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MEDIA LAW LETTER

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International Developments in Media Libel,

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September 19-20, 2011 | Stationers’ Hall, Ave Maria Lane, EC4 London

MLRC Annual Dinner

November 9, 2011 | Marriott Marquis, New York, NY

DCS Annual Meeting

November 10, 2011 | Proskauer Rose, New York, NY

Second Circuit Reverses “Hot News” Judgment and Injunction

But Media “Hot News” Claims Remain Viable

By Andrew L. Deutsch

The “hot news” misappropriation doctrine was born in the Second Circuit. In 1917, a panel of that court entered an injunction in favor of the Associated Press and against AP’s competitor, International News Service (INS). The court found that INS’s practice of copying recently-published AP news and providing the factual substance to INS newspaper customers was a form of unfair competition that should be enjoined under federal common law. *Associated Press v. Int’l News Serv., Inc.*, 245 F. 244 (2d Cir. 1917). The U.S. Supreme Court affirmed the validity of this “misappropriation” cause of action and the injunction entered by the Second Circuit, in its celebrated decision, *Int’l News Serv., Inc. v. Associated Press*, 248 U.S. 215 (1918) (*INS*).

Some commentators have suggested that the Second Circuit’s recent decision in *Barclays Capital Inc. v. Theflyonthewall.com, Inc.*, No. 10-1372-cv, 2011 WL 2437554 (2d Cir. June 21, 2011), has mortally wounded its own child, the “hot news” doctrine. The reality is otherwise. *Barclays*, like earlier Second Circuit decisions, merely refused to expand *INS* beyond its traditional role of protecting news gatherers and publishers against unfair competition.

Second Circuit Decision

The lengthy decision, written by Circuit Judge Robert Sack, held that three financial companies that issue newsworthy recommendations to buy, hold, or sell stocks (the Firms), could not maintain a New York law “hot news” claim against Theflyonthewall.com, Inc. (Fly), an Internet newsletter that reported the Firms’ stock recommendations to its subscribers before market opening. The court found that because the plaintiffs had not shown “INS-type”

misappropriation, their state law claim was preempted by the Copyright Act. However, *Barclays* reaffirmed what the Second Circuit had already held in 1996 – “hot news” claims by one news publisher against another are not preempted.

As *Barclays* recognized, the fate of the Firms’ “hot news” claims depended on developments in the 93 years since *INS* was decided. The Supreme Court abandoned the creation of federal common law in *Erie R. Co. v. Tompkins*, 304 U.S. 64 (1938), making *INS* no longer a binding precedent on any court. However, before and after *Erie*, some state courts adopted the misappropriation doctrine declared in *INS* into their own common law of unfair competition.

This state adoption of misappropriation became important when Congress enacted the Copyright Act of 1976. One goal of the new law was creation of a nationally-uniform law of copyright, which was addressed by section 301(a) of the Act. This provision expressly preempts state causes of action that address material within the general scope of copyright, and protect rights equivalent to those comprised in federal copyright, such as the right to copy, publish, display, or perform. Because copyright law permits the copying and republication of already-published facts, as a general matter, state claims that

would prevent such copying are preempted by section 301(a).

However, Congress did not intend to do away with the “hot news” doctrine. The House Judiciary Committee report that accompanied the Copyright Act, and which is accepted as the authoritative expression of Congress’ legislative intent, see *Eldred v. Ashcroft*, 537 U.S. 186, 210 (2003), expressly stated that notwithstanding section 301(a), “state law should have the flexibility to afford a remedy (under traditional principles of equity) against a consistent pattern of unauthorized appropriation by a competitor of the facts (i.e., not the literary expression) constituting ‘hot

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In the key sentence of the opinion, Judge Sack concluded that “The Firms are making the news; Fly, despite the Firms’ understandable desire to protect their business model, is breaking it.”

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news,’ [including] in the traditional mold of International News Service v. Associated Press.” H.R. Rep. 94-1476 at 132, reprinted in 1976 U.S.C.C.A.N. at 5748 (House Report).

NBA v. Motorola

By the mid-1990s, the Internet and other means of simultaneously transmitting digital information were on the rise, and this gave new life to “hot news” claims. These issues came to the fore in the *NBA* case. The NBA sued STATS, a statistical service, and Motorola, a pager manufacturer. STATS employees viewed NBA basketball games on television, and entered scoring and other statistical facts seen in the game into computers; this data feed was then transmitted to Motorola pagers. The NBA contended that by these acts, the defendants were misappropriating their uncopyrightable games under New York law. The district court agreed, found that this claim was not preempted by section 301(a), and enjoined the service.

