREGG H. LEVY
- 12 ON BEHALF OF THE RESPONDENTS
- 13 MR. LEVY: Good morning, Mr. Chief Justice,
- 14 and may it please the Court:
- 15 The formation of a professional sports
- 16 league, like the formation of any joint venture, may
- 17 be subject to section 1 scrutiny. Were it not for an
- 18 act of Congress, the merger of the National Football
- 19 League and the American Football League in 1970 would
- 20 be one such example. But there is no challenge to
- 21 venture formation here.
- There is no dispute that the NFL, including
- 23 its licensing arm, NFL Properties, is a lawful
- 24 venture. If venture formation is not an issue, then
- 25 decisions by the venture about the venture's product

- 1 are unilateral venture decisions, unilateral venture
- 2 actions. They are not concerted actions of the -- of
- 3 the venture's members.
- 4 JUSTICE KENNEDY: Well, do we have to ask
- 5 what was the intent at the beginning, as kind of an
- 6 originalism thing? Everybody sits around and says:
- 7 Let's have a football league. And 20 years later,
- 8 they say: You know, the sale of hats and shirts is a
- 9 pretty good thing; let's get into that business, too.
- 10 That would -- that would -- that's case 1.
- 11 Case 2 is, when they formed the league
- initially, 30 years ago, they said: And be sure we
- 13 will sell hats, and -- I don't understand the base
- 14 point from which I find that this is a single entity.
- 15 MR. LEVY: Your Honor, we know here that at
- 16 least as of 1963, when NFL Properties was formed, that
- 17 there was a single entity formed, a single entity to
- 18 produce and promote NFL football.
- Now, I take issue with your suggestion --
- 20 your implication that there was a decision made here:
- 21 Let's set up a separate line of business; we are going
- 22 to sell hats also. That's not what happened, and the
- 23 record on that is unambiguously clear here. It's
- 24 undisputed. Clubs --
- JUSTICE KENNEDY: Well, do you take issue

- 1 with my question that this is a relevant inquiry? Is
- 2 it part of the original agreement or isn't it, and why
- 3 is it that the original agreement is somehow
- 4 sacrosanct? I don't understand.
- 5 MR. LEVY: I'm not suggesting that the
- 6 original agreement is sacrosanct. That's why I
- 7 suggested that by 1963 -- or the mid-1960s, when NFL
- 8 Properties was formed, there was venture formation at
- 9 that point.
- 10 At that point, what was the question? The
- 11 question was: How should the league, how should the
- 12 venture members, best promote the venture product?
- 13 And the decision was made to use the licenses of their
- intellectual property as a promotional tool.
- On that issue, the discovery and the record
- 16 below was undisputed. There is documentary evidence
- 17 from the NFL Properties' articles of incorporation.
- 18 There's testimony from an NFL executive, Mr. Herzog.
- 19 And the best proof, if there were any question about
- 20 that, is reflected in the -- the organic documents of
- 21 NFL Properties, which at the outset said that, if
- 22 there were any revenues from the licensing activities,
- 23 they would be donated to charitable and educational
- 24 causes.
- Now, you know, Dagher confirmed the general

- 1 principle, but if the venture is lawfully formed, the
- 2 venture's decisions about how best to produce and
- 3 promote its product are venture decisions, not the
- 4 decisions of the venture members.
- 5 But Copperweld provides the framework that
- 6 decides the issue here, and neither Mr. Stewart nor
- 7 Mr. Nager mention Copperweld, except in passing.
- 8 Copperweld is the case by which this Court turned the
- 9 page, if you will, on the formalism of prior cases,
- 10 including Sealy, which Mr. Nager --
- JUSTICE GINSBURG: May -- may I ask you to
- 12 go back just one step? Because you seem to treat this
- 13 as though the NFLP was formed in 1963 and that was the
- 14 end of it, but another description is: Well, it was
- 15 formed, but then there were some teams that were not
- in it until later, and there were some other parts,
- 17 that it has expanded. What it does has expanded since
- 18 1963.
- 19 So it wasn't one point in time where there
- 20 was formation, and then if you didn't -- if you're not
- 21 challenging that, everything else is okay.
- MR. LEVY: Well, I -- I don't disagree with
- 23 that, Your Honor. I think that in 1970, the league
- 24 expanded. There was a merger. That merger of the
- 25 National Football League and the American Football

- 1 League would have been subject to section 1 challenge
- 2 because it involved venture formation, but an act of
- 3 Congress said that that wasn't necessary.
- 4 After 1970, there have been six teams, I
- 5 believe, that have been added, essentially created, if
- 6 you will, like Adam's rib. They have been created
- 7 from the other NFL clubs, but it's essentially the
- 8 same venture. The venture has expanded its production
- 9 capability by adding new teams. It's expanded its
- 10 output by adding new teams.
- 11 And the role of licensing of intellectual
- 12 property throughout that process has remained the
- 13 same. The role has been to promote the venture's
- 14 product. It's not --
- 15 JUSTICE SOTOMAYOR: Excuse me. Did the
- 16 teams -- did the NFL Properties or some centralized
- 17 entity always exploit the trademarks of all the
- 18 franchises, or was there a long period of time in
- 19 which they each individually franchised their
- 20 products?
- 21 MR. LEVY: The record, Your Honor, says --
- 22 reflects that there was very little exploitation of
- 23 intellectual property of the franchises prior to the
- 24 creation of NFL Properties.
- JUSTICE SOTOMAYOR: But there was some, and

- 1 that was done by the individual teams?
- 2 MR. LEVY: It was done, and it was done -- I
- 3 mean, that's sort of an historic artifact. It was
- 4 done, I believe collectively, through Roy Rogers
- 5 Enterprises. But the -- but the teams continued to
- 6 own their intellectual property. That's right.
- 7 JUSTICE BREYER: The problem, as I see, for
- 8 you in this case is that the basic conclusion is in
- 9 the court of appeals, where it says: "Viewed in this
- 10 light, the NFL teams are best described as a single
- 11 source of economic power when promoting NFL football
- 12 through licensing." Well, how do we know that?
- MR. LEVY: Well --
- 14 JUSTICE BREYER: Their allegation is that
- 15 that isn't true. And I have -- and Copperweld just
- 16 seems to me to be very confusing on this, since --
- 17 since my hornbook knowledge of it was we have
- 18 Copperweld to deal with the case that we don't make
- 19 booths in department stores compete in price against
- 20 each other. All right?
- Normally, however, we say independent
- 22 vendors can't get together and say they fix prices.
- 23 That's per se. And joint ventures are in the middle,
- 24 so we apply a rule of reason.
- Now, very simple. I thought that has been

- 1 the law since Panagra. I don't know what, in fact,
- 2 Copperweld has to do with it. And they are saying
- 3 that this basic joint venture for promoting is not a
- 4 reasonable agreement. So why shouldn't they have
- 5 their shot? You might well win, but they want to make
- 6 that claim.
- 7 MR. LEVY: The reason we know that this is
- 8 not your typical joint venture is because Copperweld
- 9 established a standard that said that what section 1
- 10 is intended to regulate is not matters of form, not
- 11 general market conditions, but rather the sudden
- 12 joining together of independent sources of economic
- 13 power. That's --
- JUSTICE BREYER: Fine, but that's the
- 15 conclusion here. That's not the -- that's the
- 16 conclusion. The question is: Should they be
- 17 permitted to join their centers of economic power into
- one when they promote and sell their T-shirts,
- 19 sweatshirts, et cetera?
- 20 MR. LEVY: But --
- 21 JUSTICE BREYER: Now, you can't answer that
- 22 question by announcing the conclusion.
- 23 MR. LEVY: But, Your Honor, we know that
- they are not independent sources of economic power,
- 25 because none of them can produce the product of the

- 1 venture on their own. No NFL club can produce a
- 2 single unit of production, a single game or --
- JUSTICE BREYER: Well, can't it ask someone
- 4 to do that?
- 5 Oh. Oh, you are saying the game.
- 6 MR. LEVY: That's -- that's right.
- 7 JUSTICE BREYER: What does a game to do with
- 8 this? I thought we were talking about T-shirts and
- 9 helmets, and I -- I thought it's the simplest thing in
- 10 the world. You pick up the phone and say: Hello,
- 11 Shanghai, do you have a helmet?
- 12 (Laughter.)
- MR. LEVY: Your Honor, if -- if this were a
- 14 venture designed to go out and license or manufacture
- or distribute caps, you'd be right. But this is
- 16 different, and we -- the undisputed evidence in the
- 17 record below demonstrates it's different.
- 18 It's different because the purpose of the
- 19 licensing here is to promote the product. It's to
- 20 promote the game. And the NFL member clubs are not
- 21 independent sources of economic power in generating
- 22 that game.
- 23 JUSTICE BREYER: This is a summary judgment
- 24 motion?
- MR. LEVY: Yes. It was a summary judgment.

- 1 JUSTICE SCALIA: Well, the stated purpose is
- 2 to promote the game. The purpose is to make money. I
- 3 don't think that they care whether the sale of the
- 4 helmet or the T-shirt promotes the game. They -- they
- 5 sell it to make money from the sale.
- 6 MR. LEVY: I --
- 7 JUSTICE SCALIA: Now, it promotes the game
- 8 if the money from the sale goes to the whole group, I
- 9 suppose. But -- but don't tell me that there is not
- 10 -- absent this agreement, there would not be an
- 11 independent, individual incentive for each of the
- 12 teams to sell as many of its own -- of its own shirts
- 13 and helmets as possible.
- 14 MR. LEVY: Your Honor, I'd agree with you
- 15 100 percent that the purpose of the licensing is to
- 16 make money, but not necessarily to make money through
- 17 the royalties. The purpose of the licensing is to
- 18 improve and promote the attractiveness of the game
- 19 product, to get more people interested in watching the
- 20 games on television, to get more people interested in
- 21 buying tickets to the game.
- JUSTICE SCALIA: Well, I suppose that --
- 23 that could -- that issue could be tried.
- MR. LEVY: And --
- JUSTICE SCALIA: But I don't -- I don't

- 1 think so. And I suppose that's a triable issue, as to
- 2 whether the purpose of -- of selling these things is
- 3 to promote the whole NFL or to promote the particular
- 4 team.
- 5 MR. LEVY: And --
- 6 JUSTICE SCALIS: It wants its own adherents
- 7 and wants to sell its own product.
- 8 MR. LEVY: In the abstract, that's a triable
- 9 issue, Your Honor, but not here. Here, the record was
- 10 undisputed. There's evidence in the record on that
- 11 point. The record -- there was evidentiary -- there
- 12 was documentary evidence. There's evidence that goes
- 13 back to the organic documents of NFL Properties. And
- 14 as I mentioned before, in the early days, the -- the
- 15 net revenues, if any, the net royalties of the
- 16 licensing operations went to charity. So there's no
- 17 -- there's no question here. Discovery was allowed on
- 18 this issue, and the record is undisputed.
- 19 So we have a classic case, a perfect, clean
- 20 opportunity for this Court to apply the principles of
- 21 Copperweld and the principles of Dagher to an area of
- 22 the law that has been troubled for many years. Since
- 23 1984, the courts have wrestled with the question of
- 24 how to deal with professional sports leagues and
- 25 section 1 claims against professional sports leagues.

