

No. 11-798

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In the

**Supreme Court of the United States**

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AMERICAN TRUCKING ASSOCIATIONS, INC.,  
Petitioner,

v.

CITY OF LOS ANGELES, CALIFORNIA, ET AL.,  
Respondent.

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On Writ of Certiorari To The  
United States Court of Appeals for the Ninth Circuit

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Brief For California Construction Trucking  
Association as Amicus Curiae Supporting Petitioner

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## INTEREST OF AMICUS CURIAE<sup>1</sup>

The California Construction Trucking Association (“CCTA”) is a nonprofit trade association that represents nearly 1,000 construction industry related trucking companies ranging in size from 1 truck to over 350 trucks whose business constitutes over 75% of the hauling of dirt, rock, sand, and gravel operations in California. The mission of CCTA is to advance the professional interests of construction trucking companies in California. The vast majority of members are motor carriers as that term is defined in 49 U.S.C. §13102. Materials hauled by members include dirt, sand, rock, gravel, asphalt and heavy equipment. CCTA members typically transport construction material from aggregate plants, asphalt and cement plants to construction sites. Dirt is primarily hauled from a barrow or construction site to another construction site.

CCTA advocates on behalf of its members, all of whom have a strong interest in motor carrier regulations generally.

A substantial amount of the work performed by CCTA members is on large construction projects, including the construction of freeways, dams,

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<sup>1</sup> Pursuant to Rule 37.6, amicus affirms that no counsel for a party authored this brief in whole or in part and that no person other than amicus and its counsel made a monetary contribution to its preparation or submission. The parties' letters consenting to the filing of this brief have been filed with the Clerk's office in conjunction with the certificate of service.

bridges, and other large-scale infrastructure projects. These projects typically involve the investment of public funds from various federal, state and local sources. Despite the involvement of state and local government in these projects, CCTA members generally enjoy protection from state and local regulation conferred by 49 U.S.C. § 14501(c)(1).

Because this case may determine the existence and scope of a “market participant” exception to preemption in the motor carrier context, CCTA has an interest in ensuring that any exception allows its members to continue doing business in a commercially reasonable manner, without the excessive state and local regulation that Congress intended to preempt.

## **SUMMARY OF ARGUMENT**

This case involves an interpretation of the preemptive scope of 49 U.S.C. § 14501(c)(1), and specifically whether there is an unexpressed “market participant” exception to preemption. While such an exception may exist, the exception is limited to situations in which the state or local government is truly acting like a traditional private actor in the relevant market, and is not available when state and local governments are acting in their traditional governmental capacities.

The market participant exception grew out of the “negative” or dormant commerce clause cases, in contexts where Congress had been silent on a particular topic. Other commerce clause case law instructs that Congress can regulate private

commerce in such an extensive manner that there is no market participant exception. This case presents a situation where Congress has taken an intermediate step, by neither remaining silent, nor completely prohibiting all state regulation.

In such cases, the existence and scope of a market participant exception depends on the precise language Congress uses in expressing its preemptive intent, as well as the type of market activity in which the state and local government is purportedly engaged. CCTA submits that the market participant exception is too narrow to save the Port's concession agreements in this case from preemption.

## ARGUMENT

### I. CONGRESS HAS DEREGULATED THE MOTOR CARRIER INDUSTRY

This Court has recognized that the Federal Aviation Administration Authorization Act of 1994 (“FAAAA”) “generally preempts state and local regulation ‘related to a price, route, or service of any motor carrier ... with respect to the transportation of property.’” *City of Columbus v. Ours Garage & Wrecker Serv., Inc.*, 536 U.S. 424, 429 (2002) (“*Ours Garage*”). Specifically, the FAAAA provides:

“(1) General Rule. Except as provided in paragraphs (2) and (3), a State [or] political subdivision of a State ... may



not enact or enforce a law, regulation, or other provision having the force and effect of law related to a price, route, or service of any motor carrier ... with respect to the transportation of property.”

49 U.S.C. § 14501(c)(1). The FAAAA uses language virtually identical to the Airline Deregulation Act of 1978 (“ADA”). *Rowe v. New Hampshire Motor Transport Ass’n*, 552 U.S. 364, 370 (2008). That Congress had a “deregulatory purpose” has never been doubted. As this Court previously observed:

“Congress intended to encourage market forces ... through the elimination of a myriad of complicated and potentially conflicting state regulations,” the court observed; “yet another level of regulation at the local level,” the court inferred, “would be disfavored.”