The Second Circuit, in a seminal decision written by Circuit Judge Ralph Winter, reversed and vacated the injunction. In reliance on the House Report, *NBA* held that the only form of misappropriation not preempted by section 301(a) is the *INS*-type “hot news” claim. 105 F.3d at 850. From *INS* and earlier Second Circuit cases, *NBA* identified five elements that are necessary for a state misappropriation claim to be in the mold of *INS*, and therefore not preempted: the plaintiff collects or generates information at some expense; the information’s value is highly time-sensitive; the defendant’s use of the information constitutes “free-riding” on the plaintiffs’ costly efforts to collect or generate the information; the plaintiff and defendant’s products or services directly compete; and if such free-riding were generally permitted, this would reduce the incentive to create the original product or service so that “its existence and quality would be substantially threatened.” *NBA*, 105 F.3d at 852.

Judge Winter concluded that the NBA’s misappropriation claim failed on the free-riding element, because STATS was not copying from an NBA compilation of statistics, but was instead using its own employees to gather scoring and statistical information through observing game broadcasts.

Id. at 853. The NBA’s claim was therefore dismissed as preempted. *Id.*

Barclays v. Flyonthewall

Barclays was the next Second Circuit case to consider the preemption of “hot news” claims. The Firms have retail and institutional brokerage divisions, and equity research staff which create recommendations as to securities trading. These recommendations are provided on a daily basis to the Firms’ clients before markets open, and many of the clients trade on the basis of the recommendations through the Firms’ brokers. The Firms contended that keeping these recommendations exclusive to their clients was crucial to their business model. Without protection against copying, they claimed that they would shrink or close their equity research groups, and thus ultimately stop issuing recommendations. Fly is an Internet newsletter that publishes a financial newsfeed, which reports the daily stock recommendations of 65 investment companies, including those of the Firms. Fly’s employees obtained the recommendations from speaking to traders, going on chatrooms, and so forth.

The Firms claimed that Fly’s copying and republication of their recommendations was actionable “hot news” misappropriation, while Fly argued that this misappropriation claim was preempted by section 301(a). After trial, District Judge Denise Cote found that the plaintiffs had proven each of the five factors identified in *NBA* for a non-preempted “hot news” claim. The court entered an injunction that restrained Fly from publishing the Firms’ recommendations for a period of 30 minutes to two hours after market opening, depending on circumstances.

On appeal, the Second Circuit reversed and vacated the injunction, holding that the Firms’ misappropriation claim was preempted by section 301(a). At the outset, the panel opinion, written by Circuit Judge Robert Sack (Circuit Judge Reena Raggi wrote a separate concurrence), rejected the views of *amici* Google Inc. and Twitter, Inc. These companies had argued that the court should “repudiate” the “hot news” doctrine as contrary to public policy and as providing unconstitutional copyright-like protection for facts.

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The ultimate conclusion is that *Barclays* is a pro-newsgatherer decision that reaffirms established “hot-news” law.

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Barclays said that the court was bound by *NBA*'s determination that (1) "hot news" was a cause of action recognized by New York law and (2) that Congress, in enacting section 301(a), intended that "*INS*-like state-law torts," if recognized under state law, would survive copyright preemption. 2011 WL 2437554 at *11.

However, Judge Sack also devoted much discussion to showing that *NBA*'s statement of "tests" for the non-preempted "*INS*-like" tort was non-binding dictum. *Id.* at *18-20. The parties to the litigation and District Court had agreed that the five-part analysis given in the *NBA* decision, which Judge Winter had prefaced with the normally precedential phrase "We hold," was governing law. The panel opinion disagreed. The court found that *NBA* was merely "opining about the hypothetical set of circumstances – not present in that case – that might give rise" to the "non-preempted *INS*-like 'hot news' claim," and that this conjecture, while descriptive and illuminating of *NBA*'s reasoning, "could not bind subsequent courts." *Id.* at *19 n. 32.

