Before the Federal Communications Commission Washington, D.C. 20554

In re Application of)	
)	
NEVADA WIRELESS)	
for a License to Provide 800 MHz)	File No. 0000000009
Specialized Mobile Radio Service)	
in the Farmington, NM-CO Economic)	
Area (EA 155) Frequency Band A)	
)	

MEMORANDUM OPINION AND ORDER

Adopted: June 15, 1998 Released: June 15, 1998

By the Chief, Wireless Telecommunications Bureau:

I. INTRODUCTION

1. By this *Memorandum Opinion and Order*, we consider Nextel License Acquisition Corporation's (Nextel) petition to deny Nevada Wireless's application for the Specialized Mobile Radio (SMR) license Nevada Wireless won in Auction No. 16 for the Farmington, NM-CO Economic Area, Frequency Band A (EA 155A).¹ For the reasons set forth below, we hold that Nextel has not adequately demonstrated any auction-based collusion between Nevada Wireless and Mountain Communications, Inc. (Mountain Communications) and its allegations warrant no further investigation. Consequently, we deny Nextel's Petition.

II. BACKGROUND

2. Sixty-two applicants were accepted as qualified bidders for Auction No. 16 after filing short-form applications (FCC Form 175) and paying the requisite up-front payments.² In their initial Form 175 filings, both Nevada Wireless and Mountain Communications listed Ms. Kathleen A. Kaercher, a senior associate in the law firm of Brown and Schwaninger, as designated bidder for the auction. After a staff member of the Wireless Telecommunications Bureau (Bureau) notified the parties that Ms. Kaercher was listed as a designated bidder on both the Nevada Wireless and Mountain Communications Form 175 filings, Nevada Wireless amended its short-form application to replace her with Mr. Dennis Brown, a partner in the law firm of Brown and Schwaninger. Neither the FCC Form 175 for Nevada Wireless nor the FCC Form 175

Nextel Petition to Deny (filed February 20, 1998) (Petition).

² *Public Notice*, Auction of Specialized Mobile Radio Services, DA 97-2222 (rel. Oct. 17, 1997); and, *Public Notice*, Addendum to Public Notice, DA 97-2222, Announcing Qualified Bidders in the October 28, 1997, 800 MHz Specialized Mobile Radio Auction, DA 97-2262 (rel. Oct. 24, 1997).

for Mountain Communications was amended, despite a request by a member of the Bureau staff before the auction to disclose any preventative measures that had been put in place to ensure that Brown and Schwaninger's relationship with each bidder could not become a conduit for the transmission of collusive bidding information.

- 3. The 800 MHz SMR auction began on October 28, 1997.³ Six firms qualified as bidders for EA 155A: Cellutech, Mountain Communications, Nevada Wireless, Nextel, Telebeeper of New Mexico, Inc. (Telebeeper), and James E. Treatch d.b.a. A Communications (Treatch).⁴ All six placed bids for EA 155A. Cellutech placed bids in Rounds 10 and 12. Treatch placed one bid in Round 42. Telebeeper placed bids in Rounds 4 and 35. Nevada Wireless placed bids in Rounds 58, 114, 115, and 135 (the winning bid in the amount of \$35,000); Mountain Communications placed bids in Rounds 11 and 12.⁵ Nextel bid 14 times for EA 155A. It started in the first round and made its last bid in Round 128. The 800 MHz SMR auction closed on December 8, 1997, after 235 bidding rounds were conducted on 27 bidding days. Nevada Wireless emerged as the high bidder for EA 155A; Nextel won EA 155B and EA 155C.⁶ Nevada Wireless's application was accepted for filing on January 21, 1998.⁷
- 4. On February 20, 1998, Nextel filed its petition against Nevada Wireless's application for EA 155A. Nextel alleges that Nevada Wireless and Mountain Communications colluded during the auction to enable Nevada Wireless to win EA 155A. Specifically, Nextel charges that Mountain Communications and Nevada Wireless violated Commission rules when they "listed as their bidding agents two attorneys from the same law firm"8 Nextel noted that both attorneys, Dennis C. Brown for Nevada Wireless and Kathleen Kaercher for Mountain Communications, worked for the law firm of Brown & Schwaninger before and during the auction. According to Nextel, "[n]either Nevada Wireless nor Mountain Communications, however, certified or represented in their short-form applications that their attorney/agents would refrain from discussing bidding amounts or bidding strategies during the auction process."9