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- 2 -- and with the exception of this case and the Bulls
- 3 II case, the courts have been guided principally by
- 4 pre-Copperweld precedent that rests on an era of
- 5 formalism, an era when even an agreement between a
- 6 parent and its subsidiary --
- 7 JUSTICE SOTOMAYOR: What decision could the
- 8 sports teams make that would be subject to the
- 9 antitrust scrutiny under your definition of the
- 10 permissible range of the joint venture activities? It
- 11 seems to me that if the venture wanted to make sure
- 12 all the teams hired secretaries at the same
- 13 \$1,000-a-year salary, that under your theory, that's
- 14 okay, because it's a joint venture.
- MR. LEVY: Your Honor, my view is that the
- 16 -- the NFL clubs are not separate sources of
- 17 independent power. As a result, they are a unit.
- 18 They are a single entity, and it's a --
- 19 JUSTICE SOTOMAYOR: So the answer to my
- 20 question is there is -- you are seeking through this
- 21 ruling what you haven't gotten from Congress: an
- 22 absolute bar to an antitrust claim.
- 23 MR. LEVY: No, Your Honor, that's not right.
- JUSTICE SOTOMAYOR: So -- so answer my
- 25 question. What decision --

- 1 MR. LEVY: The direct answer to your
- 2 question is this: With regard to section 1 claims --
- 3 let's put aside section 2 claims. Let's put aside
- 4 claims between the NFL and other leagues. Let's put
- 5 aside claims that relate to nonventure conduct, like
- 6 the example of creating a trucking company that's
- 7 reflected in our brief.
- 8 The -- I can understand an argument, and we
- 9 suggested as much in our brief below, that if the
- 10 league engages in a practice of representing itself,
- 11 going to the market -- the clubs go to market as
- 12 independent entities. I can see an argument that
- 13 would basically say, based on estoppel principles,
- 14 that they should not be able to agree on -- on uniform
- 15 prices or uniform wages for secretaries, for example.
- We did -- we made the point in our brief in
- 17 the context of -- of coaches. But even -- even in the
- 18 context of coaches, put aside for a moment, section 2
- 19 remains available to the coaches if in fact they can
- 20 demonstrate that there has been monopolization or
- 21 attempted monopolization of a market.
- But the line that I draw is the line between
- 23 production and promotion of the game. Coaches are
- 24 closer to production and promotion of the game than
- 25 secretaries, but I -- you know, there may be some --

- 1 some gap there. But -- but as long as the NFL clubs
- 2 are -- are members of a unit; if they compete as a
- 3 unit in the entertainment marketplace, as -- to use
- 4 the language that Justice Rehnquist used -- they
- 5 should be deemed a single entity and not subject to
- 6 section 1 --
- 7 JUSTICE BREYER: But now the question is:
- 8 Are you basing that on economic-related data about the
- 9 pros and the cons of -- you know, the economic harms
- 10 of stopping them from competing versus the economic
- 11 benefits of allowing them to act as a separate -- as a
- 12 single entity? Or are you basing it on a pure legal
- word called "single entity"?
- 14 And what worried -- I thought when I read
- 15 the opinion, first, of the district court, that he's
- 16 just following what I think started in the Seventh
- 17 Circuit, unfortunately, of taking this word "single
- 18 entity" and throwing around -- throwing it around all
- 19 over the place and stopping the economic analysis.
- 20 But then when I read the last paragraphs of
- 21 his opinion, he seems to be saying, when I go back to
- 22 the record, which you want me to do, I will discover
- that there is lots of information showing economic
- 24 benefit to this venture of promoting together.
- 25 There's nothing to suggest they could compete, and so

- 1 it's clear, to the point where they don't get to
- 2 trial, that this is a reasonable agreement.
- 3 All right. Now, is -- have I -- am I right
- 4 in thinking what you are thinking?
- 5 MR. LEVY: That's not my position, Your
- 6 Honor.
- 7 JUSTICE BREYER: All right. Good. Then I
- 8 want to know what your position is.
- 9 MR. LEVY: My position is based on the
- 10 intended scope of the Sherman Act, section 1 of the
- 11 Sherman Act, which this Court, in Copperweld, made
- 12 clear. The principle is articulated five or six
- 13 separate times in the Copperweld opinion that section
- 14 1 of the Sherman Act is intended to regulate the
- 15 sudden joining together of separate sources of
- 16 economic power. That's --
- 17 JUSTICE BREYER: Yes --
- 18 MR. LEVY: That's not this case.
- 20 can you read Copperweld as follows? Copperweld is
- 21 ratifying a decision by an entrepreneur or several to
- 22 organize his entrepreneurial entity as one where there
- 23 are obvious efficiencies in doing that, such as it
- 24 would obviously be inefficient to have the sales
- 25 people behind counters in a single department store

- 1 competing with each other in price.
- 2 A joint venture is a situation where it's
- 3 debatable whether or not there is that kind of
- 4 efficiency in organization, and, therefore, we apply a
- 5 rule of reason. That's Panagra. I don't see anything
- 6 in Copperweld that's intended to overrule Panagra.
- 7 And as long as Panagra is not overruled, we would
- 8 apply, at least to major decisions by joint ventures,
- 9 a rule of reason.
- Now, what is wrong with -- and you might
- 11 still win on the rule of reason. But why isn't that
- 12 analysis correct? I'm putting it forward as a
- 13 hypothesis for you to discuss.
- 14 MR. LEVY: The analysis is not correct
- 15 because there has been no challenge to venture
- 16 formation here. I don't disagree that if there had
- 17 been a challenge to venture formation here, that the
- 18 considerations that you identify with regard to
- 19 Panagra would apply. But that's not the case here.
- 20 There's really no ambiguity about what has been
- 21 challenged here.
- JUSTICE BREYER: There is very definitely a
- 23 joint venture here to play football, but there isn't a
- 24 joint venture to build houses, and there isn't a joint
- 25 venture obviously in sight to promote.

1	So	they're	saving	that	there's	such	а

- 2 different activity, the playing of football versus the
- 3 promotion of a logo, that we ought to go and look
- 4 under a rule of reason as to whether a joint venture
- 5 in promoting a logo is justified in terms of
- 6 competition's harms and economic benefits.
- 7 MR. LEVY: Justice Breyer, I agree with you
- 8 that there is a difference, an important difference,
- 9 between venture and nonventure activity. If the NFL
- 10 clubs were to create a trucking company or, in your
- 11 example, would go off and build houses, that's not a
- 12 venture activity.
- JUSTICE BREYER: Well, it would be if they
- 14 tried to do it, but, there, they would be attacked on
- 15 the ground that under the rule of reason, they do not
- 16 have the justification such that the antitrust law
- 17 would allow them to do it.
- 18 MR. LEVY: Well --
- 19 JUSTICE BREYER: And they are saying: And
- 20 promoting is precisely the same. That's why it seems
- 21 to me to be something that you can't decide in theory.
- 22 It's a matter of going back to economic facts with
- 23 witnesses and so forth.
- MR. LEVY: Your Honor, the ancillary
- 25 restraints doctrine would enable the court, in the

- 1 circumstance that you describe, to categorize the
- 2 decision to build housing as a non-venture activity --
- 3 a non-venture decision, and, therefore, it would be
- 4 evaluated independently of the considerations that
- 5 apply to the venturers' objective.
- 6 But, here, you cannot separate the -- the
- 7 venture activity of -- of -- for both football --
- 8 JUSTICE STEVENS: Well, but you -- you
- 9 certainly could because they certainly could --
- 10 theoretically, each club could sell its own logo.
- 11 MR. LEVY: Each -- of course, each club
- 12 could sell its own logo, Your Honor, but the clubs
- 13 have decided that the most effective way to promote --
- 14 JUSTICE STEVENS: They have decided not to
- 15 do it that way, but it could be done.
- 16 MR. LEVY: Forgive me. I shouldn't speak
- 17 over you.
- 18 The clubs have decided that the most
- 19 effective way to promote their product, to promote NFL
- 20 football, is to do so collectively, to ensure that the
- 21 marks of all 32 clubs are -- are out there, in --
- JUSTICE STEVENS: But maybe they also
- 23 collectively decide the best way to make money and
- 24 finance -- attendance and so forth, all agree on a
- 25 housing program that they all jointly sponsor.

- 1 MR. LEVY: Well, Your Honor, that -- I
- 2 respectfully suggest that doesn't --
- 3 JUSTICE STEVENS: It would be the most
- 4 effective way to -- to raise the money to pay these
- 5 players who make so much money.
- 6 MR. LEVY: Well, that doesn't -- there's a
- 7 plausibility standard that really has to be applied in
- 8 terms of the -- of the arguments at issue.
- 9 CHIEF JUSTICE ROBERTS: Well, but if it's a
- 10 plausibility standard at the threshold inquiry,
- 11 there's a range of things, and I guess your -- your
- 12 friend on the other side is just saying selling logos
- is closer to selling houses than it is to playing
- 14 football.
- 15 MR. LEVY: Well, but there is a difference
- 16 here, Your Honor, because there is a record. This --
- 17 this wasn't decided on a motion to dismiss. It was
- 18 decided on summary judgment. There was undisputed
- 19 evidence that the purpose of the licensing, going back
- 20 40 years -- 45 years, at this point, was to promote
- 21 the game, and that's not an implausible determination
- 22 to be made, but the -- but the evidence was
- 23 undisputed.
- The case was decided on summary judgment,
- 25 and so -- you know, this is not a situation where --

- 1 where there's the type of -- you know, the range of
- 2 issues that needs to be -- you know, that needs to be
- 3 resolved, of the kind that you described.
- 4 You know, this is a situation that Judge
- 5 Moran --
- 6 CHIEF JUSTICE ROBERTS: So if there's a
- 7 factual -- if there's a factual dispute about whether
- 8 a particular activity of the league is designed to
- 9 promote the game or is designed simply to make more
- 10 money, than that is the sort of thing that goes to
- 11 trial?
- MR. LEVY: Well, I wouldn't -- I wouldn't
- 13 put it in terms of "make more money" because I have
- 14 agreed with Justice Scalia --
- 15 CHIEF JUSTICE ROBERTS: Or do something
- 16 else, do something other than promote the game?
- 17 MR. LEVY: If -- Your Honor, just as in
- 18 Dagher -- in Dagher, the issue was how to price the
- 19 product. It's a fundamental decision that any venture
- 20 has to make. This is a decision -- the undisputed
- 21 evidence shows that this is a decision about how to
- 22 promote the product, and that's no different from
- 23 pricing a product in terms of the -- you know, the
- 24 operations of a venture.
- You can't -- you can't hope to market a

- 1 product, unless you have decided on how to promote it,
- 2 and the antitrust laws in the Sherman Act encourage
- 3 promotion. They encourage -- Copperweld encourages
- 4 business people to make the judgment about how best to
- 5 produce and to promote their product and how best to
- 6 compete in the marketplace.
- 7 They made very clear that they don't want
- 8 those judgments cabined or inhibited or chilled by --
- 9 by decisions by the court or decisions by a jury.
- 10 But, here, Judge Moran did what we thought was the --
- 11 and we continue to think is the most appropriate way
- 12 to serve the interests of both the Sherman Act and the
- 13 considerations that this Court has recognized in
- 14 Twombly and other cases, and that's to provide an
- 15 early opportunity for a determination of whether or
- 16 not the venture -- the venture conduct, the venture
- 17 decision that is at issue, is a venture decision of a
- 18 single entity or whether it is a collective decision
- 19 of the -- of the venture participants.
- 20 He allowed discovery limited to the single
- 21 entity issue. The -- the -- there is no challenge to
- 22 the scope of discovery here. We have a complete
- 23 record on this point that confirms and addresses the
- 24 question that you presented, that the purpose of
- 25 licensing here is to promote the product.

