

CASE NOS. 18-55367, 18-55805, 18-55806

IN THE UNITED STATES COURT OF APPEALS
FOR THE NINTH CIRCUIT

HOMEAWAY.COM, INC. AND AIRBNB, INC.,

PLAINTIFFS-APPELLANTS,

v.

CITY OF SANTA MONICA,

DEFENDANT-APPELLEE,

On Appeal from the United States District Court
for the Central District of California
Nos. 2:16-cv-6641, 2:16-cv-6645

The Honorable Judge Otis D. Wright, II

***BRIEF OF AMICUS CURIAE FLOOR64, INC. D/B/A THE COPIA
INSTITUTE AND R STREET INSTITUTE IN SUPPORT OF PLAINTIFFS-
APPELLANTS PETITION FOR REHEARING AND REHEARING EN
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**DISCLOSURE OF CORPORATE AFFILIATIONS AND
OTHER ENTITIES WITH A DIRECT FINANCIAL INTEREST IN
LITIGATION AND RULE 29 CERTIFICATES**

Pursuant to Rule 26.1 of the Federal Rules of Appellate Procedure, *amicus curiae* Floor64, Inc. d/b/a/ The Copia Institute states that it does not have a parent corporation and that no publicly held corporation owns 10% or more of its stock.

Pursuant to Rule 26.1 of the Federal Rules of Appellate Procedure, *amicus curiae* R Street Institute states that it does not have a parent corporation and that no publicly held corporation owns 10% or more of its stock.

Pursuant to Federal Rule of Appellate Procedure 29(a), amici curiae certify that all parties in this case have consented to the filing of this brief. Pursuant to Federal Rule of Appellate Procedure 29(c)(5), amici curiae further certify that no party or party's counsel authored this brief in whole or in part, that no party or party's counsel provided any money that was intended to fund the preparation or submission of this brief, and no party or person—other than the amici curiae, its members, or its counsel—contributed money that was intended to fund the preparation or submission of this brief.

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STATEMENT OF INTEREST

Amicus curiae Floor64, Inc. d/b/a The Copia Institute, is a privately-held small business that advises and educates innovative technology startups on policy issues, including those relating to platforms and the important free speech interests associated with their protection. Through the Copia Institute, Floor64 works directly with innovators and entrepreneurs to better understand the regulatory terrain, while Floor64's online publication, Techdirt.com, has published over 70,000 posts commenting on these subjects. The site regularly receives more than a million page views per month, and its posts have also attracted more than a million reader comments—user speech that advances discovery and discussion around these topics. Floor64 depends on Section 230 to both enable the robust public discourse found on its website and for its own speech to be shared and read throughout the Internet.

R Street Institute is a nonprofit, nonpartisan, public policy research organization focused on promoting effective governance and pragmatic approaches to public policy challenges on both state and national levels. It focuses is on complex issues that tend not to be treated with enough attention or nuance, including those that pertain to technology policy and online speech and related civil liberties. In addition to contributing research and analysis to policy discourage, R Street Institute also regularly engages in building the broad coalitions across the political spectrum necessary to achieve sensible and sustainable policy.

Amici submit this brief to the Court to explain how there is more at stake in this case than just plaintiff-appellants' right and ability to maintain their Internet businesses without fear of undue sanction. If the district court's decision is upheld it will deny other platforms the critical statutory protection they depend on to enable online speech and services and harm the interests Congress sought to protect when it codified this protection.

INTRODUCTION

Homeaway and Airbnb may have brought this case, this appeal, and now this petition for rehearing to challenge a single local ordinance. But rehearing should be granted because the panel's decision affects far more than just these types of Internet platforms facing this type of regulation. The statutory immunity at 47 U.S.C. Section 230 ("Section 230") should have protected platforms like plaintiff-appellants' from all forms of locally-imposed liability arising from the user-supplied content they hosted. But by devising an artificial distinction between providing platform services to intermediate user speech and charging for those services, the panel created an exception to Section 230 that will prevent many more platforms providing many more services in many more regulatory contexts to be protected by the statute, and in direct contravention of clear legislative intent.