The court was particularly influenced by the fact that *NBA* restated the "tests" for a non-preempted "hot news" claim in different ways, and found that this inconsistency was such that *NBA*'s listing of those "tests" were not equivalent to a "statutory command to which we or the district court are expected to adhere." *Id.* at *20. It should be noted that Circuit Judge Reena Raggi, the third panel member, while concurring with the decision to reverse the judgment below, disagreed with Judge Sack's determination that *NBA*'s statement of these "tests" was dictum. Judge Raggi concluded moreover that even if the "tests" were dictum, they were deserving of substantial consideration and respect. *Id.* at *29-30.

Judge Sack concluded that only one element identified in the *NBA* tests had precedential force: the determination that the *NBA* had failed to show "free-riding" as required by *INS*, because *STATS* was "bearing its own costs of collecting factual information on *NBA* games." *Barclays*, 2011 WL 2437554 at * 24, quoting *NBA*, 105 F.3d at 854. Judge Sack found the Firms' misappropriation claim was preempted because Fly also was not free-riding. Rather, it was "collecting, collating and disseminating factual information" – the fact of the plaintiffs' securities recommendations, which

had impact on trading behavior – using its own paid employees, just as *STATS* had done. *Barclays*, 2011 WL 2437554 at * 21. Fly's employees were engaged in the "financial-industry equivalent" of observing and reporting facts about basketball games. *Id.* at *24. In the key sentence of the opinion, Judge Sack concluded that "The Firms are making the news; Fly, despite the Firms' understandable desire to protect their business model, is breaking it." *Id.* at *21.

The *Barclays* court found no meaningful difference between Fly's obtaining recommendations created by a Firm and selling it by identifying its origin, and standard "behavior by members of the traditional news media" who report on award winners, the newsworthy political endorsements of newspapers, or the scores of *NBA* games. *Id.* at *23, 23 n. 38. *INS* did not address such conduct. *Id.* at *23. The court also rejected the Firms' contention that, as the defendant did in *INS*, Fly's activities were diverting a significant portion of the Firms' profits to Fly. *Barclays* found that even if one accepted the Firms' theory that readers of the Fly newsletter would use the Firms' recommendations to trade with discount brokers, and not the Firms, it would be those brokers, not Fly, which would receive the funds that would otherwise go to the Firms' brokerage divisions. *Id.* (The Firms have since sought rehearing and rehearing en banc on the grounds that the panel majority's declaration of *NBA* as dictum was erroneous and that the panel decision conflicts with *NBA*.)

Nothing in *Barclays* suggests that the arrival of the Internet has limited or preempted traditional "hot-news" claims.

Analysis

The ultimate conclusion is that *Barclays* is a pro-newsgatherer decision that reaffirms established "hot-news" law. First, the holding protects news "breakers" against misappropriation suits brought by those who are news "makers." The court regarded Fly as indistinguishable from a traditional newsgatherer, and the Firms (insofar as they created market-moving stock recommendations) as no different from financial companies whose activities are covered in the business pages of newspapers. It was concerned that enjoining such reporting would have serious First Amendment implications, *id.* at *22, and allow

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newsmakers to “control who breaks that news and how.” *Id.* at *23. *Barclays*’ refusal to extend *INS*-type preemption to claims outside of the publisher versus publisher scenario is consistent with *NBA*’s refusal to allow the NBA to control who published its scores and statistics, and with earlier Second Circuit case law that was “hostile to a broad reading” of *INS*. *NBA*, 105 F.3d at 852 n. 7.

Second, nothing in *Barclays* suggests that the arrival of the Internet has limited or preempted traditional “hot-news” claims. The court does remark that *INS* does not protect established businesses and their models against disruptive technologies. However, this statement is made in the course of rejecting the view that it was morally “unfair” for Fly to have profited by collecting and reselling the Firms’ recommendations (this echoes *NBA*’s prior rejection of earlier decisions that had interpreted *INS* as forbidding all forms of “commercial immorality”). *Id.* at *16; see *NBA*, 105 F.3d at 853. *NBA* is expressly stated to be binding precedent insofar as it holds that *INS*-type claims are not preempted. *Barclays*, 2011 WL 2437554 at * 11.