1	But	even	if	it	weren't	 even	if	it

- 2 weren't, I'd suggest that -- that the -- the evidence
- 3 shows that fans identify with the logos, and we are
- 4 talking about the logos and the marks here, not
- 5 because they have some sort of intrinsic value, not
- 6 because they, you know, derive -- they derive some
- 7 value from their attractiveness or appeal,
- 8 independently in the marketplace; they derive their
- 9 value from their identification with an NFL club that
- 10 competes on the football field. And even -- even
- 11 American Needle's president so confirmed in the
- 12 declaration that he submitted in the case.
- So we have here a record that makes this --
- 14 this judgment for the Court relatively
- 15 straightforward. It provides a straightforward
- 16 opportunity for this -- this Court to confirm the
- 17 principles established in -- established in Copperweld
- 18 and to -- and to extend the principles that this Court
- 19 noted in Dagher.
- JUSTICE SOTOMAYOR: The -- if the
- 21 reasonableness of this decision, that T-shirts promote
- the game, is so self-evident, then why wouldn't the
- 23 rule of reason control completely?
- MR. LEVY: Well, Your Honor, I don't have --
- JUSTICE SOTOMAYOR: Why do we need to even

- 1 go to the single-entity question when, by your own
- 2 answer, it is undisputed, so abundantly clear, so
- 3 reasonable?
- 4 MR. LEVY: The answer --
- 5 JUSTICE SOTOMAYOR: What's the need to -- to
- 6 label it "single entity," as opposed to label it what
- 7 it is, reasonable?
- 8 MR. LEVY: The answer, Your Honor, is
- 9 inherent in the rule of reason. In the modern era,
- 10 defending a claim like this on the merits involves an
- 11 investment of tens of millions of dollars, thousands
- 12 of hours of executive time, hours and hours of court
- 13 time. In the Salvino case, there were 3 years of
- 14 discovery spent on rule of reason issues --
- 15 JUSTICE SOTOMAYOR: But is not the whole
- 16 purpose, and I certainly sympathize with that
- 17 argument. But isn't the proposition of antitrust law
- 18 that we have a reason for worrying about concerted
- 19 activity? We have a genuine concern as -- well,
- 20 Congress does -- about independent entities joining
- 21 together and fixing prices.
- 22 And we permit them to do so, as Justice
- 23 Breyer indicated, when the venture has a purpose
- 24 that's independent than -- from the individual
- interests, but we say, when it doesn't, we have to

- 1 ensure, under the rule of reason, that what they are
- 2 doing is reasonable.
- 4 but I can very much see a counterargument that
- 5 promoting T-shirts is only to make money. It doesn't
- 6 really promote the game. It promotes the making of
- 7 money. And once you fix prices for making money,
- 8 that's a Sherman Act violation.
- 9 MR. LEVY: But, Your Honor, I would agree
- 10 with almost everything that you said, but we are not
- 11 dealing here with independent sources of economic
- 12 power. These clubs are not independent. None could
- 13 produce their product on their own.
- 14 JUSTICE SOTOMAYOR: But they own the
- 15 trademarks, so they could.
- MR. LEVY: They do, but the trademarks don't
- 17 have any value. They don't have any purpose
- 18 independent of the game. The trademarks are invented
- 19 to identify the clubs on the field. They are -- they
- 20 are promoted and distributed to -- to encourage
- 21 loyalty among fans of the clubs. The -- the
- 22 trademarks are simply a tool that the clubs use to --
- 23 JUSTICE BREYER: So let's call it "NFL
- 24 supermarket." Red Sox supermarket, Patriots
- 25 automobile shop, Patriots tractor store -- everything

- 1 becomes Patriots. Everything -- no competition
- 2 anywhere. Now, you say that's ridiculous, and once
- 3 you say that's ridiculous, you are now into the
- 4 business of deciding whether this aspect of the
- 5 undeniable legal joint venture to play baseball or
- 6 football -- whether this aspect is properly the
- 7 subject of merger.
- And once you're into that, you're into your
- 9 \$7 million, and I can't really think of anything
- 10 that's going to help you there.
- 11 MR. LEVY: Well --
- 12 JUSTICE BREYER: And the SG in its brief,
- 13 you see, on that key 16 and 17, it seemed to me,
- 14 simply reproduces in precisely somewhat different
- language, but precisely the argument you are now
- 16 having: Is this the kind of thing that should be
- 17 merged? We know by applying the rule of reason.
- 18 And, second, if it is merged, is this
- 19 particular aspect of it something where there could be
- 20 competition, and there isn't much justification?
- 21 That's their rule, too. Again, we are back to the
- 22 rule of reason. So, how do I save you the \$7 million?
- 23 MR. LEVY: But, Your Honor, this case is the
- 24 perfect example. We were able to resolve this case on
- 25 summary judgment without incurring the burden of rule

- 1 of reason discovery, and your reference to the
- 2 Patriots tractor store drives home a distinction that
- 3 I think is worth leaving with the Court at this point.
- 4 This is not a situation, like the situation
- 5 to which we adverted in our brief, where John Deere
- 6 and International Harvester get together and fix the
- 7 prices of their logos for sale to cap manufacturers.
- John Deere and International Harvester, for
- 9 many years -- I mean, early on, they gave away the
- 10 hats throughout the Midwest to encourage farmers to
- 11 buy their farm equipment. They are independent
- 12 sources of economic power.
- JUSTICE SCALIA: Well, you -- you say that
- 14 the -- that the trademarks have no value apart from
- 15 the -- from the game. I guess you could say the same
- 16 thing for each individual franchise of each of the 32
- 17 clubs. They are worthless, if NFL football
- 18 disappears. So does that mean they -- they can agree
- 19 to fix the price at which their -- their franchises
- 20 will be sold, by concerted agreement, because after
- 21 all, they're worthless apart from the NFL?
- MR. LEVY: Well, I -- I certainly agree with
- 23 your -- your premise, Your Honor, that they are
- 24 worthless apart from the -- except -- I mean, there's
- 25 some residual value. I don't -- I don't --

- 1 JUSTICE SCALIA: Yes.
- 2 MR. LEVY: I don't dispute -- dispute that.
- 3 Could they agree on prices for their franchises to be
- 4 sold? Yes, I assume they could agree because they are
- 5 not independent sources of economic power.
- 6 JUSTICE SCALIA: Oh, okay, you --
- JUSTICE BREYER: So we don't even ask the
- 8 question whether under the rule of reason such a thing
- 9 is reasonable or justified?
- MR. LEVY: Your Honor --
- 11 JUSTICE SCALIA: I thought I was reducing it
- 12 to the absurd. But you --
- 13 (Laughter.)
- 14 MR. LEVY: You know, I -- I can bring the
- 15 basic point that I -- I want to leave you with back to
- our example that's a little bit closer to home.
- 17 In 1999 -- 1919, when Judge Covington and
- 18 Mr. Burling went to join forces, they formed a law
- 19 firm, a venture. Ninety years later, that venture
- 20 decides on the prices, the rates that Mr. Ludwin and I
- 21 will -- will decide for our -- will charge for our
- 22 services. Sometimes that venture, the firm, decides
- 23 that we won't do business with a particular client or
- 24 that we'll limit our business to a particular client
- 25 in a particular industry.

1	Nobody	suggests	that	that	decision	οf	tľ	ıe
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- 2 venture, a lawful venture, is subject to section 1
- 3 scrutiny as a violation of the Sherman Act,
- 4 constitutes a concerted refusal to deal.
- 5 But if Mr. Ludwin and I leave the -- leave
- 6 the firm and we set up solo practices and then decide
- 7 on what our rates are going to be or then decide on
- 8 what our -- what clients we will serve and not serve,
- 9 that is an agreement between independent competitors.
- 10 That's the fundamental difference.
- 11 That is a fundamentally different situation
- 12 between -- compared to the situation of the firm
- 13 setting our rates. And it reflects the intersection
- 14 of Copperweld and Dagher. It shows how Dagher and
- 15 Copperweld fit together hand in glove to demonstrate
- 16 that the NFL, for purposes of promoting its football
- 17 product, is a single entity.
- 18 CHIEF JUSTICE ROBERTS: Thank you, counsel.
- 19 Mr. Nager, you have 3 minutes remaining.
- 20 REBUTTAL ARGUMENT OF GLEN D. NAGER
- ON BEHALF OF THE PETITIONER
- MR. NAGER: Thank you, Mr. Chief Justice.
- 23 I'd just like to pick up on a question that
- 24 Chief Justice Roberts asked me with a point that
- 25 Justice Breyer made, which is that both the Solicitor

- 1 General's position and the NFL's position are taking
- 2 rule of reason concepts and trying to push them into
- 3 the concerted conduct inquiry, which will have the
- 4 effect, of course, of confusing courts that presently
- 5 understand the inquiry. That's Justice Breyer's point
- 6 about terminology.
- 7 It also has substantive impact because of
- 8 the way litigation gets conducted. As Mr. Levy has
- 9 said, this case was litigated below at the district
- 10 court judge's direction only on the concerted conduct
- 11 question, not on the -- the rule of reason questions.
- 12 So, American Needle didn't have the opportunity to
- 13 conduct discovery and make proof about anticompetitive
- 14 effects and to try to rebut the arguments that the NFL
- 15 was making about pro-competitive justifications.
- The NFL's argument is asking -- they are
- 17 asking for a per se rule of legality for everything
- 18 that the NFL does that is related to football. That
- 19 can't be the --
- 20 CHIEF JUSTICE ROBERTS: What's the answer to
- 21 the -- what's the answer to the hypothetical Mr. Levy
- 22 ended with, the law firm?
- 23 MR. NAGER: On the -- the partnership
- 24 example? Well, the partnership is -- is as follows:
- As -- as to the extent that there's case law

- 1 on the subject, as with all joint ventures, the case
- 2 law treats law firm partnerships as joint ventures and
- 3 subjects them to the rule of reason, and every
- 4 commentator, whether it be Judge Bork or anyone else,
- 5 has said: But, of course, law firms don't have market
- 6 power so they couldn't possibly have anticompetitive
- 7 effects on the market, and a rule of reason claim
- 8 trying to challenge the rates at which a law firm sets
- 9 its partnership rates wouldn't pass -- survive a
- 10 motion to dismiss.
- 11 With respect to his analogy to Dagher, the
- 12 difference between the Dagher effects -- of course
- 13 this Court in Dagher didn't accept the argument that
- 14 I made on behalf of Texaco and Shell that they should
- 15 be treated as a single entity if, in fact, their
- 16 formation was lawful. This Court only ruled on the --
- 17 on the price-fixing issue.
- 18 But the argument that was made in Dagher was
- 19 if you had a wholly integrated joint venture, one in
- 20 which there had been a complete pooling of relevant
- 21 capital, a complete sharing of profits and losses, and
- 22 an enforceable non-compete agreement, in those
- 23 circumstances the -- the owners of that joint venture
- 24 were not like typical joint venturers; they, in fact,
- 25 were like the shareholders in a publicly held company