Review is therefore warranted because of the extent to which this decision exposes nearly all platforms to unlimited state and local liability arising from the user speech they facilitate – a result that Congress had sought to pre-empt. It is warranted because it disrupts the statutory balance Congress struck to foster the most beneficial and least deleterious material online by now burdening platforms with the need to police their users' activity in order to protect themselves from liability arising from it while at the expense of more effective monitoring efforts Congress sought to encourage. And it is warranted because, by creating a distinction between

facilitating user speech and the monetization necessary to underwrite this facilitation, the panel's decision directly attacks the entire Internet economy Congress had sought to foster.

The loss of this critical statutory protection against third-party liability will necessarily be chilling to countless Internet services and the user speech and activity they enable. Rehearing should be granted to avoid this dire result.

ARGUMENT

I. The panel erred in allowing the Santa Monica ordinance to make platforms liable for user speech, which Section 230 should have prevented

What plaintiff-appellants do is exactly what Section 230 is supposed to protect. Platforms like plaintiff-appellants' host user expression. That expression may simply be speech that essentially says, "I have a home to rent," but it nevertheless is user expression. There is nothing inherently wrongful about this user expression; people in many jurisdictions can legally say that they have a home for rent, even if saying so may result in someone then renting their home. Of course, not so in Santa Monica, where expression leading to that result may be legally wrongful if the housing being advertised has not been registered.

But to the extent that such expression is wrongful it is the party expressing it that imbues the expression with its wrongful quality, not the platform intermediating it. Just as defamatory speech gets its defamatory nature from the speaker speaking it, and not the platform intermediating it, *see, e.g., Batzel v. Smith*, 333 F. 3d 1018,

1026-27 (9th Cir. 2003), speech on plaintiff-appellants' platforms indicating the availability of homes to rent acquires its wrongful nature solely from the speakers speaking it and not the platforms intermediating it. The fact that it is not universally wrongful to say such things, that the wrongful quality hinges on where the speaker is physically eliciting a result for their expression, and that the wrongful quality is contingent on independent actions taken by the speaker to potentially register the property (or not), further shows how there is nothing about the particular speech at issue in this case to make it any different from any other potentially wrongful user speech that Section 230 would clearly apply to.

Yet the panel decision allows the platform to be held liable for the wrongful nature of that user speech, even though there is nothing the platform has done to make that speech wrongful. If a listing is unregistered it is the transgression of the user, not the platform. This decision therefore is in direct contravention of Section 230, which explicitly prevents a platform being held so liable. 47 U.S.C. § 230(c)(1) (“No provider or user of an interactive computer service shall be treated as the publisher or speaker of any information provided by another information content provider.”). Rehearing should therefore be granted so that Section 230 can continue to provide the robust and predictable protection platforms depend on “to promote the continued development of the Internet and other interactive computer services and other interactive media” Congress intended. 47 U.S.C. § 230(b)(1).

II. Rehearing is warranted to ensure Section 230 remains available to protect platforms as Congress intended

The panel's error, and the uncertainty it will cause, warrants review to avoid the widespread harmful impact on the entire online ecosystem the decision will have if allowed to stand.

A. The decision imposes the sort of monitoring burden on platforms Congress sought to avoid and at the expense of the monitoring it sought to encourage

As plaintiff-appellants have argued, the Santa Monica ordinance will inevitably require them to monitor the content of all their users' listings in order to comply with it. Slip op. 12. Yet the panel largely dismissed this concern. *Id.* at 13-15. Its decision thus makes Section 230 protection become contingent on a post-hoc, case-by-case evaluation by a court as to whether a regulation imposes a sufficiently burdensome monitoring requirement to be barred by the statute. Rehearing is therefore warranted to give appropriate weight to the likelihood of the obligatory monitoring burden plaintiff-appellants fear in order to restore the predictable statutory protection platforms depend on.

Because this burden is inevitable. In this case, the Santa Monica ordinance imposes liability on platforms like plaintiff-appellants' if they allow bookings for non-compliant listings. Even if the panel were correct that in this circumstance the burden is minor, the fact remains that the only way these platforms can be sure to avoid that liability is to screen all their listings for compliance. The fact that the

liability is only triggered at booking, rather than upon hosting the listing, is also immaterial. *See* discussion *infra* Section II.C. Without Section 230's protection the only way to be assured that liability will not be incurred is to review every listing for compliance prior to any booking.