That “hot news” remains intact in its traditional context – as a protection for publishers – is beyond question. *Barclays* suggested that if the Firms were themselves engaged in disseminating news about the securities recommendations of other companies, and Fly copied those facts, it might be liable to the Firms on a non-preempted hot-news theory. *Barclays*, 2011 WL 2437554 at * 24. The court also cited the recent decision in *Associated Press v. All Headline News Corp.*, 608 F. Supp. 2d 454 (S.D.N.Y. 2009), which refused to dismiss a classic “hot news” claim by a news service against an aggregator on preemption grounds, as an example of a claim that was more closely analogous to *INS*. *Id.* And, as noted above, the court rejected the Google/Twitter argument that “hot news” is unconstitutional or contrary to public policy. One open question is what weight future courts will give to *NBA*, given Judge Sack’s conclusion that *NBA*’s five-part non-preemption test (except for the free-riding factor) is dictum. It should be noted that Judge Sack’s own conclusion, reached

after some rather baroque reasoning, may itself be dictum, because it was certainly not necessary to a finding that the Firms’ claim was preempted. The court could have simply stated that it did not have to determine the full precedential scope of *NBA*, because the Firms had failed to establish one essential element of the *INS*-type tort, namely that the defendant was free-riding.

In any event, even if *NBA* (other than its free-riding analysis, which *Barclays* does treat as precedential) is no longer binding in the Second Circuit, the decision will undoubtedly remain important in future “hot news” decisions. Outside of the Second Circuit, where *NBA* has never been precedential, the decision has still been regarded as “an influential opinion interpreting New York law,” *Confold Pac., Inc. v. Polaris Indus., Inc.*, 433 F.3d 952, 960 (7th Cir. 2006) (Posner, C.J.), and its analysis has been adopted by a number of district courts. See, e.g., *Pollstar v. Gigmania Ltd.*, 170 F. Supp. 2d 974, 977 (E.D. Cal. 2000); *Fred Wehrenberg Circuit of Theatres, Inc. v. Moviefone, Inc.*, 73 F. Supp. 2d 1044, 1050 (E.D. Mo. 1999).

In the author’s view, *NBA* will retain its influence in the future within and without the Second Circuit. A court that must determine whether a plaintiff has stated an *INS*-type non-preempted “hot news” claim, and which finds that the defendant *is* free-riding on the plaintiff’s investments, will be compelled to identify the remaining elements of the *INS*-type claim. Rather than reinvent the wheel, that court is likely to follow *NBA* as the most relevant, well-reasoned, and persuasive decision on the issue, and adopt *NBA*’s full list of “tests” for non-preemption.

Andrew L. Deutsch is a partner in the Intellectual Property and Technology practice group of DLA Piper LLP (US). He was counsel of record for a coalition of thirteen media companies and organizations which filed an amicus brief in the Barclays appeal. R. Bruce Rich, Benjamin Marks, Jonathan Bloom and Linda R. Eskow, Weil Gotshal & Manges LLP, New York, NY, represented plaintiffs. Glenn F. Ostrager, Ostrager Chong Flaherty & Broitman P.C., New York, NY, represented the defendant.



New Jersey's High Court Addresses Shield Law Protection for "New Media" Journalists

Privilege Claims By "New Media" Journalists Require Scrutiny

By Bruce S. Rosen and Kathleen A. Hirce

The New Jersey Supreme Court, in a seminal ruling regarding what might be the nation's most expansive shield law, has put the brakes on automatically providing the privilege to persons using new media who claim to be journalists. [*Too Much Media v. Hale*](#), No. A-7 (June 7, 2011). The Court's decision rejects arguments that the shield be provided whenever there is "intent" to disseminate news and instead reads the statute to require that an applicants' new media be "similar" to traditional news media.

At oral argument, the Court appeared to reject arguments by the defendant Shellee Hale and amicus ACLU-NJ that the Shield Law should generally apply to anyone who gathers news with the intent to disseminate it, citing the potential for most posters on the internet to be eligible for shield protections. The unanimous Court focused heavily on interpreting the statutory language, which it said, "did not extend the Shield Law to all people who proclaim they are journalists."

While the Court did not explicitly define the parameters of just how similar new media news providers must be to traditional media, it left the burden of proof on the new media news providers. The Court took pains, however, to reinforce the broad application of the privilege for traditional news media or web sites clearly similar to traditional newspapers or magazines: the decision prohibits intrusive hearings regarding who is a journalist that could eviscerate the privilege, and completely rejects a list of misguided criteria drawn up by the Appellate Division to determine who is a journalist.