*Ours Garage, supra*, 536 U.S. at 431, quoting *Petrey v. Toledo*, 246 F.3d 548, 563 (2001). In enacting the FAAAA, Congress made a specific finding that “the regulation of intrastate transportation of property by the States has [] imposed an unreasonable burden on interstate commerce.” H.R. Conf. Rep. No. 103-677, p. 39, 1994 U.S. Code Cong. & Admin. News 1994, p. 1715 (hereinafter H.R. Conf. Rep.). Moreover, the conference report observed that

Despite the movement toward deregulation by some individual states, the conferees believe preemption legislation is in the public interest as well as necessary to facilitate interstate commerce. State economic regulation of motor carrier operations causes significant inefficiencies, increased costs, reduction of competition, inhibition of innovation and technology and curtails the expansion of markets.

H.R. Conf. Rep. at p. 87. These affirmative statements by Congress leave no doubt that the FAAAA was enacted pursuant to Congress' authority under the Commerce Clause.

This case presents the question of whether there is a "market participant" exception to the preemption provisions of the FAAAA. In order to answer that question, it is necessary to briefly review the origination of the "market participant" exception in other contexts arising out of the Commerce Clause.

## **II. THE SCOPE OF STATE AND LOCAL POWER DEPENDS ON THE NATURE OF CONGRESS' ACTION UNDER THE COMMERCE CLAUSE**

Under the Commerce Clause of the United States Constitution, there are three principal ways in which Congress may act so as to limit the authority of state and local governments. First,

Congress may decline to regulate an area at all. In such cases, the jurisprudence of the dormant commerce clause defines the scope of state power in the area of regulating commerce. Second, Congress can expressly regulate an industry. In such cases, the power of state and local governments is severely restricted. Third, and as relevant to this case, Congress may deregulate, by prohibiting state and local government from regulating an industry. In such a case, where Congress has neither remained completely silent, nor have they completely regulated the industry themselves, the scope of power remaining to the states depends on the precise prohibitions Congress has enacted. A brief examination of the first two types of actions helps illuminate the mode of analysis for the third type.

**A. Under the Dormant Commerce Clause, State Power Is Impliedly Limited Even in the Absence of Congressional Action**

The Commerce Clause provides that “Congress shall have Power ... [t]o regulate Commerce with foreign Nations, and among the several States.” U.S. Const., Art. I, § 8, cl. 3. This Court’s “negative” or “dormant” Commerce Clause jurisprudence “grew out of the notion that the Constitution implicitly established a national free market. . . .” *Wyoming v. Oklahoma* 502 U.S. 437, 469 (1992). This Court has repeatedly relied on “some form of the incantation that ‘the very purpose of the Commerce Clause was to create an area of free trade among the several States ... [and the Clause] by its own force created an area of trade free from interference by the States.’” *Id.*, at

470, quoting *Westinghouse Electric Corp. v. Tully*, 466 U.S. 388, 402–403 (1984).

The text of the Commerce Clause is an affirmative grant of authority to Congress and does not expressly limit the power of the States. Nevertheless, this Court has “long interpreted the Commerce Clause as an implicit restraint on state authority, even in the absence of a conflicting federal statute.” *United Haulers Ass’n, Inc. v. Oneida-Herkimer Solid Waste Management Authority*, 550 U.S. 330, 339 (2007).

## **B. The “Market Participant” Exception Evolved out of the Negative Commerce Clause Jurisprudence**

The precise legal standards for evaluating the limits of state authority under the negative commerce clause are beyond the scope of this brief,<sup>2</sup> but over the years, an exception to the implied limits of state authority has been developed. “Nothing in the purposes animating the Commerce Clause prohibits a State, in the absence of congressional action, from participating in the market and exercising the right to favor its own citizens over others.” *Hughes v. Alexandria Scrap Corp.*, 426

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<sup>2</sup> Compare *Oregon Waste Systems, Inc. v. Department of Environmental Quality of Oregon*, 511, US 93, 99 (1994) (laws which discriminate against interstate commerce are virtually per se invalid) with *Pike v. Bruce Church, Inc.*, 397 U.S. 137, 142 (1970) (nondiscriminatory laws will be upheld unless the burden imposed on interstate commerce is clearly excessive in relation to the putative local benefits).