This burden is also not limited solely to these sorts of platforms facing this sort of short-term rental regulation. Whenever a regulation imposes liability connected to the hosting of user-supplied content, the only way for a platform to avoid that liability is to police the user-supplied content for anything that would potentially expose them to it. Which forces platforms between a rock and a hard place. Liability arising from even one user's content can be ruinous. *See, e.g.,* Engine, *Section 230 Cost Report* (last accessed May 3, 2019), <http://www.engine.is/s/Section-230-cost-study.pdf> (discussing the costs of defending against even unmeritorious litigation and their impact on start-up companies' budgets). But having to monitor all user content can be equally onerous. Given the volume of user-supplied content platforms handle, and potentially unlimited sources of myriad and inconsistent regulatory rules, *see* discussion *infra* Section II.B, it may not even be feasible.

It is recognition of this basic crippling calculus that prompted Congress to pass Section 230 in the first place, long before Santa Monica opted to regulate short-term rental platforms, in order to relieve them of this burden. ECF No. 17 (Brief of

Amici Curiae Chris Cox and Netchoice) at 4. In 1996 when Section 230 was codified Congress did not yet know what the Internet would become. In fact, at the time it was codified not every “interactive computer service provider” was even necessarily an Internet service provider as we would understand them today to be. *See, e.g., Stratton Oakmont, Inc. v. Prodigy Servs. Co.*, 1995 WL 323710 (N.Y.Sup.Ct. May 24, 1995); Prodigy (Online Service), WIKIPEDIA, [https://en.wikipedia.org/wiki/Prodigy_\(online_service\)](https://en.wikipedia.org/wiki/Prodigy_(online_service)) (last accessed May 2, 2019) (describing the history of Prodigy as a dial-up service). Congress had no crystal ball, so it drew Section 230 broadly. Today Internet platforms come in all sorts of shapes and sizes. Few are large public ventures with thousands of employees and vast stores of cash; most platforms are run by significantly smaller companies, non-profits, and even individuals, all of whom possess finite resources. Section 230 is supposed to insulate them all.

When it enacted Section 230 Congress had two complementary objectives: encourage the most good online expression, and the least bad. *See Batzel*, 333 F.3d at 1027. It achieved this policy value with a regulatory approach that was essentially carrot-based, rather than stick-based, creating a two-part immunity that both protected against liability in carrying speech, 47 U.S.C. § 230(c)(1), and protected against liability for removing it. 47 U.S.C. § 230(c)(2). By removing the threat of sanction, platforms would be able to facilitate the most beneficial speech and

allocate their resources most efficiently to most effectively minimize the least desirable, as Congress intended.

But in now denying platforms the immunity at Section 230(c)(1) and thus effectively requiring platforms to monitor all user content in order to minimize their legal risk, the panel decision distorts this careful balance and undermines both objectives. First, as plaintiff-appellants have argued, the ordinance pressures sites to reject more content, even content that may be perfectly legitimate, as it may be prohibitively expensive, if not also impractical or even impossible, to weed out the acceptable from the problematic. This pressure contravenes Congress's goal to foster the most beneficial online content. It also undermines the second goal of minimizing the worst by diverting finite resources to self-protection that could be better spent elsewhere. If platforms are forced to invest in monitoring their users' content to stave off liability, it will come at the expense of any other volitional monitoring that might be more effective or desirable. Even in the case of plaintiff-appellants there are other ways policymakers might want them to police their systems, such as to prevent fraud or other bad behavior by landlord or tenant users. But if they are forced to spend their resources checking for non-compliant rental listings, then these other policing priorities will get short-shrift, even though they might have made their services better for more people and the public at large.

The panel's decision invites similar counter-productive co-opting of all other platforms' scarce resources as a result of all the other liability this decision opens the door for. *See* discussion *infra* Section II.B. Because it conflicts with Congress's intent to insulate platforms from having to monitor in this self-protective manner, rehearing should be granted.