For statements of Commission policy regarding the 800 MHz SMR Service, in general, and the auction, in particular, see Amendment of Part 90 of the Commission's Rules to Facilitate Future Development of SMR Systems in the 800 MHz Frequency Band, First Report and Order, Eighth Report and Order, and Second Further Notice of Proposed Rule Making, Docket No. 93-144, 11 FCC Rcd. 1463 (1995) (800 MHz First Report and Order); Memorandum Opinion and Order on Reconsideration, Docket No. 93-144, 12 FCC Rcd. 9972 (1997); and Second Report and Order, Docket No. 93-144, 12 FCC Rcd. 19079 (1997) (800 MHz Second Report and Order).

⁴ Public Notice, Auction of 800 MHz Specialized Mobile Radio Service Licenses, DA 97-2153, (Oct. 3, 1997).

⁵ During the 135 rounds of bidding for EA 155A, Mountain Communications and Nevada Wireless did not bid against each other, that is, they did not both bid during the same round. Neither bidder cast bids against the other during any round for EA 155A, EA 155B, or EA 155C.

⁶ Mountain Communications, Nevada Wireless, Nextel, and Telebeeper were qualified to bid for EA 155B. Mountain Communications, Morris Communications, Inc., Nevada Wireless, Nextel, Telebeeper, and Treatch were qualified to bid for EA 155C.

⁷ *Public Notice*, 800 MHz SMR Auction: Applications Accepted for Filing, Auction Event No. 16, 13 FCC Rcd. 2056 (1998).

⁸ Petition at i.

⁹ *Id.* at i-ii.

- 5. Nextel also argues that Nevada Wireless and Mountain Communications placed bids for EA 155A, 155B, and 155C but that "neither party ever bid against the other directly for any of the EA 155 licenses nor did Nevada Wireless or Mountain Communications, Inc. ever bid in the same round as the other participant." Nextel states that these "bidding actions suggest[] concerted activity." Nextel requests that the Commission sanction Nevada Wireless by denying its application for a license in EA 155. In the alternative, Nextel asks the Commission "to initiate and conduct a full investigation of the bidding activities of Nevada Wireless and Mountain Communications" and require that the two companies "disclose all communications that took place between the bidding agents during the process as required by the Commission's anti-collusion rules."
- 6. Nevada Wireless filed its opposition to the Petition stating that it "never had any discussions whatsoever with Mountain Communications either prior to or during the auction regarding the auction, or any issue." In its Opposition, Nevada Wireless provided declarations of James D. Boyer, President of Nevada Wireless, and Ms. Kaercher and Mr. Brown stating that they did not communicate any bidding strategy information of Nevada Wireless to Mountain Communication or anyone at Brown and Schwaninger. Nevada Wireless also asserted that "[a] more thorough review of the actual bidding in the auction reveals that there was no 'concerted activity' in the auction."
- 7. On March 31, 1998, the Bureau's Enforcement Division sent separate letters to Mountain Communications and Nevada Wireless pursuant to section 308(b) of the Communications Act of 1934, as amended, 47 U.S.C. § 308(b).¹⁷ In those letters the Enforcement Division asked each firm to identify all persons who were involved in developing its bidding strategy, to identify all persons who were responsible for the implementation of the bidding strategies in the auction, to identify all persons who had knowledge of each firm's bidding strategies (prior to December 23, 1997), to state the extent to which each of its bidding representatives was privy to or knowledgeable of the other bidder's bidding strategies, and to state the extent to which each firm "received any information" concerning the bidding strategies of the other firm. Both companies were asked to state the extent to which Dennis Brown and Kathleen A. Kaercher possessed or were privy to information about the firm's bidding strategy prior to December 23, 1997. Both companies were asked to state the "date and circumstances" under which it learned that "Ms. Kaercher was listed as an authorized biding representative for other auction participants." Finally, each firm was instructed to describe the specific precautions, if any, taken by each of its bidding representatives to prevent the dissemination,

¹⁰ *Id.* at i.

¹¹ *Id.* at 8.

¹² *Id.* at ii.

¹³ *Id.* at ii.

Nevada Wireless Opposition at 2 (filed March 5, 1998) (Opposition).