U.S. 794, 810 (1976). This doctrine has become known as the “market participant” exception to the negative commerce clause. See *College Sav. Bank v. Florida Prepaid Postsecondary Educ. Expense Bd.*, 527 U.S. 666, 685 (1999).

In first announcing the exception, this Court took pains to point out in a footnote that it expressed no view on whether Congress could, by affirmatively legislating, prohibit State market activity. Rather, this Court stated “this case involves solely the restrictions upon state power imposed by the Commerce Clause when Congress is silent.” *Hughes v. Alexandria Scrap Corp.*, *supra*, 426 U.S. at 810, fn. 19. Thus, the “market participant” exception was, at least initially, limited to situations where Congress had not affirmatively acted.

### **C. Congress May Preempt State Power Entirely Using Its Authority under the Commerce Clause**

In contrast to situations in which Congress is silent, “a valid act of Congress, enacted pursuant to its Commerce Clause powers seeking to regulate a particular area, is the supreme law of the land and preempts state laws or regulations that conflict” with it. *Strahan v. Coxe*, 127 F.3d 155, 167 (1st Cir. 1997), internal quotations and citations omitted. This Court has identified “[a] wealth of precedent” establishing that Congress has “authority to displace or pre-empt state laws regulating private activity affecting interstate commerce when these laws conflict with federal law.” *Hodel v. Virginia Surface Min. and Reclamation Ass'n, Inc.* 452 U.S.

264, 290 (1981). This Court long ago recognized that “[i]t is elementary and well settled that there can be no divided authority over interstate commerce, and that the acts of Congress on that subject are supreme and exclusive.” *Missouri Pacific R. Co. v. Stroud*, 267 U.S. 404, 408 (1925). Consistent with that view, “it is clear that the Commerce Clause empowers Congress to prohibit all-and not just inconsistent-state regulation of such activities.” *Hodel v. Virginia Surface Min. and Reclamation Ass’n, Inc.*, *supra*, 452 U.S. at 290.

Moreover, when Congress acts to completely regulate an industry or activity, there is no market participant exception:

we think it unimportant to say whether the state conducts its railroad in its ‘sovereign’ or in its ‘private’ capacity. . . . The only question we need consider is whether the exercise of that power, in whatever capacity, must be in subordination to the power to regulate interstate commerce, which has been granted specifically to the national government. The sovereign power of the states is necessarily diminished to the extent of the grants of power to the federal government in the Constitution. The power of a state to fix intrastate railroad rates must yield to the power of the national government when their regulation is appropriate to the regulation of interstate commerce.

*United States v. California*, 297 U.S. 175, 183-84 (1936). Thus, where Congress acts pursuant to its authority under the Commerce Clause, and prescribes laws for all economic actors, no “market participant” theory can exempt states from the Congressional statute. This follows logically from the fact that under the Commerce Clause, Congress can not only regulate the economic activity of private actors, see e.g. *New York v. United States*, 505 U.S. 144, 167 (1992), but may also expressly negate the power of the states. *Hodel v. Virginia Surface Min. and Reclamation Ass’n, Inc.*, *supra*, 452 U.S. at 290. Since the commerce clause power is so broad, it matters not whether the state is acting in its sovereign governmental capacity, or in its private, proprietary, “market participant” capacity. Either way, the state’s power is subordinate to Congress’ enactments.

#### **D. Congress May Choose an Intermediate Course by only Partially Preempting State Authority**

As explained above, when Congress is silent, states retain “a residuum of power” to enact laws which may affect, or even regulate, interstate commerce. *Hughes v. Alexandria Scrap Corp.*, *supra*, 426 U.S. at 830. Alternatively, Congress may completely preempt all state authority by engaging in encompassing federal regulation of an industry or activity. However, Congress may instead take an intermediate step, as in this case, by neither remaining silent, nor thoroughly regulating the motor carrier industry. Under the FAAAA, and later the ICC Termination Act of 1995, Congress

prescribed some rules for motor carriers,<sup>3</sup> but primarily announced that State authority was preempted when it came to laws related to the prices, routes, or services of motor carriers. 49 U.S.C. § 14501(c)(1).