Background

While this was good news for most media, it was a mixed bag for Defendant Shellee Hale of Washington State, a life coach, private detective, and sometimes TV commentator with an online presence who sought shield law protection for allegedly defamatory postings she placed on the message

board of Oprano, an adult-industry website. Hale claims she was in the midst of an investigation of corruption in that industry when she posted on Oprano claiming Too Much Media, a New Jersey-based software company that provides invoicing services for adult sites, and two of its principals, were involved in allegedly criminal activity. The company and the principals acknowledged the company had a breach of security regarding its customer information months earlier, but denied any criminal activity and sued.

Hale first tried to have the matter dismissed on jurisdictional grounds, mistakenly swearing that she was unaware of the company's New Jersey connections. She then

filed a standard certification stating she was a journalist and seeking shield law protection so as not to disclose her sources for her postings (she also claimed in the certification that disclosure would ruin her reputation as a licensed private detective).

Plaintiff responded by pointing out her lack of credibility in the jurisdictional motion, but did not file anything disputing Hale's status as a journalist. The trial judge then held an

extensive and intrusive hearing, during which Hale was asked questions by her own attorney, plaintiff's counsel and the court regarding every facet of her alleged journalistic endeavors except the names of her source(s), after which the court found that Hale had no credibility and Oprano was not similar to traditional news media cited in the Shield Law. The judge also ruled that the Internet defamation should be considered equivalent to slander per se with presumed damages because the Internet disseminated information so rapidly, it was akin to the spoken word.

Appeals Court Decision

Defendants sought leave to appeal and North Jersey Media Group Inc. (NJMG), The New Jersey Press

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Association (NJPA), *The New York Times* and NBC Universal filed an amicus brief on the presumed damages argument. The Appellate Division granted leave to appeal and while it made short shrift of the slander per se argument, it attempted to define who a journalist by drawing up a list of “characteristics” that journalists need have to be eligible for the privilege, including that they had official credentials, did fact checking, disclosed conflicts of interest, identified themselves as a reporter, and contacted other parties to get their side of the story. It concluded that Hale had exhibited none of the characteristics of a reporter and upheld the trial court. The Supreme Court then agreed to hear the case.

NJ Supreme Court Decision

The 27 page opinion by Chief Justice Stewart Rabner first pointed out that the case had nothing to do with the First Amendment, but noted that to the extent that Hale’s published statements involved matters of public concern, plaintiffs would have to prove actual malice. The Court rejected a First Amendment Shield argument by Hale based on *Branzburg*, stating that the New Jersey Shield Law was absolute absent a conflicting constitutional right, and rejected those cases inferring an “intent” test from the First Amendment.

“If the Legislature wanted to create an intent test, it could have done so,” Chief Justice Rabner write. “Instead, the Shield Law requires claimants to show three things: first, a connection to news media, second, a purpose to gather, procure, transmit, compile, edit or disseminate news, and third that the materials sought were gathered in the course of professional activities.” While the second prong is similar to an intent test, the Court said, purpose – or intent – is not enough.

The statute’s language, the Court said, “does not mean that a newsperson must be employed as a journalist for a traditional newspaper or have a direct tie to an established magazine. But he or she must have some nexus, relationship, or connection to “news media” as that term is defined.” The Court cited previous state cases granting newspersons protections involving non-fiction books, freely distributed tabloids, and reality shows, none of which are mentioned in the statute but are “similar” to the traditional media that is mentioned.

The Court also dismissed the idea that a message board

was similar to traditional news media, such as letters to the editor, because they are generally unfiltered and unedited. “Neither writing a letter to the editor, nor posting on an online message board establishes the connection with “news media” required by the statute,” the Court concluded.

North Jersey Media Group and The New Jersey Press Association (this time alone) had filed an amici brief with the Supreme Court critical of the Appellate Division’s criteria to determine who is a journalist, its failure to recognize that the Shield Law protects both the news process and confidential sources, and its countenancing of the interrogation of Hale at a plenary hearing.

The Court agreed with all of these suggestions, made clear the Shield Law’s equal protections for news processes, and set down strict guidelines for any hearing under the Shield statute, essentially ruling them out for traditional news media.