Τ	because their only interest at that point is in their
2	investment. They have no other economic interests
3	that are affected by their ownership and control of
4	that entity. And at that point, they could be treated
5	as one.
6	And Justice Thomas's opinion for the Court
7	has some resonance of that in it, but it specifically
8	says it's only addressing it in terms of the per se
9	rule.
-0	CHIEF JUSTICE ROBERTS: Thank you, counsel.
.1	The case is submitted.
_2	(Whereupon, at 11:19 a.m., the case in the
_3	above-entitled matter was submitted.)
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A	addition 9:16,24	allege 27:21	anticompetitive	arm 39:23
ability 4:6 17:14	10:12	alleged 9:14	6:24 8:4 9:12	articles 41:17
able 6:24 50:14	additional 9:19	14:10 27:11	11:20 15:14	articulate 23:6
62:24	10:14 14:20	28:17	66:13 67:6	articulated
above-entitled	address 12:13	allegedly 3:15	antitrust 5:21	52:12
1:12 68:13	25:3,4	allow 22:21	6:2 9:4 11:7	articulation
absent 47:10	addresses 58:23	54:17	25:5 33:24	12:7
absolute 49:22	addressing 68:8	allowances	49:9,22 54:16	artifact 44:3
absolutely 13:11	adherents 48:6	18:17	58:2 60:17	aside 50:3,3,5,18
13:17	adverse 13:10	allowed 22:20	apart 63:14,21	asked 65:24
abstract 48:8	15:7	48:17 58:20	63:24	asking 4:22 17:5
absurd 64:12	adverted 63:5	allowing 51:11	apparel 27:13	28:1 66:16,17
abundantly 60:2	affect 32:16 38:1	ambiguity 53:20	appeal 59:7	aspect 14:14,15
accept 67:13	affidavit 26:15	American 1:3	appeals 3:11	26:10 29:19
achieve 11:14	26:19	3:4 28:9,17	23:2 44:9	62:4,6,19
acquire 30:4	ago 40:12	39:19 42:25	APPEARAN	aspects 33:5,7
act 3:14 4:3 5:25	agree 8:20 22:3	59:11 66:12	1:15	assets 13:3,6
22:12 28:20	38:18 47:14	amici 8:24	application	assume 10:19,20
38:23,24 39:18	50:14 54:7	amicus 1:20 2:7	36:21	64:4
43:2 51:11	55:24 61:9	29:15	applied 33:8	assumes 27:14
52:10,11,14	63:18,22 64:3	analogous 33:3	34:6,14 56:7	attack 31:15,16
58:2,12 61:8	64:4	analogy 67:11	applies 5:16	31:16 32:13
65:3	agreed 9:25	analysis 5:12,12	36:12	attacked 54:14
acting 33:10,16	14:13 15:18,20	6:1,2 11:8 22:6	apply 6:12 25:8	attempted 50:21
37:8	19:16 33:18	22:15 24:5,21	36:10,14 44:24	attendance
action 5:24 7:17	36:3 57:14	25:15 34:15	48:20 53:4,8	55:24
31:8 35:7,18	agreement 3:12	36:25 51:19	53:19 55:5	attractiveness
36:2,5 38:2	3:15 4:23 5:5	53:12,14	applying 62:17	47:18 59:7
actions 40:2,2	5:24 6:10 9:9	analyze 11:19	appreciate 8:8	authority 30:3
activities 6:5	12:1 13:10,16	11:21 12:2	20:18	30:11 35:10,16
41:22 49:10	14:19 15:6,7	ancillary 5:11	appropriate	35:25 37:9
activity 4:15 5:8	16:13 22:4	11:10,10,11	58:11	38:7
6:16 11:3,5	26:20,25 28:18	31:4,14 54:24	area 21:18 48:21	automobile
12:24 13:1,2	34:9 38:17	announcing	argue 5:11,14	61:25
14:15,16 21:23	41:2,3,6 45:4	45:22	13:9,21,22	available 50:19
34:18 54:2,9	47:10 49:5	answer 6:7 7:20	arguing 19:12	a.m 1:14 3:2
54:12 55:2,7	52:2 63:20	9:3 13:23	28:24	68:12
57:8 60:19	65:9 67:22	21:16 25:1	argument 1:13	B
actor 3:16	agreements 3:23	28:5,6 34:21	2:2,10 3:3,7	back 14:2 18:2
actors 4:24 5:3	4:1 5:19,19	37:12 45:21	29:13 32:10	
13:9	12:5 21:23,24	49:19,24 50:1	39:11 50:8,12	42:12 48:13 51:21 54:22
actual 32:16	23:3	60:2,4,8 66:20	60:17 62:15	56:19 62:21
Adam's 43:6	AL 1:7	66:21	65:20 66:16	64:15
added 43:5	Alito 8:18 9:2,17	answered 22:2	67:13,18	ball 26:23
adding 43:9,10	9:21	answers 11:24	arguments 56:8	bar 49:22
Addison 11:13	allegation 44:14	21:15	61:3 66:14	base 40:13
				UASC 4 0.13

				Page 7
baseball 17:9,25	Boxing 27:20	C 2:1 3:1	30:11 43:16	circumstance
62:5	Breyer 16:2,8,11	cabined 58:8	certain 6:14	55:1
based 27:19	16:18,22 17:1	Cal 25:16	20:22 25:14	circumstances
50:13 52:9	17:4,11,15,19	call 25:4 31:17	30:17	15:25 67:23
basic 44:8 45:3	18:2,7,16,19	61:23	certainly 6:3	City 18:13
64:15	19:2,5,7,22,24	called 51:13	15:15 26:14	claim 6:18 14:8
basically 26:20	20:17,19,21	cap 63:7	32:2 55:9,9	15:16 26:4
50:13	21:1 30:14	capability 43:9	60:16 63:22	32:17,19 45:6
basing 51:8,12	31:10,24 32:12	capital 67:21	cetera 4:19	49:22 60:10
basis 20:5	44:7,14 45:14	caps 46:15	45:19	67:7
bear 14:2 34:16	45:21 46:3,7	care 7:15 47:3	challenge 35:17	claims 25:17,19
34:17	46:23 51:7	carry 29:24 32:6	35:22 36:6	48:25 50:2,3,4
beg 11:24	52:7,17,19	carrying 33:14	37:14 39:20	50:5
begging 12:11	53:22 54:7,13	36:12	43:1 53:15,17	clarity 23:14,15
beginning 40:5	54:19 60:23	carve 24:24	58:21 67:8	23:20
behalf 1:16,20	61:23 62:12	carve-out 7:17	challenged 6:4	classic 48:19
1:22 2:4,6,6,9	64:7 65:25	case 3:4,11 4:5	31:20 53:21	clean 48:19
2:12 3:8 26:2	Breyer's 66:5	5:16 6:4 8:9,23	challenges 27:5	clear 8:23 40:23
29:14 33:15	BREYRE 17:23	11:13 13:12	challenging 28:2	52:1,12 58:7
38:15 39:12	18:23	14:5 18:7	28:3,10 42:21	60:2
65:21 67:14	brief 8:19 28:15	20:21 22:4,12	change 6:12 7:6	clearly 21:9
believe 43:5	50:7,9,16	22:17,23,25	Changes 6:11	client 29:3 64:23
44:4	62:12 63:5	24:23,25 25:22	changing 9:24	64:24
belong 32:25	briefs 26:7	26:13 27:4,20	10:12	clients 65:8
benefit 51:24	bring 64:14	27:23 28:14,16	characterize	client's 26:2
benefits 11:20	broader 11:15	28:25 29:21	30:18	close 30:25
11:22 51:11	38:21	30:18,20 34:10	charge 64:21	closer 50:24
54:6	build 53:24	34:13,14 35:9	charitable 41:23	56:13 64:16
best 41:12,19	54:11 55:2	37:5,13 40:10	charity 48:16	club 46:1 55:10
42:2 44:10	Bulls 49:2	40:11 42:8	Chief 3:3,9	55:11 59:9
55:23 58:4,5	burden 13:8,15	44:8,18 48:19	11:12,17,23	clubs 3:22 28:18
better 14:23	14:3 15:6	49:2,3 52:18	12:8,10,16	40:24 43:7
17:9 21:12,13	62:25	53:19 56:24	23:5,18,25	46:20 49:16
30:15,17 32:1	Burling 64:18	59:12 60:13	24:12,16 29:10	50:11 51:1
bidder 31:19	business 29:24	62:23,24 66:9	29:16 34:20	54:10 55:12,18
bidders 35:6	32:5 36:13	66:25 67:1	35:8,20 36:8	55:21 61:12,19
bit 64:16	37:10,23 38:1	68:11,12	38:20 39:9,13	61:21,22 63:17
blanket 15:22	40:9,21 58:4	cases 5:17 23:15	56:9 57:6,15	coaches 50:17
15:23 28:13	62:4 64:23,24	25:9 42:9 49:1	65:18,22,24	50:18,19,23
blocker 20:20	businesses 21:25	58:14	66:20 68:10	cognizable 14:8
blunt 8:6	33:6	categorize 55:1	chilled 58:8	collective 35:1,2
BMI 5:17 12:19	buy 30:23 33:20	causes 41:24	choose 19:19,20	35:4 58:18
bona 26:3	37:10,23 38:7	centers 45:17	chooses 37:19	collectively 5:6
booths 44:19	38:15 63:11	central 34:7	Circuit 3:12	28:19,21 44:4
Bork 67:4	buying 47:21	35:3 36:16	51:17	55:20,23
bound 8:16		centralized	Circuit's 23:11	come 22:11
	C			
L	I	l	ı	ı

				Page /I
25:15	complaining	66:8	control 4:19 5:6	34:13,13 35:18
coming 37:16	19:14	confer 39:7	15:24 36:20	39:3,14 42:8
commentator	complaint 14:10	confirm 59:16	59:23 68:3	44:9 48:20
67:4	16:3,23,24	confirmed 41:25	controlled 3:19	51:15 52:11
commissioner	17:2	59:11	4:9 5:1,18 6:9	54:25 58:9,13
29:22 30:2	complete 58:22	confirms 58:23	21:25	59:14,16,18
32:2 33:14	67:20,21	confusing 44:16	coordination	60:12 63:3
34:2 35:10,24	completely 21:4	66:4	39:4	66:10 67:13,16
36:3 37:6,8,18	59:23	confusion 23:23	Copperweld	68:6
38:14	concepts 66:2	30:19	5:18 12:20	courts 24:14
commissioner's	conceptually	Congress 39:18	32:10,12,23	25:8 28:25
29:19 30:8,12	23:13	43:3 49:21	39:3 42:5,7,8	32:23 48:23
31:21 36:11,14	concern 22:10	60:20	44:15,18 45:2	49:1,3 66:4
38:7	60:19	cons 51:9	45:8 48:21	Court's 3:16,20
company 30:3	concerns 39:8	consensus 3:25	52:11,13,20,20	3:21 4:4 6:22
35:21 39:5	concert 6:10	consent 6:10	53:6 58:3	8:1 10:5 12:18
50:6 54:10	9:25	30:9,10 33:17	59:17 65:14,15	12:25 25:8
67:25	concerted 5:8,14	38:9	correct 14:4	27:19
compared 65:12	5:20,24 6:16		22:7 23:10	cover 5:22
compared 03.12 compete 17:12	7:22,24 8:5	consequences 21:3	27:17 29:5	Cover 5.22 Covington 64:17
17:14 19:13	11:3 12:24	considerations	53:12,14	create 23:14
26:25 37:3	13:1 21:23	53:18 55:4	costly 22:16	54:10
44:19 51:2,25	23:4 24:2,7,10	58:13	counsel 11:23	created 43:5,6
58:6	24:14 25:6,9	consistent 5:16	20:14 23:5	creates 30:22
	31:8 34:18	12:19,25	27:25 39:9	
competed 15:25 competes 59:10	35:7,17 36:2,5	consistently	65:18 68:10	creating 50:6 creation 8:16
competing 21:25	38:2,21 40:2	13:2	count 14:7	43:24
27:3,8,9 51:10	60:18 63:20	conspiracy 7:10	counterargum	criteria 31:1,2,3
53:1	65:4 66:3,10	constitute 5:20	61:4	32:13,18
competition	concluded 14:19	21:23 23:4	counters 52:25	criticizes 23:10
8:10 9:6 13:10	32:11	constitutes 65:4	course 30:23	curiae 1:20 2:7
14:14 15:8	conclusion 23:3	constitution	36:22 55:11	29:15
17:7,21 18:3	26:19 44:8	29:23	66:4 67:5,12	current 15:20
18:10,11 21:9	45:15,16,22	consumers 8:15	court 1:1,13	current 13.20
26:21 27:15	condition 10:7	context 5:11,12	3:10,11 4:5,11	
28:12,12 32:16	conditions 8:10	5:14 12:14	5:17 7:21 8:2	D 1:16 2:3,11
*	45:11			3:1,7 65:20
62:1,20		50:17,18 continue 58:11	8:11 13:13,22 14:9 16:10	Dagher 33:1,7
competition's	conduct 5:14,20			35:18 41:25
54:6	7:22,24 8:5 23:4,16 24:2,7	continued 44:5 continuing 24:9	20:5 21:22 22:18 23:1,2,2	48:21 57:18,18
competitive 8:14	24:11,14 25:6	continuing 24:9 contract 6:10	24:9 25:9,14	59:19 65:14,14
competitiveness 10:7	25:9 30:7	13:5 31:20	25:16,18,20,23	67:11,12,13,18
	31:20 50:5	34:1,16 35:12	26:1,3 27:12	damages 7:11
competitors 14:23 33:5		contracts 9:7	27:18,22 28:9	29:8
37:16 38:1	58:16 66:3,10 66:13	34:3 35:5	28:14 29:17	data 51:8
65:9	conducted 22:23	contrast 8:12	32:11 33:2,7	day 21:10
05.7	Conducted 22.23	COII II 45t 0.12	34.11 33.4,1	days 21:10