¹⁵ *Id.* (declarations of James D. Boyer, Kathleen A. Kaercher, and Dennis C. Brown).

¹⁶ *Id.* at 3.

Section 308(b) Letter from Howard Davenport (Federal Communications Commission) to Messrs. Tilles and Weisman (private attorneys representing Nevada Wireless), dated March 31, 1998; Section 308(b) Letter from Howard Davenport (Federal Communications Commission) to Mr. David C. Balsnick (president, Mountain Communications), dated March 31, 1998.

prior to December 23, 1997, of information concerning the its bidding strategies to competing bidders and their authorized bidding representatives.

III. DISCUSSION

- 8. Nextel alleges that Nevada Wireless violated the Commission's anti-collusion rule through its actions in the bidding for EA 155. Section 1.2105(c) of the Commission's rules provides that, except in certain circumstances, after the filing of the short-form applications, all "applicants are prohibited from cooperating, collaborating, discussing or disclosing in any manner the substance of their bids or bidding strategies..."

 In the context of a previous auction, the Bureau explained that "[t]his prohibition also prevents the transfer of indirect information which affects, or could affect, bids or bidding strategy."

 Thus, collusive acts are those which, either directly or indirectly, communicate to another bidding party information pertaining to bids or bidding strategy that could be harmful to the interests of another bidding party (or parties) or the public interest.
- 9. The Commission adopted its anti-collusion rule to deter possible abuses of the bidding and licensing processes.²⁰ The purpose of the rule is to prevent parties from agreeing in advance to bidding strategies that divide markets according to their strategic interests.²¹ Such activity not only disadvantages other bidders, but lessens confidence in the action process itself and may keep the government from receiving a fair market value for the licenses.²² Accordingly parties are required to identify in advance any consortium agreements, joint ventures, partnerships or other agreements or understandings related to the bidding process in which they have entered.²³ The Commission believes that this process is so important to the functioning of the auction that violators may be subject to forfeiture of their down payment or their full bid amount, revocation of their license, and may be prohibited from participating in future auctions.²⁴
- 10. Section 309(d) of the Communications Act of 1934, as amended, requires the petitioner to bear the burden of pleading sufficient facts to establish a prima facie case and these facts must be supported by an affidavit from persons with personal knowledge.²⁵ General allegations based on information or belief

See47 C.F.R. § 1.2105(c)(adopted by Implementation of Section 309(j) of the Communications Act -- Competitive Bidding, Second Report and Order, Docket No. 93-253, 9 FCC Rcd. 2348, 2386-88 (1994)(Competitive Bidding Second Report and Order)).

¹⁹ *See Public Notice*, "Wireless Telecommunications Bureau Provides Guidance on the Anti-Collusion Rule for D, E, and F Block Bidders," DA 96-1460 (rel. Aug. 28, 1996).

²⁰ Competitive Bidding Second Report and Order, 9 FCC Rcd. 2348, 2350, ¶ 9 (1994).

²¹ *Id.* at 2386, ¶ 221.

²² *Id.*

²³ *Id.* at 2387, ¶ 225.

²⁴ *Id.* at 2388, ¶ 226.

²⁵ See 47 U.S.C. § 309(d)(regarding petitions to deny, they shall contain "specific allegations of fact" which with certain exceptions "shall . . . be supported by affidavits of a person or persons with personal knowledge thereof").

are not sufficient.²⁶ Nextel has not met its burden in the supporting allegations it has raised relating to the possibility of collusion between attorneys for Brown and Schwaninger and their respective clients. In its petition, Nextel has provided evidence only that agents from the same law firm were listed as bidding agents for two of the active bidders for EA 155A. Nextel did not produce any specific and credible evidence of either direct or indirect communications between Mr. Brown and Ms. Kaercher. Nevada Wireless and Mountain Communications provided sworn statements from the various participants that no improper communications took place; Nevada Wireless also provided sworn statements in its Opposition.²⁷ Nextel has not refuted the sworn statements of any of the parties presented in response to the allegations.