“However,” the Court noted, “self-appointed journalists or entities with little track record who claim the privilege require more scrutiny. As the Appellate Division noted, the popularity of the Internet has resulted in millions of bloggers who have no connection to traditional media. Any of them, as well as anyone with a Facebook account, could try to assert the privilege. In these cases, a more probing hearing would likely be needed to determine whether the privilege applies.” Even then, the Court said, the inquiry must be limited to the connection to news media, purpose to gather or disseminate news, and a showing that the materials were gathered in the course of professional newsgathering.

The Court remanded the matter for further proceedings. Shortly thereafter, defendants asked the Court to permit a new hearing so that Hale could submit evidence in an attempt to qualify under the Court’s new criteria.

Bruce S. Rosen and Kathleen “Katie” Hirce, McCusker, Anselmi, Rosen & Carvelli, P.C. of Florham Park, NJ, represented amici NJMG and the NJPA. Hale was represented by Jeffrey M. Pollock of Fox Rothschild in Princeton, NJ. Plaintiffs were represented by Joel N. Kreizman of Evans, Osborne and Kreizman of Oakhurst, NJ. Amicus ACLU-NJ was represented by Ronald K. Chen, a professor at Rutgers Law School Newark and ACLU-NJ Legal Director Edward Barocas. Amici The Reporters Committee, Gannett Co., and the Society of Professional Journalists submitted a brief authored by Gayle C. Sproul and Michael L. Berry of Levine Sullivan Koch & Schulz.

Court Quashes Subpoena For Reality Show Outtakes

Criminal Defendant Failed to Meet Test to Pierce Shield Law

By Cameron Stracher

After nearly two years of litigation, a New York trial court granted Al Roker Entertainment's motion to quash a subpoena for outtakes sought by petitioner, Tyler Hodson, for his defense in his criminal trial pending in New Jersey. *In the matter of the application of Tyler Hodson against Al Roker Entertainment*, No. 16662/09 N.Y. Sup. Ct. June 27, 2011) (Wooten, J.).

Background

This matter arose following Hodson's appearance in the Spike TV series "DEA," a "real-life" cable show that focuses on the activities of the United States Drug Enforcement Agency. Hodson was arrested by DEA agents when he received a large shipment of marijuana, and when DEA searched his home they also found an automatic weapon. He subsequently signed a release and he appeared blurred in the show.

Hodson contacted counsel for Roker in the summer of 2009, and claimed he needed the outtakes to demonstrate that the warrantless search of his home had been unlawful. Without waiving its rights, Roker produced four minutes of outtakes to Hodson and to the state prosecutor consisting of the DEA's entry into Hodson's home.

After receiving the outtakes, Hodson continued to argue that he needed the remainder of the footage to establish the illegality of the search. Roker refused to produce the footage, and the New Jersey court, without notice to Roker, issued a subpoena for the outtakes. Petitioner subsequently brought an application in New York to obtain the outtakes pursuant to CPLR 3102(e). Despite procedural irregularities with the subpoena (the show cause order was not signed; Roker was not served properly), Roker moved to quash the subpoena in New York.

Over the next year the parties attempted to work out a settlement, but Hodson refused to sign a more formal written release. The court initially ordered the outtakes to be produced for *in camera* inspection, then reversed itself. Ultimately, the court ordered the parties to re-brief the motion to quash. During that time, Hodson brought a §1983 civil lawsuit against Roker, Spike, DEA, and the Jersey City police in New Jersey state court, which Roker removed to federal court.

The court granted Roker's motion to quash in an opinion issued on June 27. Although at oral argument the court had questioned whether Roker, an "entertainment company," was entitled to the protections of the New York Shield Law, the court ultimately held that Hodson had failed to meet the demanding three part test of that law. Hodson, the court held, had not proffered any evidence about the content of the outtakes, let alone any "highly material facts critical to his defense in the criminal case" or any efforts to seek the information contained in the outtakes from another source.

Four days later, after granting Hodson two extensions to respond to Roker's motion to dismiss in New Jersey, the federal court administratively dismissed Hodson's civil case. As of this writing, Hodson's criminal case is still pending.

Cameron Stracher, Of Counsel to Levine Sullivan Koch & Schulz, represented Al Roker Entertainment. Hodson was represented by Vincent D'Elia of D'Elia & McCarthy, Newark, NJ.