B. The panel decision exposes platforms to infinite forms of local liability that will limit online speech and services far beyond that jurisdiction

Rehearing should be granted because there is nothing about the panel decision to limit its holding only to this Santa Monica ordinance. If it is possible for *this* local regulation to reach platforms like plaintiff-appellants', then it is possible for *any* local regulation to reach platforms like plaintiff-appellants', regardless of what the regulation requires. Per this ordinance Santa Monica currently requires platforms to ensure that user-posted listings only be for units registered with the city, but given the logic of the decision the ordinance could just as easily require platforms to ensure anything else about these listings, such as their habitability or other criteria even more difficult, if not impossible, for platforms to police. *See* discussion *supra* Section II.A. In fact, given the logic of the decision *any* jurisdiction *anywhere* could require any sort of platform to ensure any form of regulatory compliance in their user-supplied content.

It is this specter of essentially unlimited legal risk that Congress intended to forestall with the pre-emption provision that it wrote into Section 230. 47 U.S.C.

§230(e)(3) (“No cause of action may be brought and no liability may be imposed under any State or local law that is inconsistent with this section.”). Because the Internet inherently transcends state boundaries, without Section 230 immunity platforms could be exposed to regulators in every jurisdiction they reach.¹ Congress worried that state and local authorities would be tempted to impose liability on platforms, and in doing so interfere with the operation of the Internet by separately creating, on a local level, the very monitoring obligations Section 230 was intended to avoid. ECF No. 17 (Brief of Amici Curiae Chris Cox and Netchoice) at 25 (“While one monitoring requirement in one city may seem a tractable compliance burden, myriad similar-but-not-identical regulations could easily damage or shut down Internet platforms.”). It was not an idle concern, given that *Stratton Oakmont* itself was a case where a state court, interpreting state law, had created an enormous risk of platform liability based solely on local law. *Batzel*, 333 F. 3d at 1029.

Pre-emption is also important because not every jurisdiction will agree on what the best policy should be for imposing liability on certain kinds of expression. Even in the case of plaintiff-appellants, some jurisdictions, like Santa Monica, may dislike the ease with which they enable short-term rentals. But not all jurisdictions

¹ The panel’s reference to brick and mortar businesses needing to comply with local regulations is not well taken. Slip op. 16. Physical businesses are exposed only to a finite number of jurisdictional rules based on where they are, whereas Internet business are exposed to every jurisdiction everywhere the Internet reaches.

will agree. Some value these services and the income they bring into their communities. *See, e.g.,* Erin Alberty, *Many Cities Fight Airbnb Rentals. This Remote Utah County is Proud its Listings Have Jumped from Zero and Wants More*, SALT LAKE TRIBUNE, Feb. 28, 2018, <https://www.sltrib.com/news/business/2018/02/28/unlike-other-tourist-destinations-this-utah-county-considers-each-airbnb-rental-a-victory/>. For others it may be a difficult political decision to make. *See, e.g.,* Joshua Fechter, *San Antonio Wrestles with Regulating Airbnb, HomeAway Rentals*, MYSANANTONIO.COM, Apr. 12, 2018, <https://www.mysanantonio.com/business/local/article/San-Antonio-wrestles-with-how-to-regulate-12826947.php>. But thanks to the panel decision, they may never get to.

Section 230 provides no obstacle to jurisdictions like Santa Monica imposing whatever policy they want on the people listing rentals within their jurisdictions. But if they can impose their preferred policy choices upon platforms they will end up imposing their policy choices on every jurisdiction the platform reaches, regardless of whether these other jurisdictions agree with the policy choice or not. There often is no simple or cost-effective way for a platform to cabin compliance with a specific jurisdiction's rules, much less the potentially countless specific rules of potentially countless jurisdictions this decision invites. Platforms must instead adjust their platforms and monitoring practices to accommodate the most restrictive.

Thus, if one jurisdiction can effectively chill certain types of speech facilitation with the threat of potential liability, it will often chill it for every jurisdiction everywhere, even in places where that speech may be perfectly lawful or even desirable.