11. In its petition, Nextel points to Brown and Schwaninger's decision to not provide a certification of the anti-collusive precautions it was taking as evidence, by itself, that something improper occurred in the auction. In support of its argument Nextel notes that, on January 9, 1998 the Bureau, in preparing the participants for the LMDS auction (Auction No. 17), released a public notice to "further clarif[y] the issue of whether individuals who are employed by the same firm may place bids for applicants in competing markets." In that Public Notice, which was released after Auction No.16 concluded, we posed the following hypothetical questions, among others, regarding collusion: "Can an individual act as the authorized bidder and place bids for two or more applicants who are competing for one or more of the same markets? What if different individuals who are employed by the same organization place bids for applicants in competing markets?" We replied as follows:

A violation of the anti-collusion rule could occur if an individual acts as the authorized bidder for two or more competing applicants, and conveys information concerning the substance of the bids or bidding strategies between the bidders he/she is authorized to represent in the auction. Also, if the authorized bidders are different individuals employed by the same organization, a violation could similarly occur. In such instances, the Bureau strongly encourages applicants to certify on their application that precautionary steps (e.g., establishing a "Chinese wall") have been taken to prevent communication between authorized bidders and that applicants and their bidding agents will comply with the anti-collusion rule.²⁹

As noted above, neither Nevada Wireless nor Mountain Communications amended its application "to certify on their application that precautionary steps" had been taken. Such certifications were not made until Nevada

²⁶ See, Mercury PCS II, LLC, Memorandum Opinion and Order on Reconsideration, 12 FCC Rcd. 18093, ¶13 n.50 (1997) (citing Gencom, Inc. v. F.C.C., 832 F.2d 171, 181 n.11 (D.C. Cir. 1987)).

Opposition (see attachments); Mountain Communications Letter to Howard Davenport, FCC, dated April 17, 1998; Nevada Wireless Reply to the Commission's 308(b) letter, filed April 16, 1998.

Petition at 6-7 (citing *Public Notice*, Wireless Telecommunications Bureau Responds to Questions about the Local Multipoint Distribution Service Auction, 13 FCC Rcd. 341 (1998)).

Public Notice, Wireless Telecommunications Bureau Responds to Questions about the Local Multipoint Distribution Service Auction, 13 FCC Rcd. at 348 (Part IV). A "Chinese Wall" is defined as: "A fictional device used as a screening procedure which permits an attorney involved in an earlier adverse role to be screened from other attorneys in the firm so as to prevent disqualification of the entire law firm simply because one member of [the] firm previously represented a client who is now an adversary of the client currently represented by the firm." *See Black's Law Dictionary* 240 (6th ed. 1990) (citing *Weglarz v. Bruck*, 1 Dist., 128 Ill.App.3d 1, 4, 83 Ill.Dec. 266, 269, 470 N.E.2d 21, 24 (1984)).

Wireless filed its Opposition and the responses to the Enforcement Division's section 308(b) letters were received by the Enforcement Division.

- 12. Although we strongly recommend that parties certify in their application what measures have been taken to prevent communications between authorized bidders, and advised Nevada Wireless to do so in this case, failure to do so is not a *per se* violation of section 1.2105(c).³⁰ A party alleging collusion between bidders in an auction is required to show some evidence that the bidders actually did communicate bidding strategy. Nextel has not produced any specific, credible evidence of malfeasance on the part of Nevada Wireless, Mountain Communications, or their bidding agents.
- 13. We caution that merely filing a certifying statement as part of an application will not outweigh specific evidence that collusive behavior has occurred nor will it preclude the initiation of an investigation when warranted. However, the filing of a certification statement does indicate an awareness of the actual conflict of interest that occurs when an authorized bidding agent represents applicants who are competing directly against each other for specific licenses. A demonstrable awareness that a conflict of interest existed and that precautionary actions were taken does place the respondent to a petition to deny in a stronger legal position. At the very least, claims of negligent ignorance of the situation can be rejected with some dispatch.
- 14. In fact, all the specific, credible evidence by parties with knowledge of the events in question supports Nevada Wireless's claims that no collusion took place. Regarding the legal representation question pertaining to the Brown and Schwaninger attorneys, Mountain Communications stated:

Mountain took the precaution in dealing with Kathleen A. Kaercher of not disclosing any information to her concerning Mountain's bidding strategy prior to December 23, 1997, except as Mountain provided her with bidding instructions during rounds in which she was instructed to submit a bid. Mountain is informed that, upon recognizing that Kathleen A. Kaercher has been listed as a bidding representative of both Mountain and Nevada Wireless for the same license that the Commission notified Ms. Kaercher and suggested that she be replaced by a different representative for Nevada Wireless. Nevada Wireless removed Ms. Kaercher from its list of authorized bidders and substituted Dennis C. Brown. Mountain is informed that Brown and Schwaninger constructed a "Chinese Wall" between Ms. Kaercher and Mr. Brown to prevent any communication to Ms. Kaercher concerning the bidding strategy of Nevada Wireless and to prevent any communication to Mr. Brown concerning Mountain's bidding strategy. Mountain is informed that Mr. Brown received no information, directly or indirectly, from Ms. Kaercher concerning the bidding strategy of Mountain and that Ms. Kaercher received no information, directly or indirectly, from Mr. Brown concerning the bidding strategy of Nevada Wireless.³¹

Ms. Kaercher stated under penalty of perjury, in an attached declaration:

³⁰ See 47 C.F.R. § 1.2105(c).

Mountain Communications Letter to Howard Davenport, FCC, dated April 17, 1998 (responding to 308(b) letter from the Commission), at 4. The letter was signed by Dennis C. Brown of Brown and Schwaninger. The truth and veracity of the letter was attested to by Mr. W. Martin Tressell, General Manager and an officer of Mountain Communications on April 17, 1998.

[Mr. Brown and I] agreed not discuss any information with one another concerning either competitor during the period of the auction, and to take care to protect against the disclosure of any information to me concerning Nevada Wireless's bidding strategy and against any disclosure of any information to Mr. Brown concerning the bidding strategy of Mountain Communications, Inc."³²

Kaercher also swore that she "had no information, whatsoever, concerning the bidding strategy of Nevada Wireless."³³ Although she entered the bids electronically, Mountain "did not disclose its global bidding strategy to me prior to December 23, 1997."³⁴ During the auction she was merely given instructions as to when to submit bids, but she was not informed "of any broader strategy which [Mountain] may have had."³⁵

15. Mr. Dennis C. Brown, a partner in Brown and Schwaninger and a bidding agent for Nevada Wireless, issued a declaration similar to Ms. Kaercher's. He stated that after being contacted by the Commission, the Nevada Wireless application was amended so as to replace Ms. Kaercher's name with his. Mr. Brown described his relationship with Nevada Wireless as follows:

My understanding with Nevada Wireless was that I was to bid for Nevada Wireless only in accord with Nevada Wireless's specific instructions and only in the event that technical difficulties, such as a failure of Nevada Wireless's computer or a failure of electronic communications facilities, prevented Nevada Wireless from bidding electronically.³⁶

Brown then added this statement which describes his dealings with Ms. Kaercher during the auction:

[Ms. Kaercher and I] agreed not discuss any information with one another concerning either competitor during the period of the auction, and to take care to protect against the disclosure of any information to Ms. Kaercher concerning Nevada Wireless's bidding strategy and against any disclosure of any information to me concerning the bidding strategy of Mountain Communications. Inc.³⁷

Mr. Brown added that as events would have it, "Nevada Wireless had no occasion to have me enter a bid in the auction."

Mountain Communications Letter to Howard Davenport, FCC, dated April 17, 1998, declaration of Kathleen A. Kaercher (Kaercher Letter).

³³ *Id.*

³⁴ *Id.*

³⁵ *Id*

Mountain Communications Letter to Howard Davenport, FCC, dated April 17, 1998, declaration of Dennis C. Brown (Brown Letter).