	İ		İ	I
48:14	defendants	33:21,25 34:2	doctrinally	effects 8:4,4
deal 44:18 48:24	14:12	34:7 36:19	23:13	11:21 15:14
65:4	defending 60:10	37:13 39:4	doctrine 7:22	66:14 67:7,12
dealing 33:2	defense 14:24	46:16,17,18	8:6 12:18	efficiencies
61:11	26:22	54:2 57:22	24:15 25:2,5	52:23
dealt 25:16 29:3	definitely 53:22	62:14 65:11	25:12 54:25	efficiency 53:4
debatable 53:3	definition 30:24	differently 9:1	documentary	efficiency-enh
decades-old	49:9	differs 38:4	41:16 48:12	11:14
28:18	delegated 35:10	difficult 21:18	documents	either 29:21
decide 31:3	37:9	direct 50:1	41:20 48:13	34:24
35:11,13 37:18	delegation 30:3	direction 66:10	doing 10:2 21:3	eliminate 15:22
38:15 54:21	35:16	directly 4:5	28:4 52:23	employee 33:13
55:23 64:21	demonstrate	disagree 42:22	61:2	employees 30:1
65:6,7	50:20 65:15	53:16	dollars 60:11	30:13,24
decided 19:19	demonstrates	disappears	donated 41:23	enable 54:25
34:23,25 35:5	46:17	63:18	doubt 24:7	encourage 58:2
55:13,14,18	denied 14:9	disappointed	draw 50:22	58:3 61:20
56:17,18,24	Dental 25:16	31:19	drives 63:2	63:10
58:1	department	discarding 21:4	D.C 1:9,16,19,22	encourages 58:3
decides 30:3,5	1:19 44:19	discover 51:22		ended 66:22
42:6 64:20,22	52:25	discovery 22:15	E	enforceable
deciding 37:23	departs 23:7	22:18,20,21,22	E 2:1 3:1,1	67:22
62:4	Depot 31:22,25	41:15 48:17	earlier 21:6	engages 50:10
decision 3:20	36:9	58:20,22 60:14	early 48:14	English 8:25
4:4 10:5 12:22	Deputy 1:18	63:1 66:13	58:15 63:9	25:2
13:13 27:19	derive 59:6,6,8	discuss 53:13	easier 20:19	ensure 55:20
28:21 30:12	derived 30:9	discussion 26:7	31:16	61:1
31:22 35:21	33:17 38:9	dismiss 14:6	easily 18:14,15	ensuring 10:7,8
37:25 40:20	describe 55:1	15:2 20:5	easy 24:22	enter 35:11,12
41:13 49:7,25	described 44:10	56:17 67:10	economic 14:21	entered 5:5 11:5
52:21 55:2,3	57:3	dismissed 16:7	33:5 44:11	34:2
57:19,20,21	description	22:13 25:19	45:12,17,24	entering 5:19
58:17,17,18	42:14	dispute 39:22	46:21 51:9,10	9:7
59:21 65:1	designed 46:14	57:7 64:2,2	51:19,23 52:16	enterprises 3:20
decisions 4:9	57:8,9	distinct 3:22	54:6,22 61:11	44:5
32:2 39:25	determination	distinction 5:13	63:12 64:5	entertainment
40:1 42:2,3,4	56:21 58:15	12:25 13:3	68:2	51:3
53:8 58:9,9	determine 27:23	63:2	economic-rela	entirely 6:2
decision-make	development	distribute 46:15	51:8	33:20
12:21	24:13	distributed	educational	entities 3:22
declaration	differ 36:23	26:16 61:20	41:23	5:19 22:3 33:4
59:12	difference 4:20	district 14:9	effect 6:24 13:10	37:3 50:12
deemed 7:23	5:10 54:8,8	23:1 25:23	14:20 15:7	60:20
51:5	56:15 65:10	27:12,18,22	19:11 66:4	entity 22:20
Deere 63:5,8	67:12	51:15 66:9	effective 24:4	26:16 27:1
defendant 6:25	different 26:11	divisions 39:4,6	55:13,19 56:4	28:4 30:7,18
			effectively 32:6	
	ı	1	ı	1

				Page 7
31:17 33:11,16	50:6,15 54:11	fan 17:16 18:13	40:18 42:25,25	G
37:2,8 38:22	62:24 64:16	18:14	44:11 53:23	$\frac{\mathbf{G}}{\mathbf{G}3:1}$
38:24,25 39:2	66:24	fans 18:11 59:3	54:2 55:7,20	
40:14,17,17	excellent 31:2	61:21	56:14 59:10	game 10:3,4
43:17 49:18	exception 49:2	farm 63:11	62:6 63:17	24:19 26:23
51:5,12,13,18	exclusive 15:24	farmers 63:10	65:16 66:18	46:2,5,7,20,22
52:22 58:18,21	16:13,25 28:10	favorable 8:15	forces 33:6	47:2,4,7,18,21
60:6 65:17	34:1,9	feature 22:16	64:18	50:23,24 56:21
67:15 68:4	exclusively 29:3	fide 26:3	forget 16:5,8,9	57:9,16 59:22
entity's 12:6	exclusively 23.3 exclusivity 17:3	field 14:23 26:21	Forgive 55:16	61:6,18 63:15
entrepreneur	Excuse 43:15	59:10 61:19	form 45:10	games 8:21,22
52:21	executive 41:18		formalism 42:9	9:19 10:2,13
	60:12	figure 20:1 file 32:17	49:5	10:15 47:20
entrepreneurial 52:22			formation 39:15	gap 51:1
	exercises 37:9	filing 32:19		gas 37:17,18,20
equal 26:17	exhibition 10:3	finance 55:24	39:16,21,24	Gee 37:17
equalize 14:21	exist 23:17	find 14:1 20:17	41:8 42:20	general 1:18
Equilon 33:9	exists 23:14	20:19 28:2	43:2 53:16,17	3:21 4:17 23:8
equipment	24:15 30:19	40:14	67:16	23:12 28:1
63:11	expanded 42:17	Fine 17:4 45:14	formed 40:11,16	29:1 36:3
era 49:4,5 60:9	42:17,24 43:8	firm 33:10 64:19	40:17 41:8	41:25 45:11
erroneous 23:3	43:9	64:22 65:6,12	42:1,13,15	generally 6:6
escape 6:2	expenses 29:24	66:22 67:2,8	64:18	General's 23:9
ESQ 1:16,18,22	expert 17:20	firms 67:5	forth 27:7 54:23	24:2 66:1
2:3,5,8,11	explain 12:2	first 3:4 7:20	55:24	generating
essentially 43:5	15:12,13 29:20	11:2,9 23:20	forward 22:25	46:21
43:7	exploit 43:17	31:7 37:2,7	27:23 53:12	genuine 60:19
established 45:9	exploitation	51:15	found 14:10	Giants 10:3
59:17,17	43:22	fit 65:15	four 19:10	33:18 36:10
estoppel 50:13	exploring 21:3	five 52:12	four-square	38:16,18
et 1:7 4:19 45:19	extend 59:18	fix 44:22 61:7	29:20	Ginsburg 5:22
evaluated 55:4	extent 7:21 23:6	63:6,19	framework 42:5	6:7 22:1,10
everybody 37:20	23:25 24:8	fixing 60:21	franchise 63:16	29:2,6,7 42:11
40:6	66:25	focus 16:15,19	franchised	Ginsburg's 7:13
evidence 41:16	eye 25:17	focused 8:3	43:19	give 6:12 7:13
46:16 48:10,12		focusing 19:9	franchises 43:18	8:18 15:24
48:12 56:19,22	F	29:18	43:23 63:19	21:20 23:17
57:21 59:2	face 21:9	following 6:22	64:3	35:5 36:3
evidentiary	facie 9:11	11:8 35:9	free 10:25	given 20:23
48:11	fact 3:24 14:4	51:16	freedom 10:8	30:11
evolutionary	18:11 25:10	follows 39:1	friend 56:12	giving 33:25
25:12	26:8 33:21	52:20 66:24	functions 33:15	GLEN 1:16 2:3
exactly 12:9	34:8 35:7 45:1	football 1:6 3:5	fundamental	2:11 3:7 65:20
28:16,23	50:19 67:15,24	3:13,18 5:5	57:19 65:10	glove 65:15
example 8:19,25	facts 15:9 54:22	8:17,25 10:1	fundamentally	go 10:25 11:8
17:6 33:13	factual 57:7,7	10:20 17:25	65:11	18:2 22:12
36:19 39:20	factually 27:24	39:18,19 40:7	further 14:19	31:22 35:2
	fails 3:15	,		31,22 33,2
		I	I	I

				Page 74
37:4 42:12	happened 40:22	hornbook 44:17	independent	integrated 67:19
46:14 50:11	harms 51:9 54:6	hours 60:12,12	44:21 45:12,24	integration 13:3
51:21 54:3,11	Harvester 63:6	60:12	46:21 47:11	13:5
60:1	63:8	houses 53:24	49:17 50:12	intellectual
goes 5:25 14:2	hats 27:13 40:8	54:11 56:13	60:20,24 61:11	28:19 41:14
47:8 48:12	40:13,22 63:10	housing 55:2,25	61:12,18 63:11	43:11,23 44:6
57:10	headwear 28:22	hurt 7:5 29:3	64:5 65:9	intended 45:10
going 9:23 12:2	healthy 24:13	hurts 6:14	independently	52:10,14 53:6
12:22 17:20,20	hear 3:3	hypothesis	38:10 55:4	intent 40:5
18:2,21 20:22	heard 16:11	53:13	59:8	interest 68:1
22:25 24:19,22	17:5	hypothetical 7:4	indeterminate	interested 16:22
25:18 27:23	held 3:12 4:5,11	66:21	22:9	47:19,20
30:4,23 31:15	15:4 27:12,18	00.21	indicated 60:23	interests 58:12
32:15 35:11,12	67:25	I	individual 5:7	60:25 68:2
37:17 40:21	Hello 46:10	identifiable 6:24	10:8,14 28:4	International
50:11 54:22	helmet 46:11	15:14	28:11 30:9	27:20 63:6,8
56:19 62:10	47:4	identification	35:3 36:16	interrupt 13:7
65:7	helmets 46:9	59:9	38:9,24,25	34:21
good 20:20	47:13	identify 53:18	44:1 47:11	intersection
39:13 40:9	help 29:19 62:10	59:3 61:19	60:24 63:16	65:13
52:7	helpful 21:7	II 49:3	individually	intrinsic 59:5
gotten 9:3 49:21	herring 34:9,12	illicit 36:2	15:19 19:18	invalid 27:12
0		immune 3:13	34:24 43:19	invanu 27:12 invented 61:18
grant 16:13 28:10	Herzog 41:18	impact 9:12		investment
granting 16:25	highly 36:6 hire 38:8	66:7	industry 64:25 inefficiency	60:11 68:2
GREGG 1:22	hired 49:12	implausible		involved 5:8
2:8 39:11	hiring 29:25	56:21	23:15,19,23 inefficient 52:24	34:18 35:7
ground 3:15	historic 44:3	implication 38:6	information	43:2
13:13 14:7		40:20	51:23	involves 4:24
54:15	hockey 17:25 home 22:12 63:2	implies 39:6	inherent 60:9	6:4 60:10
		important 10:6		
group 37:16 38:24 47:8	64:16 Honor 20:18	54:8	inhibited 58:8 initial 35:15	irrelevant 20:23 issuance 15:21
		imposed 10:13		
guess 18:20 31:6 31:18 34:22	40:15 42:23	improve 47:18	initially 14:6 40:12	issue 4:16 20:3,4
	43:21 45:23	inappropriate	= :	20:9,10 21:8
37:1 56:11	46:13 47:14	7:15	inquiries 24:1,3	22:20 25:3,25
63:15	48:9 49:15,23	incentive 47:11	inquiry 5:15	33:24 35:4
guidance 21:19	52:6 54:24	included 15:21	7:14 8:3 24:3,7	39:24 40:19,25
21:20	55:12 56:1,16	includes 24:3	24:11 37:13	41:15 42:6
guided 49:3	57:17 59:24	27:9 29:25	41:1 56:10	47:23 48:1,9
H	60:8 61:9	including 39:22	66:3,5	48:18 56:8
H 1:22 2:8 39:11	62:23 63:23	42:10	insofar 23:10	57:18 58:17,21
hand 38:5,13	64:10	incorporation	instance 31:19	67:17
65:15	hope 57:25	41:17	33:2 39:3	issues 25:14
handle 26:12	horizontal 4:11	increase 10:9	institutions 4:7	57:2 60:14
hands 23:1	11:5,6 12:1,5	incur 29:23	4:25	it's 5:13 23:19
happen 36:24	12:17	incurring 62:25	integral 8:16	68:8
паррен 50.24		mearing 02.23		