The foregoing establishes that a “market participant” exception exists when Congress is silent, and that exception can be eliminated when Congress takes broad, all-encompassing action. Thus, it is apparent that whether a “market participant” exception exists in intermediate cases necessarily depends on the language Congress uses in taking the intermediate step between no action and complete preemption. In this case, Congress has declared that states “may not enact or enforce a law, regulation, or other provision having the force and effect of law” related to prices, routes or services. 49 U.S.C. § 14501(c)(1). That language is critical in assessing whether there is any market participant exception to the express preemption provision.

#### **E. The Market Participant Exception Is Generally Limited to Situations in Which State and Local Governments Act in a Private or Proprietary Capacity**

Before analyzing the language of the FAAAA to determine whether a “market participant” exception exists, it is first necessary to understand

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<sup>3</sup> See, e.g., 40 U.S.C. §14101 et seq.



the limits of the exception as articulated by this Court in prior cases.

Shortly after the “market participant” exception was announced by this Court in *Hughes v. Alexandria Scrap Corp.*, *supra*, 426 U.S. at 810, this Court expounded on the principle. In *Reeves, Inc. v. Stake*, 447 U.S. 429 (1980), this Court explained that the basic distinction between States as market participants and States as market regulators is based on the fact that “the Commerce Clause responds principally to state taxes and regulatory measures impeding free private trade in the national marketplace.” *Id.*, at 436-437. This Court noted that there was “no indication of a constitutional plan to limit the ability of the States themselves to operate freely in the free market.” *Id.*, at 437. The decision also provided a concrete example of a situation in which the state is operating in one capacity as opposed to the other. In *Reeves*, this Court held that “when a State chooses to manufacture and sell cement, its business methods, including those that favor its residents, are of no greater constitutional concern than those of a private business.” *New Energy Co. of Indiana v. Limbach*, 486 U.S. 269, 277 (1988), citing *Reeves, Inc. v. Stake*, *supra*, 447 U.S. at 438-439.

In *South-Central Timber Development, Inc. v. Wunnicke*, 467 U.S. 82 (1984) a plurality of this Court refined the limits of the “market participant” exception. In *Wunnicke*, Alaska entered into a contract to sell state-owned timber, but a provision of the contract required the purchaser to partially process the timber inside Alaska before shipping it out of state. *Id.*, at 84. Although Alaska had

entered the timber market as a seller, the plurality opinion concluded that “[t]he market-participant doctrine permits a State to influence ‘a discrete, identifiable class of economic activity in which [it] is a major participant.’” *Id.*, at 97, quoting *White v. Massachusetts Council of Construction Workers, Inc.*, 460 U.S. 204, 211, n. 7 (1983). To drive the point home, this Court noted:

The limit of the market-participant doctrine must be that it allows a State to impose burdens on commerce within the market in which it is a participant, but allows it to go no further.

*South-Central Timber Development, Inc. v. Wunnicke, supra*, 467 U.S. at 97. Although Alaska had entered the timber selling market, it had not entered the timber processing market, and its attempt to regulate the downstream processing of the timber it sold exceeded the permissible scope of the market participation exception. *Id.*, at 98-99.

Subsequently, in *Wisconsin Dept. of Industry, Labor and Human Relations v. Gould Inc.*, 475 U.S. 282 (1986) this Court shed some more light on the distinction between private action and governmental action. In holding that Wisconsin’s statute that debarred NLRA violators from securing any state procurement contracts, this Court noted that “government occupies a unique position of power in our society, and its conduct, regardless of form, is rightly subject to special restraints.” *Id.*, at 290. Moreover, this Court observed that Congress

treats state action differently from private action not merely because they frequently take different forms, but also because in our system States simply are different from private parties and have a different role to play.

*Ibid.* This observation is critical because the unique roles and responsibilities of state and local government can determine whether a state is participating in the market in the same manner as a private entity, or is simply fulfilling its traditional responsibilities as a governmental entity. Thus, it must always be remembered that the market participant “doctrine differentiates between a State's acting in its distinctive governmental capacity, and a State's acting in the more general capacity of a market participant.” See *Camps Newfound/Owatonna, Inc. v. Town of Harrison, Me.*, 520 U.S. 564, 592 (1997).