As a result, when it comes to platform liability, the only policy that is supposed to be favored is the one Congress originally chose, “to promote the continued development of the Internet and other interactive computer services” 47 U.S.C. §230(b)(1), and all that these services offer. See 47 U.S.C. §230(a) (enumerating many benefits of these services). The only way to give that policy the effect Congress intended is to ensure local regulatory efforts cannot distort the careful balance Congress codified to achieve it. Rehearing should therefore be granted to review the panel decision, which threatens that fundamental equilibrium.

C. The panel’s unprecedented analytical treatment of content hosting as separate from the monetization necessary to fund that content hosting threatens the entire Internet economy

The panel decision does not completely do away with Section 230’s protection. When it comes to the basic hosting of user-supplied content Section 230 remains in force to protect platforms from liability arising from that user content. Slip op. 17. The issue is that the panel decision construes enabling the rental transaction to be something separate and distinct from the hosting of the underlying user speech. *See id.* at 20. This is a distinction without a difference, however, as

well as unprecedented. Review is therefore warranted given the enormous impact such a bifurcation will have on the entire Internet economy.²

If the court's reasoning were correct, Section 230 never could have shielded any platform that profits from transactions between users. It always would have been possible to predicate their liability on the brokering of the transaction, rather than on their intermediation of the user expression behind the transaction. In reality, though, over the past two decades transactional platforms have been able to avail themselves of Section 230's protection. For instance, EBay and Amazon, like Airbnb and Homeaway, make money from transactions that result when user expression offering something for sale is answered by users who want to buy. Yet courts – including this one – have thus far found them just as protected by Section 230 as their non-transactional platform peers, even though these courts could have just as easily predicated liability on the transaction they facilitated instead. *See Batzel*, 333 F.3d at 1030 n. 15 (collecting cases). But, unlike this panel, those courts recognized that any such liability was inherently connected to the user content they

² Although the most immediate consequence of the decision will be to harm the commercial viability of online services, as discussed below, the panel opinion does not actually require a “transaction” to be monetary to be a predicate for platform liability. The bifurcation between content hosting and transaction facilitating may therefore provide a pretextual opening for regulators to pursue content-based censorship by imposing liability on platforms based on whether they facilitated a transaction connected to disfavored content while avoiding consideration of whether that content was user-generated, in which case Section 230 should have insulated the platform from any liability manifest in it.

were hosting and thus something that Section 230 protected them from. *Id.* (noting that eBay and Amazon were “interactive computer services” per the statute). For this panel to now stray from this precedent and decide that liability for facilitating a transaction is somehow something separate from facilitating the user expression behind it strikes at the heart of what Section 230 is supposed to do – protect platforms from liability in their users’ use of their services – and puts all these transactional platforms’ continued Section 230 protection in doubt.

It also puts in jeopardy the entire Internet economy by so severely limiting the ability of platforms to monetize their services. To date, an online service’s ability to avail itself of Section 230 has not turned on the business model it chooses. But this decision calls into question any monetization model that derives revenue from any transactional user expression that successfully results in a consummated deal, since platforms can now be held to account for any alleged illegality in that user expression.³

³ Per this decision, however, platforms would seem to be able to avoid liability if users only posted poorly-drafted listings for terrible properties at unmarketable rents, even if those listings were illegal under the ordinance, because there would be no danger of a rental transaction ultimately resulting. But as soon as users managed to successfully articulate their offerings such that they could result in actual rentals the platforms would suddenly find themselves on the hook. This inconsistency further highlights how the panel decision makes platforms have to bear liability arising from user speech, despite Section 230’s rule to the contrary.

Instead platforms will have to support themselves in other ways, such as by being ad-supported, selling subscriptions, charging for listings or other content placement, hosting a “tip jar” for reader donations, engaging in affiliate marketing partnerships to earn a percentage of sales referred from the platform, or directly selling other goods or services. *See generally* Robert Menning, *33 Ways to Monetize a Website (or a Blog)*, WEBSITE SETUP, Jun. 3, 2016, <https://websitesetup.org/33-ways-to-monetize-website/>. But not only do these other revenue models implicate their own concerns and considerations, but given the logic of this decision it is not a certainty that they, too, will not someday be found to put the platform beyond the reach of Section 230. For as long as facilitating the exchange of money is treated as something separate from the facilitation of user expression the exchange is connected to, any method of monetary exchange connected to user content that is illegal in some way could still put the platform facilitating it beyond the reach of the statutory protection and expose them to that liability.