Japan 10:3 11:8,12,17,23 65:24,25 66:5 60:17 64:18 45:20,	22 2:8 ,11,13 41:5 43:21 .3 45:7 ,23 46:6 ,25 47:6 ,24 48:5 19:15,23
I'm 53:12 61:3 6:7,11,19,22 60:15,22 61:14 64:13 39:10, January 1:10 8:11,18 9:2,17 63:13 64:1,6,7 31:8 45:1 42:22 Japan 10:3 9:21 10:17 64:11 65:18,22 48:22 54:16 44:2,1 5:24,25 66:5 60:17 64:18 45:20,	,11,13 41:5 43:21 3 45:7 ,23 46:6 ,25 47:6 ,24 48:5 19:15,23
J 7:3,8,13,19 61:23 62:12 law 14:11 24:13 40:15 January 1:10 8:11,18 9:2,17 63:13 64:1,6,7 31:8 45:1 42:22 Japan 10:3 9:21 10:17 64:11 65:18,22 48:22 54:16 44:2,1 11:8,12,17,23 65:24,25 66:5 60:17 64:18 45:20,	41:5 43:21 3 45:7 ,23 46:6 ,25 47:6 ,24 48:5 19:15,23
January 1:10 8:11,18 9:2,17 63:13 64:1,6,7 31:8 45:1 42:22 Japan 10:3 9:21 10:17 64:11 65:18,22 48:22 54:16 44:2,1 Japan 10:3 11:8,12,17,23 65:24,25 66:5 60:17 64:18 45:20,	43:21 3 45:7 ,23 46:6 ,25 47:6 ,24 48:5 19:15,23
January 1:10 9:21 10:17 64:11 65:18,22 48:22 54:16 44:2,1 Japan 10:3 11:8,12,17,23 65:24,25 66:5 60:17 64:18 45:20,	3 45:7 ,23 46:6 ,25 47:6 ,24 48:5 l9:15,23
Japan 10:3 11:8,12,17,23 65:24,25 66:5 60:17 64:18 45:20,	,23 46:6 ,25 47:6 ,24 48:5 ,9:15,23
11.0,12,17,20 00.2.,20 00.0 00.17 0.110 10.20,	,25 47:6 ,24 48:5 l9:15,23
1 Tota 22.17 20.16 1	,24 48:5 19:15,23
	9:15,23
	· ·
	52:5,9,18
	54:7,18
	55:11,16
12:21 45:12 16:18,22 17:1 justified 54:5 11:7 58:2 56:1,6	5,15
	,17 59:24
joint 3:21 4:13 17:23 18:2,7 3:13,18 5:5 7:5 60:4,8	61:9,16
4:17 7:17 9:4,5 18:16,19,23 K 8:13 9:25 10:1 62:11,	,23 63:22
9:13 10:7	
11:15,22 15:11	,
28:2 30:20,22 20:11,12,17,19 7:19 21:2,6,17 30:6,10 33:15 liable 7:	
31:4,13,14 20:21,23 21:1 21:21 40:4,25 35:12 36:13,15 license 1	
1 00 4 10 00 16	,25 28:10
44:23 45:3,8 21:21,21 22:1 kind 30:19 34:9 39:16,19,19 28:21	·
49:10,14 53:2 22:10 23:5,18 40:5 53:3 57:3 40:7,11 41:11 licensee	
53:8,23,24,24 23:25 24:12,16 62:16 42:23,25 43:1 35:2	
54:4 62:5 67:1 25:21 26:4,6 know 6:19,20,21 50:10 57:8 licensee	s 34:25
67:2,19,23,24 26:18 27:2,6 10:19,19 17:9 leagues 8:25 licenses	
jointly 12:22 27:14,25 28:7 17:15,19 20:22 10:20 48:24,25 15:23	
55:25 29:2,6,7,10,16 21:15 22:11 50:4 41:13	20.15
joking 19:11 30:14 31:10,24 25:23 26:13 league's 30:4 licensing	σ 4·18
judge 11:12 14:9 32:12 33:23 40:8,15 41:25 leave 64:15 65:5 14:15	_
22:19 27:18 34:8,20 35:8 44:12 45:1,7 65:5 39:23	
57:4 58:10 35:20 36:8,18 45:23 50:25 leaving 63:3 43:11	
1 44 4 4 4 4 4 4 4 4 4 4 4 4 4 4 4 4 4	47:15,17
judge's 66:10 39:9,13 40:4 56:25 57:1,2,4 legal 7:25 31:9 48:16	,
judgment 7:16 40:25 42:11 57:23 59:6 51:12 62:5 58:25	
32:5 37:10 43:15,25 44:7 62:17 64:14 legality 66:17 light 30:	
46:23,25 56:18 44:14 45:14,21 knowledge legally 27:12 44:10	
56:24 58:4 46:3,7,23 47:1 44:17 legislative 3:25 limit 15:	
59:14 62:25 47:7,22,25 legitimate 31:13 64:24	
judgments 58:8 48:6 49:7,19 L 31:14 limited 2	
judicial 3:25 48.0 49.7,19 L 1:18 2:5 29:13 let's 10:19,20 58:20	
jump 9:24 52:7,17,19 label 60:6,6 37:4,5,5 40:7,9 line 32:9	
jurisprudence 53:22 54:7,13 lack 23:14,20 40:21 50:3,3,4 50:22,	
3:17,22 6:23 54:19 55:8,14 language 25:2 40:21 30:3,3,4 30:22,	
8:1 55:22 56:3,9 51:4 62:15 let's 37:4 litigated	
jury 58:9 Laughter 12:12	I UU.7

litigation 6:20	14:10,12 15:21	middle 44:23	19:3,6,21,23	43:7,16,24
22:11 23:16	15:23 19:4	Midwest 63:10	19:25 20:2,7	44:10,11 46:1
66:8	27:9,11,20,21	mid-1960s 41:7	20:10,14,18,20	46:20 48:3,13
little 43:22	27:24 28:12,19	million 62:9,22	21:1,5,16,20	49:16 50:4
64:16	45:11 50:11,11	millions 60:11	22:1,7,19 23:9	51:1 54:9
lived 18:12	50:21 57:25	mind 19:8 31:2	23:24 25:1	55:19 59:9
logic 38:10,13	67:5,7	minimum 34:3	26:1,12,24	61:23 63:17,21
logical 38:6	marketplace 4:2	minutes 65:19	27:4,11,17	65:16 66:14,18
logically 39:1	51:3 58:6 59:8	mission 32:6	28:6,8 29:5,9	NFLA 5:23
logo 35:12 54:3	markets 16:15	modern 60:9	29:11 42:7,10	NFLP 26:16
54:5 55:10,12	market-wide	moment 16:23	65:19,20,22	28:11 42:13
logos 5:7 15:20	9:15 10:4	50:18	66:23	NFL's 38:13
27:15,16 56:12	marks 28:22	money 9:22 47:2	National 1:6 3:5	66:1,16
	55:21 59:4	•		
59:3,4 63:7 long 3:24 18:13	matter 1:12 3:24	47:5,8,16,16 55:23 56:4,5	3:13,18 5:4 10:1 39:18	NFL-logoed 27:13
43:18 51:1	14:11 18:11		42:25	
53:7	54:22 68:13	57:10,13 61:5 61:7,7	42:25 nature 34:15	Ninety 64:19 nonventure 50:5
look 19:7 30:20		·	NCAA 3:20 4:4	54:9
30:25 32:12	matters 45:10 maximize 9:5,6	monopolization 50:20,21	4:6,7,9,11,25	
54:3	mean 7:10 10:10	Moran 57:5		non-compete 67:22
looked 10:16		58:10	5:1,16 8:9 10:5 25:18 27:19	
	13:22 16:21			non-venture
looking 7:21 17:1	17:19 22:8	morning 3:4 39:13	necessarily 47:16	55:2,3
	23:21 34:21		· · · ·	normal 36:22
losses 67:21	36:9 44:3 63:9	motion 14:9	necessary 11:14	Normally 44:21
lots 51:23	63:18,24	15:2 46:24	11:16 43:3	noted 39:3 59:19
lower 20:4 28:25	meaning 4:14	56:17 67:10	need 24:1 59:25	notice 7:8
32:1,23 34:13	28:7	moved 14:6	60:5	0
loyalty 61:21	member 4:7	multiple 13:9	Needle 1:3 3:5	$\overline{\mathbf{O}}$ 2:1 3:1
Ludwin 64:20	28:18 46:20	15:21 34:25	28:9,17 66:12	objective 55:5
65:5	members 4:10	multitude 34:2	Needle's 59:11	obligation 20:15
	4:25 10:23	35:5	needs 57:2,2	obvious 52:23
major 53:8	27:8 40:3	mundane 29:18	negotiate 35:1	obviously 11:25
making 12:22	41:12 42:4	N	negotiating	26:2 52:24
18:6 37:9 61:6	51:2	N 2:1,1 3:1	34:24	53:25
61:7 66:15	mention 8:19,24	Nager 1:16 2:3	neither 1:21 2:7	occurs 35:23
MALCOLM	8:24 42:7	2:11 3:6,7,9	29:15 42:6	odd 24:20
1:18 2:5 29:13	mentioned	4:21 6:3,16,21	net 48:15,15	offering 32:1
managed 22:25	48:14	7:7,19 9:2,20	new 18:12 28:1	office 29:25
managing 27:23	merchandising	9:23 11:2,18	43:9,10	30:23 31:22,25
manufacture	14:16	12:8,13 13:5	NFL 4:8 5:10	36:9,11,15
46:14	mere 9:9	13:11,17,19,21	8:20 14:6,12	offices 30:5,6
manufacturer	merged 62:17,18	14:4,25 15:4	27:21 28:15,23	Oh 46:5,5 64:6
28:22 29:4	merger 24:4	15:12 16:6,10	29:19,23,23	okay 16:9 17:1
manufacturers	39:18 42:24,24	16:16,20,24	33:14 39:22,23	17:15 37:20
63:7	62:7	17:3,14,22	40:16,18 41:7	42:21 49:14
market 6:25 7:1	merits 60:10	18:1,5,9,22,25	41:17,18,21	64:6
market 0.23 /.1		10.1,5,7,44,45		04.0