### **III. THE LANGUAGE OF 49 U.S.C. § 14501(C)(1) LIMITS THE SCOPE OF STATE AND LOCAL ACTIVITY THAT IS EXCEPTED FROM PREEMPTION**

Because the FAAAA does not preempt all state action with respect to motor carriers, it is possible that a “market participation” exception could coexist with the intent of Congress. However, that exception would have to be narrowly construed in light of the language Congress used in the express preemption provision. By prohibiting states from enacting or enforcing any “law, regulation, or

other provision having the force and effect of law” related to prices, routes or services of motor carriers, Congress used fairly broad language. 49 U.S.C. § 14501(c)(1). In *Morales v. Trans World Airlines*, 504 U.S. 374, 385-386 (1992), this Court determined that the preemptive sweep of the language was to be broadly construed to effectuate Congress’ intent.

Under the reasoning of the plurality in *Wunnicke*, it is clear that a state may engage in preempted conduct not merely by passing laws, but also by insisting on certain contractual provisions that “have the force and effect of law.” It is therefore critical that the focus be on the substance of the state’s action, rather than its form. If the State is truly acting like a private entity, or in a proprietary fashion, then the market participant exception may well apply. However, if the State is performing a traditional responsibility of government, or is acting in a distinctively governmental capacity, it cannot truly be said to be acting as a “market participant,” even if the action bears some attributes of private commercial activity (like entering into a contract).

By way of example, if a state government undertakes to build a new statehouse, in which it will provide offices for state elected officials and staff (i.e. its own employees), then it is acting in a proprietary capacity. This is so because it is common in the private real estate development industry for an owner to procure the design and construction of a building for its own use. In building the statehouse for its governmental officials, the state is not undertaking to provide free office space to the general populace. Rather, it is

acting in much the same way as a private company would in building its corporate campus. As such, in contracting to build the statehouse, the state should be free to insist on whatever restrictions that a private owner could legally impose.

On the other hand, when a state government undertakes to build a freeway, which by definition is expressly for the benefit of and use by all citizens, and not merely state employees, it is not behaving in the traditional proprietary capacity. Private owners do not generally expend substantial capital for the benefit of strangers, or the public at large. That is a trait found exclusively in government, and as such, it is a traditional and distinctly governmental function.

Moreover, the construction of freeways and other large infrastructure projects do not generally lend themselves to a private market participant analysis. Precisely because such projects are so enormous, it is generally unrealistic for private enterprise to even have the capital to undertake such projects. Moreover, while infrastructure projects may generally promote the public good, most are not likely to generate a profit. For all those reasons, the public construction of freeways, dams, bridges, ports, and other large public works projects do not readily lend themselves to a private market analysis. When a state engages in such projects, even though it may technically contract with construction firms to do the work, it is not “participating in the market” in the sense contemplated by the Commerce Clause cases, because outside of the state action, there is no analogous market. As Justice Stevens recently

observed, “if a State merely borrows money to pay for spending on transportation, public safety, education, utilities, and environmental protection, it does not operate a commercial enterprise for purposes of the dormant Commerce Clause.” *Department of Revenue of Ky. v. Davis*, 553 U.S. 328, 358 (2008) (conc. Opn. Stevens, J.) (internal quotations and citations omitted).

Quite the opposite, because the state is the only entity capable of even generating a “market” for large infrastructure projects, any rules, contractual provisions, or policies it promulgates in connection with those projects essentially have the force and effect of law, because they, by definition, regulate all of the participants in that market. To put it another way, if a construction firm does not like a particular contractual provision related to the construction of a bridge, the firm cannot simply decline the work and go build another bridge; in a practical sense, the state is the only source for bridge-building contracts, and thus the state’s contractual provision operates the same way a statute would: it effectively applies to all participants in the market.

The logical conclusion must therefore be that before a state or local government can claim the “market participant” exception to preemption in the context of the FAAAA express preemption provision, it must demonstrate that the substance of its regulation is analogous to truly private commercial activity, such that by insisting on its regulation, it does not create a de facto law for the entire industry or market in which it is participating.