³⁷ *Id.*

- 16. In its reply to the Enforcement Division's letter, Nevada Wireless supports the statements made by Mr. Brown and Ms. Kaercher.³⁸ Nevada Wireless states that Mr. Brown "did not possess and was not privy to any information concerning Nevada Wireless' bidding strategy prior to December 23, 1997." Mr. Brown "was listed for emergency purposes only, in the event that computer or telephone failure made replacement bidding codes necessary."³⁹ Nevada Wireless notes as well that "Ms. Kaercher did not possess and was not privy to any information concerning Nevada Wireless' bidding strategy prior to December 23, 1997." Mr. Boyer, Nevada Wireless's president, and another Nevada Wireless employee, Steven R. Sixberry, "were the only persons with information concerning the bidding strategies of Nevada Wireless." Neither of them spoke with "any employee of the firm of Brown and Schwaninger" concerning Nevada Wireless's bidding strategy.⁴⁰ In Nevada Wireless's Opposition to Nextel's petition to deny, Mr. Boyer asserts in an attached declaration that he supervised each and every bid placed by Nevada Wireless during the 800 MHz SMR auction and "none of these bids were placed [sic] by the law firm of Brown and Schwaninger."⁴¹
- 17. In sum, the Commission has been provided with sworn statements from knowledgeable officials from Nevada Wireless and Mountain Communications stating that there was no collusion or improper communication between the firms or their attorneys. The lawyers in question, Mr. Brown and Ms. Kaercher, have sworn that their behavior was appropriate and legal. In its Reply to the Nevada Wireless Opposition, Nextel produced no evidence, either in the form of sworn statements or documentation, from any individual possessing personal knowledge of the events in question that could credibly refute the sworn statements produced by Nevada Wireless, Mountain Communications, or their bidding representatives.⁴²
- 18. Finally, we find that Nextel's assertion of fact that Nevada Wireless and Mountain Communications never bid directly against each other during a single round for a particular EA 155 license does not support a claim of collusion. The bidding patterns exhibited in EA 155, in and of themselves, do not come close to supporting a prima facie case of collusion. The same bidding pattern existed in EA 155A, 155B, and 155C, and Nextel won two of those licenses. The pattern was quite simple. Mountain Communications made early bids and never bid after Round 12 in either EA 155A, 155B, or 155C. Nevada Wireless began bidding in each market after Mountain Communications had stopped. Nevada Wireless did not place a bid in any of the three markets before Round 33. Nextel bid before Mountain Communications in all three markets and bid until the final round (EA 155B, 155C (winning both)) or near the close of bidding in

Nevada Wireless Reply to the Commission's 308(b) letter, filed April 16, 1998, at 4. Nevada Wireless's reply includes a sworn declaration from James Boyer, President of Nevada Wireless, attesting to the facts presented therein.

³⁹ *Id.*

⁴⁰ *Id.* at 5.

⁴¹ Opposition, declaration of James D. Boyer.

⁴² Nextel Reply, *passim* (filed March 17, 1998) (Reply).

Petition at 7-8. We likewise reach the same conclusion regarding Nextel's even less compelling observation that neither Nevada Wireless nor Mountain Communications "bid in the same round as the other participant." Petition at i (appearing to suggest with respect to EA 155 (and no other markets) that, for example, Nevada Wireless did not bid for 155A during any round when Mountain placed a bid for 155C). There is no reason to expect opposing bidders to bid during the same round. For example, in EA 155A during 135 rounds Nextel and Nevada Wireless only bid against each other once — in Round 115; in EA 155B they cast bids in the same round twice (Rounds 56 and 57); in EA 155C they cast bids in the same round only once (Round 34).

its losing effort to purchase EA 155A (Round 128 of 135). We can find no plausible theory that purports to explain why the bidding pattern in these markets prevented Nextel from placing a winning bid for EA 155A.

IV. Conclusion

19. We find that Nextel has not met its burden in showing that Nevada Wireless and Mountain Communications acted in collusion. Nextel has provided no collaborating evidence of its allegations, while Nevada Wireless has provided sworn statements by all the parties involved. Although it would have been advisable for the parties to have filed information regarding the mechanisms that were put in place to protect Ms. Kaercher and Mr. Brown from either directly or indirectly communicating bidding strategies and would have saved the parties and the Commission from needlessly expending resources resolving this issue at this time -- we do not find that the parties acted in a collusive manner.

V. Ordering Clauses

- 20. Accordingly, IT IS ORDERED that, pursuant to sections 4(i) and 309(d) of the Communications Act of 1934, as amended, 47 U.S.C. §§ 154(i) and 309(d); and section 90.163 of the Commission's Rules, 47 C.F.R. § 90.163, Nextel's Petition to Deny filed on February 20, 1998, against Nevada Wireless IS hereby DENIED.
- 21. This action is taken pursuant to delegated authority in accordance with section 0.331 of the Commission's Rules, 47 C.F.R. § 0.331.

FEDERAL COMMUNICATIONS COMMISSION

Daniel B. Phythyon Chief, Wireless Telecommunications Bureau

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