				Page 7
old 18:15	67:23	party's 29:21	10:16 14:8	47:13
once 22:14	ownership 13:3	pass 67:9	27:20	possibly 67:6
30:10,11 34:22	68:3	passer 6:13	plausibly 6:25	potential 32:16
34:23,25 61:7		passing 42:7	play 8:21,22	35:2,6
62:2,8	P	Patriots 17:7	9:18 53:23	power 7:1 14:12
opens 32:13	P 3:1	61:24,25 62:1	62:5	19:4 27:21
operate 9:1	page 2:2 28:14	63:2	players 21:12	29:23 30:8
operation 5:1	28:16 31:1	pay 33:19 38:18	56:5	33:16 36:4
20:6	42:9	56:4	playing 10:2,4	44:11 45:13,17
operations	Panagra 30:22	people 9:7 19:20	10:21 14:23	45:24 46:21
48:16 57:24	45:1 53:5,6,7	31:15 47:19,20	26:21 54:2	49:17 52:16
opinion 8:11	53:19	52:25 58:4	56:13	61:12 63:12
11:12 51:15,21	paper 30:4,12	percent 47:15	playoff 8:22	64:5 67:6
52:13 68:6	31:19 33:13,20	perfect 48:19	plays 10:21,22	powers 29:19,22
opportunity	35:9,21 36:9	62:24	plead 6:24	practice 50:10
48:20 58:15	37:10,23 38:15	perfectly 25:12	pleading 15:15	practices 65:6
59:16 66:12	paragraph	perform 21:13	pleadings 22:13	practices 03.0 precedent 49:4
opposed 60:6	16:18	period 43:18	25:20	precise 34:15
oral 1:13 2:2 3:7	paragraphs	periou 43.18 permissible	please 3:10	precisely 32:13
29:13 39:11	51:20	49:10	29:17 39:14	32:18 54:20
orange 28:15	paraphernalia	permit 60:22	plurality 3:16	62:14,15
order 35:21	27:7,10	permitted 45:17	4:24 5:2	premise 63:23
ordinary 29:24	parent 49:6	permitted 45.17 person 18:15	point 4:5 5:9,10	presented 58:24
36:13	part 11:4 12:6	19:17,19 32:19	5:13 14:5	presently 23:14
	12:11 13:8,15	persuaded 18:14	16:20 17:4,9	23:17 24:15
organic 41:20 48:13	18:9 24:6	18:15	18:1,5,6,25	66:4
	31:14 33:22		23:24 29:2	
organization 32:6 53:4	38:21 41:2	persuasive 20:23	30:17 31:18	president 59:11
	participants		33:12 34:22	presumptively 8:14,15
organize 52:22 original 41:2,3,6	58:19	Petitioner 1:4,17 2:4,12 3:8	35:12 34:22 35:24 36:16	pretty 21:9 40:9
originalism 40:6	participate 4:2	65:21	38:3 40:14	pretty 21.9 40.9 prevail 36:7
originally 22:2	participation	Petitioner's 38:6	41:9,10 42:19	pre-Copperwe
ought 54:3	26:11	38:11	48:11 50:16	49:4
O	particular 8:5	phone 46:10	52:1 56:20	
output 9:5,14,15	12:6 48:3 57:8	-		price 32:1 34:3
10:5,9,9 43:10	62:19 64:23,24	pick 46:10 65:23	58:23 63:3	37:19 38:15
outset 24:24	64:25	Pipe 11:13	64:15 65:24	44:19 53:1
41:21	particularly 7:5	place 7:22 32:24	66:5 68:1,4	57:18 63:19
outside 22:5	parties 38:5	51:19	policy 4:6,11 5:1	prices 38:18
overall 14:20	partnership	plainly 11:3 21:24	pooling 67:20	44:22 50:15
overrule 53:6	66:23,24 67:9	*	popular 7:5	60:21 61:7
overruled 53:7	partnerships	plaintiff 6:23	posing 12:15	63:7 64:3,20
owned 3:19 5:18	67:2	7:1 13:12 15:6	position 23:7,7,9	price-fixing 67:17
6:8 12:20	parts 7:20 9:4	22:17 36:1	25:22 38:4,6	
21:25 38:10	31:4 42:16	plausibility 56:7	38:11,14 39:2	pricing 33:9
owners 7:9 9:9	party 1:21 2:7	56:10	52:5,8,9 66:1,1	57:23
9:25 11:4	29:15	plausible 6:17	possible 23:6	prima 9:11
	27.13			

	1			1
principally 49:3	promote 40:18	8:4,14 11:20	26:13 28:25	reasoning 23:11
principle 42:1	41:12 42:3	13:16 14:21	quote 25:16	reasons 6:23
52:12	43:13 45:18	26:20 66:15		25:10
principles 48:20	46:19,20 47:2	publicly 67:25	$\frac{\mathbf{R}}{\mathbf{R}}$	rebut 66:14
48:21 50:13	47:18 48:3,3	pure 51:12	R 3:1	REBUTTAL
59:17,18	53:25 55:13,19	purpose 8:7	raise 5:9 56:4	2:10 65:20
prior 42:9 43:23	55:19 56:20	10:24 21:14	raised 8:10	receives 26:16
pro 16:4	57:9,16,22	24:17 46:18	raising 39:8	recognize 18:10
problem 23:22	58:1,5,25	47:1,2,15,17	range 49:10	recognized
44:7	59:21 61:6	48:2 56:19	56:11 57:1	14:13 58:13
process 43:12	promoted 61:20	58:24 60:16,23	rates 64:20 65:7	record 26:7,10
procurement	promotes 47:4,7	61:17	65:13 67:8,9	26:14,15 40:23
32:3	61:6	purposes 11:14	ratifying 52:21	41:15 43:21
procuring 30:1	promoting	33:22 65:16	reach 38:16	46:17 48:9,10
produce 10:9	44:11 45:3	pursuant 30:2	read 16:3 51:14	48:11,18 51:22
12:23,23 23:15	51:24 54:5,20	purveyor 34:1	51:20 52:19,20	56:16 58:23
40:18 42:2	61:5 65:16	push 66:2	real 12:9	59:13
45:25 46:1	promotion	put 22:6 23:4	really 6:13 7:12	red 17:8,9,11,16
58:5 61:13	50:23,24 54:3	50:3,3,4,18	53:20 56:7	18:13,14 19:13
producing 10:14	58:3	57:13	61:6 62:9	34:9,11 61:24
product 15:10	promotional	putting 53:12	reason 4:10 5:7	Redskins 10:3
15:11 32:1	41:14		5:12 6:1,15,17	reducing 64:11
34:1 39:25	promulgating	Q	7:14,18 8:24	reduction 9:15
41:12 42:3	5:2	quality 4:19	12:17 14:7,8	10:5
43:14 45:25	proof 41:19	question 4:23	15:16 22:6,8	Reebok 15:24
46:19 47:19	66:13	6:7 7:12,20 8:9	22:15,21 23:21	16:1,14
48:7 55:19	properly 5:14	9:3,16 11:25	24:1,3,5,8,21	referees 38:8
57:19,22,23	62:6	12:3,11,14,15	24:23 25:11,15	reference 11:19
58:1,5,25	Properties 39:23	13:8 17:5	25:19,24 26:4	11:21 63:1
61:13 65:17	40:16 41:8,17	20:24 21:14,22	26:23 32:14	refined 24:1
production 43:8	41:21 43:16,24	22:2,22,24	34:15 36:21,24	reflected 41:20
46:2 50:23,24	48:13	23:20,22 27:22	44:24 45:7	50:7
products 17:24	property 28:19	30:14 33:24	53:5,9,11 54:4	reflects 43:22
33:9 35:13	41:14 43:12,23	34:6,17 41:1	54:15 59:23	65:13
37:20 43:20	44:6	41:10,11,19	60:9,14,18	refusal 65:4
professional	proposes 23:12	45:16,22 48:17	61:1 62:17,22	regard 22:24
39:15 48:24,25	proposing 36:21	48:23 49:20,25	63:1 64:8 66:2	27:6 50:2
profits 67:21	proposition	50:2 51:7	66:11 67:3,7	53:18
profit-making	60:17	58:24 60:1	reasonable	regarding 8:20
3:19	pros 51:9	64:8 65:23	30:24 31:5,5,9	regulate 45:10
program 55:25	protection 6:13	66:11	31:12,12 34:17	52:14
prohibit 9:7	prove 18:3,23	questions 13:23	45:4 52:2 60:3	regulations 8:13
10:1 14:14	provide 58:14	20:15 21:7	60:7 61:2 64:9	12:4
prohibited	provides 42:5	24:18 33:8	reasonableness	Rehnquist 51:4
28:11	59:15	36:20,22 66:11	59:21	reject 10:25
project 24:9,10	pro-competitive	quite 15:1 19:23	reasonably	relate 13:25
F- 3,555 2 117,10	F-0 compension	23:21 25:11	11:13	- 3.200
	I	l	l	I

				Page 7
50:5	10:16 11:5,7	rule 5:12 6:1,12	38:22 45:2	37:12,25 38:12
related 66:18	11:10,11,13,19	6:14,17,23 7:6	46:5 51:21	39:5,8,17 43:1
relatively 59:14	12:17 19:9	7:14,18 8:23	54:1,19 56:12	45:9 48:25
relevant 41:1	25:7 34:16	10:10,16 14:6	says 8:11 10:6	50:2,3,18 51:6
67:20	restraints 54:25	14:8 15:15	21:21 24:4	52:10,13 65:2
remained 43:12	restricted 4:6	22:6,8,14,21	25:6 26:15	Sections 28:20
remaining 65:19	restriction 6:5	23:21,25 24:3	40:6 43:21	see 16:12 17:8
remains 50:19	10:13 11:10	24:5,8,21,23	44:9 68:8	30:16 31:24
remand 23:1	rests 49:4	25:11,15,18,24	scale 30:5	44:7 50:12
28:1 34:14	result 25:22	26:4,23 32:14	Scalia 13:18,20	53:5 61:4
remanded 34:14	49:17	34:14 36:21,24	14:1,17 19:25	62:13
remark 20:24	revenue 15:9	44:24 53:5,9	20:3,8,11,12	seeking 49:20
remember 7:23	26:10	53:11 54:4,15	21:21 47:1,7	seen 24:18
26:25		59:23 60:9,14		self-evident
	revenues 26:8	· · · · · · · · · · · · · · · · · · ·	47:22,25 57:14	
renting 29:25	26:16 41:22	61:1 62:17,21	63:13 64:1,6	59:22
representing	48:15	62:22,25 64:8	64:11	sell 4:7 17:7
50:10	review 36:4	66:2,11,17	Scalia's 20:23	19:17 37:17,18
reproduces	37:25	67:3,7 68:9	SCALIS 48:6	37:19 40:13,22
62:14	rib 43:6	ruled 67:16	schedule 8:22	45:18 47:5,12
require 9:4,5	ridiculous 62:2	rules 8:3,13 12:4	9:10,11,25	48:7 55:10,12
requirement	62:3	12:7 24:19	10:12	selling 17:12
3:16	right 9:24 12:9	ruling 49:21	scheduling 8:20	19:13 36:9
residual 63:25	15:3 16:2,5	run 6:14	21:8 24:18	48:2 56:12,13
resolution 34:12	17:8,13 18:12	running 36:14	scope 52:10	sense 24:24 32:5
resolve 33:8	18:19,20,21	36:15	58:22	32:8
62:24	19:22 25:5,23		scrutiny 3:14,23	sensitive 25:10
resolved 57:3	35:14 44:6,20	S	4:3 5:20 38:12	sentence 28:17
resonance 68:7	46:6,15 49:23	S 2:1 3:1	39:5,17 49:9	separate 4:15
respect 4:14	52:3,3,7	sacrosanct 41:4	65:3	12:21 22:3
24:12 32:3	rights 4:7,14	41:6	se 7:24,25 8:3	38:22 40:21
33:6 34:12	rival 9:21	Saints 17:8	16:4,6 31:9,9	49:16 51:11
67:11	Roberts 3:3	salary 49:13	31:11 44:23	52:13,15 55:6
respectfully	11:17,23 12:10	sale 40:8 47:3,5	66:17 68:8	separately 3:19
56:2	23:5,18 24:16	47:8 63:7	Sealy 5:17 12:19	5:18 6:8 12:20
respects 37:3	29:10 34:20	sales 15:11 26:9	42:10	21:25
respond 20:15	35:8,20 36:8	27:6,15,16	second 28:17	serious 7:10
24:17	38:20 39:9	52:24	32:13,18 62:18	25:18 26:4
Respondents	56:9 57:6,15	Salvino 60:13	secretaries 30:5	serve 58:12 65:8
1:23 2:9 39:12	65:18,24 66:20	satisfy 15:15	33:19 38:19	65:8
response 15:2	68:10 [°]	Saturday 10:21	49:12 50:15,25	services 64:22
rest 23:23	Rogers 44:4	Saturday/Sun	section 3:14,23	set 38:15 40:21
rested 21:12	role 43:11,13	21:8	4:3,8 7:17,25	65:6
restrained 16:14	room 7:9	save 62:22	13:1,2 31:21	sets 67:8
restraining 9:8	Roy 44:4	saying 4:17 9:16	32:8 33:8 34:5	setting 32:4
restraint 4:12	royalties 47:17	11:2,25 15:1	34:6,7 35:4,17	65:13
5:11 8:5,12	48:15	31:11 32:19	35:22 36:4	Seventh 3:12
3.11 3.3,12	10.12	35:9 37:16	33.22 30.1	2,01111 3.12
	<u> </u>	<u> </u>	<u> </u>	l