#### **IV. THE MARKET PARTICIPANT EXCEPTION TO THE FAAAA, IF IT EXISTS AT ALL, DOES NOT SAVE THE PORT'S CONCESSION AGREEMENTS FROM PREEMPTION**

In this case, the record below established that “[t]he Port develops terminal facilities and then leases those facilities to shipping lines and stevedoring companies.” *American Trucking Ass'ns, Inc. v. City of Los Angeles*, 660 F.3d 384, 391 (9th Cir. 2011). This fact is important because it defines the limited scope of the port’s proprietary function. The port, to the extent it is participating in any market at all, is in the market of leasing port property to shipping companies. The drayage operators, however, contract with the shipping lines to “move cargo from marine terminals at the Port (where shipping companies unload containers) to customers, railroads, or other trucks for long-distance transport.” *Id.*, at 390, fn. 1. Thus, it is apparent that the drayage operators do business directly with the shipping companies who lease the port property.

The relationship is similar to that of a convenience store that leases its premises from a private real estate magnate, and then does business with various suppliers who deliver goods to the store so that it can stock its shelves. In both situations, there is a landlord tenant relationship (between the real estate magnate and the store owner, and between the port and the shipping companies), and there is a separate business in which a motor carrier provides services to the tenant. In both cases, the motor carrier has no relationship whatsoever with

the landlord. As a general matter, there is no traditional “market” for landlords to participate in when it comes to the businesses that provide services to their tenants. While it is true that landlords may impose some restrictions on their tenants and the types of business they conduct, it is fallacious to suggest that there is some real marketplace in which landlords and businesses providing services to the landlord’s tenants interact in any meaningful, free-market capacity. That market never existed until the port established the concession agreements. Just like in *Wunnicke*, the port is regulating aspects of an industry that is “downstream” from the only real market in which it is participating, i.e. that of leasing property.

Moreover, the nature of the specific provisions of the concession agreements reinforces the fact that the port is acting in a regulatory capacity and not like a private market participant. For example, the off-street parking provision

requires concessionaires to submit for approval “an off-street parking plan that includes off-street parking locations for all Permitted Trucks” and requires concessionaires to ensure that Permitted Trucks are “in compliance with parking restrictions by local municipalities.”

*American Trucking Ass'ns, Inc. v. City of Los Angeles, supra*, 660 F.3d at 394. But this type of regulation is akin to a zoning ordinance which is a quintessential governmental function. Private



actors in the market do not generally seek to ensure their business partners comply with local parking restrictions or other zoning restrictions. If the partner fails to comply, he may face fines or other legal issues with the local jurisdiction, but that is of no concern to the person with whom he is contracting. Similarly, the placard provision

requires concessionaires to “post placards on all Permitted Trucks” when the trucks are “entering and leaving Port Property and while on Port Property.” The placards shall “refer[ ] members of the public to a phone number to report concerns regarding truck emissions, safety, and compliance to the Concession Administrator and/or authorities.”

*Id.*, at 394. On its face, this provision is aimed at benefitting the public at large, by giving them a means to report their concerns about any perceived truck deficiencies. As discussed previously, private market participants generally do not expend time and resources benefitting the public at large; that is a task unique to government.

Because both provisions impose a duty that is generally only imposed by governmental entities, the provisions “have the force and effect of law” within the meaning of 49 U.S.C. 14501(c)(1). Accordingly, they fall within the express preemption clause and cannot be saved by any market participant doctrine.

Finally, the field in which the regulations are being imposed is one that is quintessentially a public, governmental area of concern. The port “handles more shipping container and cargo volume than any other port in the country.” *American Trucking Ass'ns, Inc. v. City of Los Angeles*, *supra*, 660 F.3d at 391. It is undeniably a large commercial interchange between land and sea transport. In effect, it is the largest “freeway interchange” in the country, where commerce transitions from the waterways to overland routes. This type of public infrastructure project is one that benefits the entire state, if not the country, by allowing the free flow of goods into the country from overseas, and likewise facilitates the export of American-made products into the international stream of commerce. Like the regulation of a freeway, or a bridge over a waterway, regulation of the ports is a traditional governmental function. As such, it cannot be said that the port is participating in the market as a private entity, because there simply is no analogous private market; the port *is the market*, and its rules and regulations have the force and effect of law.

## CONCLUSION

For all of the foregoing reasons, the judgment of the Court of Appeals for the Ninth Circuit should be reversed.

Respectfully submitted,

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