The panel cited Craigslist as an example of a platform that can retain its Section 230 immunity even when its users post illegal listings. But, notably, Craigslist does not charge users to post their listings. Were the panel decision to stand, it would mean that the only platforms that could be sure to benefit from Section 230 would be the ones that provide their services for free, which is neither

sustainable nor consistent with what Congress intended or the commercial potential upon which, until now, the Internet economy has depended.⁴

Furthermore, not all platforms are like plaintiff-appellants' and necessarily include a hosting component. Some, like payment providers, are platforms dedicated to facilitating aspects of the transactions the panel found to be outside of Section 230, which would mean that these platforms would also find themselves outside of Section 230, even though any liability they might face as a result of the platform services they deliver would still be due to others' expression. While it is itself problematic that this decision will cause platforms like plaintiff-appellants' to monitor and then likely censor user speech, *see* discussion *supra* Section II.A, at least in the case of plaintiff-appellants it is theoretically possible for them to take such a step to cope with the prospect of liability under the ordinance. It might even be possible for them to review and remove just the right amount user expression in order to protect themselves without removing anything more. But while this sort of case-by-case, listing-by-listing monitoring is at least potentially within the power of a platform that facilitates the offending expression itself, it is not at all within the

⁴ It is also unclear if Craigslist itself can continue to fully avail itself of the provisions of Section 230. Craigslist connects users by anonymous email, it charges for certain types of postings, and it pays web hosting fees to service providers. A state or city could easily deem any of the aforementioned "transactions" the subject of regulation, and thereby sweep Craigslist into a mandatory content monitoring regime.

power of platforms like payment providers that never intermediate the original user speech at all. This decision leaves these platforms with a stark choice: leave open the firehose to process all transactions, and thus risk being liable for any transaction related to any illegal listing that comes through, or turn off their service entirely to any service that cannot guarantee to them that every transaction arising from every user listing will be legally compliant with every possible law. No platform can make that promise, of course; a platform would find itself either needing to remove substantial amounts of lawful content in order to try, or to potentially risk being cut off from all sources of income if their payment platforms refused to continue to bear the risk. *See Backpage.com v. Dart*, 807 F.3d 229, 238 (7th Cir. 2015) (noting how losing access to payment platforms would chill the same hosting of user content that Section 230 protects). Rehearing is therefore warranted in order to forestall such a chilling result.

CONCLUSION

Because allowing the panel decision to stand would require artificially limiting Section 230 in a way that would be chilling to online services, in contravention of Congressional intent, rehearing should be granted.

Dated: May 3, 2019

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Pursuant to Fed. R. App. P. 32(a)(7)(C), I certify as follows:

1. This Brief of Amicus Floor64, Inc. d/b/a The Copia Institute and R Street Institute In Support Of Plaintiffs-Appellants complies with the word limit of Fed. R. App. P. 29(c)(2) because this brief contains 4199 words, excluding the parts of the brief exempted by Fed. R. App. P. 32(a)(7)(B)(iii); and

2. This brief complies with the typeface requirements of Fed. R. App. P. 32(a)(5) and the type style requirements of Fed. R. App. P. 32(a)(6) because this brief has been prepared in a proportionally spaced typeface using Microsoft Word, the word processing system used to prepare the brief, in 14 point font in Times New Roman font.

Dated: May 3, 2019

By: /s/ Catherine R. Gellis

Catherine R. Gellis

CERTIFICATE OF SERVICE

I hereby certify that I electronically filed the foregoing with the Clerk of the Court for the United States Court of Appeals for the Ninth Circuit by using the appellate CM/ECF system on May 3, 2019.

I certify that all participants in the case are registered CM/ECF users and that service will be accomplished by the appellate CM/ECF system.

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By: /s/ Catherine R. Gellis

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