23:10 51:16	49:18 51:5,12	30:23	14:20	suggestion 40:19
SG 62:12	51:13,17 52:25	speak 55:16	stood 28:23	suggests 38:11
Shanghai 46:11	58:18,20 60:6	specific 19:8	stop 10:18,23	38:14 65:1
share 15:10 26:8	65:17 67:15	specifically 10:6	37:15	suit 20:5
shareholders	single-entity	68:7	stopping 51:10	summary 7:16
67:25	60:1	specified 34:3,4	51:19	46:23,25 56:18
shares 26:17	sit 7:9	spent 60:14	store 52:25	56:24 62:25
sharing 15:9	sits 40:6	sponsor 55:25	61:25 63:2	Sunday 10:22
26:10 67:21	situation 33:2	sports 4:1 8:13	stores 44:19	supermarket
Shell 67:14	53:2 56:25	27:10,16 39:15	straightforward	61:24,24
Sherman 3:14	57:4 63:4,4	48:24,25 49:8	59:15,15	supplier 30:13
4:3 5:25 22:12	65:11,12	squarely 33:7	strength 14:22	37:10,24
28:20 52:10,11	six 43:4 52:12	standard 24:4	stronger 26:21	supplies 30:1
52:14 58:2,12	small 18:16	45:9 56:7,10	stuff 7:10 19:17	32:3 38:7
61:8 65:3	sold 63:20 64:4	standards 15:15	20:13	supply 31:20
shirt 17:25	Solicitor 1:18	standing 3:25	subject 3:23 4:2	support 26:19
shirts 19:13 40:8	4:16 23:8,9,12	Staples 31:22	5:20,24 7:25	29:21
47:12	24:2 28:1 29:1	start 11:25	24:21 35:16,22	supportable
shop 61:25	65:25	started 51:16	36:4 37:24	27:24
shot 45:5	solo 65:6	starting 11:11	38:12 39:5,17	supporting 1:21
show 10:4 15:7	somewhat 62:14	state 14:7 26:3	43:1 49:8 51:5	2:7 29:15
32:15	sorry 13:19	stated 47:1	62:7 65:2 67:1	suppose 21:11
showing 9:11,12	14:25 34:21	statement 16:21	subjects 67:3	47:9,22 48:1
19:3 51:23	sort 7:16 24:24	States 1:1,14,20	submission	supposed 16:15
shows 4:16	44:3 57:10	2:6 29:14,20	24:17	Supreme 1:1,13
57:21 59:3	59:5	stay 37:5	submitted 59:12	sure 7:14 15:1,5
65:14	sorts 12:4	step 42:12	68:11,13	23:21 29:1
side 23:4 56:12	Sotomayor 4:13	Stevens 13:4,7	subsequent	40:12 49:11
sight 53:25	5:9 10:17 11:9	13:12,14,24	12:14	survive 24:5
significantly	27:25 28:7	14:5,18,25	subsidiary 49:6	67:9
32:16	36:18 37:4,15	15:3,5 21:11	substance 22:23	swayed 61:3
similar 38:17	43:15,25 49:7	25:21 26:5,6	substantial 4:20	sweatshirt 17:16
simple 44:25	49:19,24 59:20	26:18 27:2,6	19:4	sweatshirts
simplest 46:9	59:25 60:5,15	27:14 33:23	substantive 66:7	45:19
simply 5:16 9:6	61:14	34:8 55:8,14	succinctly 23:6	sympathize
28:3 57:9	Sotomayor's	55:22 56:3	sudden 45:11	60:16
61:22 62:14	12:14	Stevens's 8:11	52:15	system 6:20
single 12:6	source 44:11	Stewart 1:18 2:5	suddenly 16:11	15:21
22:20 28:22	sources 45:12,24	29:12,13,16	sufficient 26:22	
30:7,18 31:17	46:21 49:16	31:6,18,25	suggest 10:12	T
33:10,10,16	52:15 61:11	33:1,24 34:5	51:25 56:2	T 2:1,1
34:24 36:20	63:12 64:5	34:11,22 35:15	59:2	Taft 11:12
37:5,8,18,22	Sox 17:8,9,11,16	35:23 36:12	suggested 41:7	Taft's 11:12
37:25 39:4	18:13,14 19:13	37:1,7,22 39:1	50:9	take 7:15 17:16
40:14,17,17	61:24	42:6	suggesting 10:22	21:13 22:5
44:10 46:2,2	space 29:25	stimulating	41:5	31:1 40:19,25
				taken 32:23
	•	•	•	

		1		ı
talk 16:12	46:6 50:6	thought 12:3	66:14	60:2
talking 32:21	52:16 53:6	15:1 16:2,3	trying 8:2 10:11	unfortunately
46:8 59:4	57:22 58:14	20:8 22:16	19:7,8 25:3	51:17
talks 16:24	60:24	23:19 24:16	66:2 67:8	uniform 50:14
teachings 5:17	theoretically	44:25 46:8,9	turned 42:8	50:15
12:19,25	55:10	51:14 58:10	TV 4:7 8:12	unilateral 13:1
team 9:9,18,21	theory 21:4	64:11	twinkling 25:17	40:1,1
9:25 10:18	29:21 36:20,23	thousands 60:11	two 7:4,20 9:4	unit 46:2 49:17
11:4 19:4	37:1 49:13	three 7:4 19:10	10:20 17:23	51:2,3
28:11 35:13	54:21	19:20	19:20 21:10	unitary 20:6
48:4	there's 7:8 15:5	threshold 56:10	31:6 38:4 39:7	21:4
teams 3:12,18	15:9 22:4,5	throwing 51:18	Twombly 25:20	United 1:1,13,20
4:1,24 5:4,7	41:18 48:10,12	51:18	58:14	2:6 29:14,20
6:9,14 7:4 8:20	48:16,17 53:20	tickets 47:21	type 10:11 57:1	unlawful 10:11
9:18 10:1 12:1	54:1 56:6,11	time 18:13 42:19	types 8:12	28:20
12:5,20 14:13	57:1,6,7 63:24	43:18 60:12,13	typical 45:8	unreasonable
14:22 15:17	66:25	times 52:13	67:24	25:7 31:23
19:16 26:8,11	They'll 8:21	tool 8:6 41:14	T-shirt 47:4	32:4,7,20
26:17 27:21	they're 12:20,21	61:22	T-shirts 17:7,12	unreasonably
30:10 33:17,21	54:1 63:21	tractor 61:25	45:18 46:8	9:8 16:14
34:23 35:3,10	thing 16:12	63:2	59:21 61:5	unsound 23:13
36:3,16 38:10	19:14 26:6	trade 9:8 16:14		unstructured
38:23,24 42:15	27:4 31:8 32:9	25:7	<u>U</u>	22:9
43:4,9,10,16	33:21 40:6,9	trademarks	ultimate 34:12	use 5:6 8:6 25:2
44:1,5,10	46:9 57:10	4:18 5:6 15:19	ultimately 4:9	32:14 41:13
47:12 49:8,12	62:16 63:16	43:17 61:15,16	30:9 38:9	51:3 61:22
televising 4:16	64:8	61:18,22 63:14	unambiguously	
television 4:14	things 6:1 24:20	transfer 23:19	40:23	<u>V</u>
47:20	30:8,23,25	transferred	undeniable 62:5	v 1:5 3:5
tell 36:19 47:9	31:7 48:2	32:24	understand	value 59:5,7,9
tends 26:20	56:11	transferring	13:14 15:8	61:17 63:14,25
tens 60:11	think 4:21 6:17	24:10	18:1,5 19:15	vendors 44:22
terminology	6:21 8:1 13:22	treat 42:12	23:24 24:14	venture 3:21
32:21,22,24	17:24 18:19	treated 67:15	25:8,21 29:1	4:14,17 8:17
66:6	19:18 20:21	68:4	30:15 40:13	10:22,24 11:15
terms 26:1 54:5	22:1 24:13	treats 67:2	41:4 50:8 66:5	11:22 28:3
56:8 57:13,23	25:1 26:3,24	triable 48:1,8	understandable	30:21,22 31:4
68:8	29:18 30:19	trial 52:2 57:11	25:10	31:13,14 33:4
test 23:12 28:2	32:23,25 34:5	tried 31:16	understanding 26:14	33:10 39:16,21
testimony 41:18	37:7,22 38:3,5	47:23 54:14		39:24,24,25
Texaco 67:14	39:1 42:23	Triple 7:11	understood 25:11,12 28:8	40:1,1 41:8,12 41:12 42:1,3,4
Thank 3:9 21:1	47:3 48:1	troubled 48:22	28:15,23,24	43:2,8,8 45:3,8
29:10 39:9	51:16 58:11	trucking 50:6	undisputed	46:1,14 49:10
65:18,22 68:10	62:9 63:3	54:10	40:24 41:16	· ·
that's 6:4 24:22	thinking 52:4,4	true 19:12 44:15	46:16 48:10,18	49:11,14 51:24 53:2,15,17,23
27:4 32:18	Thomas's 68:6	try 12:13 18:21	56:18,23 57:20	53:24,25 54:4
			30.10,23 37.20	33.44,43 34.4

				Page 6
54:9,12 55:7	48:6,7	67:9	52:10,14 65:2	
57:19,24 58:16	Washington 1:9	wrestled 48:23	10:08 1:14 3:2	
58:16,16,17,19	1:16,19,22	wrong 7:22 20:5	10.03 1.14 3.2 100 47:15	
60:23 62:5	wasn't 29:3	25:24 53:10	11:19 68:12	
64:19,19,22	42:19 43:3	25.24 55.10	13 1:10	
		X		
65:2,2 67:19	56:17	$\frac{1}{x}$ 1:2,8	14-game 9:10	
67:23	waste 23:16	X 1.2,0	16 8:21 62:13	
venturers 6:5	watching 47:19	Y	16-game 9:11	
9:13 10:9,14	way 12:15 32:14	Yankees 17:12	17 31:1,1 62:13	
11:6 55:5	35:18 38:4	17:16 19:12	1919 64:17	
67:24	55:13,15,19,23	year 8:21	1963 40:16 41:7	
ventures 9:5,6	56:4 58:11	years 8:2 18:15	42:13,18	
10:8 44:23	66:8	40:7,12 48:22	1970 39:19	
53:8 67:1,2	ways 33:3	· · · · · · · · · · · · · · · · · · ·	42:23 43:4	
venture's 39:25	wear 17:25	56:20,20 60:13	1984 48:23	
40:3 42:2	Wednesday 1:10	63:9 64:19	1999 64:17	
43:13	welfare 38:1	York 18:12		
versus 51:10	went 48:16	you'd 46:15	2	
54:2	64:18	you're 10:22	2 28:14,16,20	
vested 29:22	weren't 59:1,2	17:20 18:2,21	40:11 50:3,18	
35:25	we're 21:5	20:7 27:8,9	20 40:7	
view 30:6 33:14	we've 24:18	36:21 38:22	2001 28:21	
49:15	we'll 3:3 64:24	42:20 62:8,8	2010 1:10	
Viewed 44:9	we're 4:22,22		29 2:7	
vigorously 26:2	wholly 67:19	Z		
violated 4:8 11:7	win 32:17 45:5	zone 7:13,21	3	
violation 16:6	53:11	Φ	3 2:4 18:15	
31:21 61:8	withdraw 20:24	\$	60:13 65:19	
65:3	witnesses 54:23	\$1,000-a-year	3-year-olds	
violations 16:4	wondered 26:6	49:13	18:17	
		\$7 62:9,22	30 8:2 40:12	
vote 4:10	word 16:4 51:13		32 3:12,18 5:4	
W	51:17	0	6:8 38:23	
wage 30:5 32:4	work 14:17 world 46:10	08-661 1:5 3:4	55:21 63:16	
wages 30:13	worried 51:14	1	39 2:9	
33:19 37:11	worries 32:22	13:14,23 4:3,8		
50:15	worrying 20:12	7:17,25 13:1,2	4	
waived 24:6	60:18	28:20 31:21	40 56:20	
want 16:19 17:6		32:8 33:8 34:6	45 56:20	
17:6,11 19:11	worth 63:3	34:7 35:4,17		
23:23 37:17	worthless 63:17	,	6	
45:5 51:22	63:21,24	35:22 36:4	65 2:12	
	wouldn't 26:18	37:12,25 38:12		
52:8 58:7	31:10 32:5,7	39:5,8,17		
64:15	34:17 37:24	40:10 43:1		
wanted 22:17	38:2 52:19	45:9 48:25		
36:1 49:11	57:12,12 59:22	50:2 51:6		
wants 9:18,18				
	1	1	1	1