Court Reduces Jury's Punitive Damages Award in Right of Publicity Case

\$19.6 Million Award Against Hustler Magazine Reduced to \$250,000

By Darrell J. Solomon

The tragic murder of former model and wrestler Nancy Benoit by her wrestler husband Chris Benoit led to a battle over *Hustler* Magazine's right to illustrate a story about that murder with nude images of Ms. Benoit, without the consent of her estate. The case implicates the right of the courts to make a determination that something is not newsworthy, and could potentially have a far-reaching impact on the media's right to publish images of celebrities without their consent. It is now on appeal to the U.S. Court of Appeals for the Eleventh Circuit.

A Colorful, Yet Tragic, Set of Facts

Early in her career, before she became a celebrity professional wrestler, Ms. Benoit briefly pursued a nude modeling career and in the early 1980's agreed to take part in a nude modeling session for that purpose. While two professional photographers photographed Ms. Benoit as she modeled, the Orlando disc jockey who set up the shoot, Mark Samansky, recorded the session with his video camera. Soon after the shoot, Ms. Benoit's wrestling career took off and she dropped her plan to become a nude model. There was disputed testimony as to whether Ms. Benoit asked the photographers to destroy their photographs, but she did not ask Mr. Samansky to destroy his videotape.

Fast-forward to 2007. Ms. Benoit, retired from wrestling, is married to wrestling superstar Chris Benoit and living as a homemaker in Fayetteville, Georgia. In June of that year, for reasons no one will ever fully understand, Chris Benoit murdered his wife and their young son, and then took his own life.

Global media coverage of the tragedy was intense. The murders were covered by CNN, ESPN, *Time*, *Life*, *People*, Geraldo Rivera, Larry King, German and Japanese media outlets, and others. At the height of this media frenzy, Mr. Samansky contacted *Hustler* with an offer to sell screen shots of the video he had taken of Ms. Benoit, as well as the exclusive story behind the video – the revelation that before

she became a celebrity wrestler, Ms. Benoit had sought to become a nude model.

Believing this was a story that would appeal to its readers, *Hustler's* editorial staff paid Mr. Samansky \$1,000.00 for the images and an interview. The article and accompanying images were published in the March 2008 issue of *Hustler*, which hit newsstands in early January 2008.

A Remarkable Procedural Background

In February 2008, Ms. Benoit's mother, Maureen Toffoloni, filed a lawsuit in the Superior Court of Fayette County, Georgia, seeking emergency injunctive relief on behalf of her daughter's estate and alleging that LFP Publishing Group, LLC d/b/a *Hustler* Magazine ("LFP") had violated Ms. Benoit's Georgia common law right of publicity.

The right of publicity is the only descendible privacy tort, and is more accurately described as a property right. In order for a plaintiff to prevail on a Georgia right of publicity claim, an appropriation must be made of another's name and likeness without that person's consent for the financial gain of the appropriator. *Martin Luther King, Jr. Ctr. for Soc. Change, Inc. v. Am. Heritage Prods., Inc.*, 296 S.E.2d 697, 703, 250 Ga. 135, 143 (1982). Georgia courts, however, recognize a "newsworthiness" exception to the right of publicity: "where an incident is a matter of public interest, or the subject matter of a public investigation, a publication in connection therewith can be a violation of no one's legal right of privacy." *Waters v. Fleetwood*, 212 Ga. 161, 167, 91 S.E.2d 344, 348 (1956).

LFP removed the matter to the Northern District of Georgia, where Judge Thomas W. Thrash, Jr. denied plaintiff's motion for a temporary restraining order. LFP then filed a Rule 12(b)(6) motion to dismiss, asserting that the article and accompanying images concerned a public figure and were of substantial public interest, and therefore "newsworthy" and entitled to First Amendment protection. Judge Thrash granted the motion and dismissed the case.

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Plaintiff appealed that decision to the U.S. Court of Appeals for the Eleventh Circuit, where a three-judge panel reversed. *See Toffoloni v. LFP Publishing Group, LLC, et al.*, 572 F.3d 1201 (11th Cir. 2009). Notably, the Eleventh Circuit's decision did not merely hold that plaintiff's complaint adequately stated a claim for relief and remand for further proceedings; it ruled instead on the merits of the case.

The Eleventh Circuit held, on plaintiff's complaint alone, that the article published by LFP was mere pretext, that the Benoit images were not of public concern, and that the images "do not qualify for the newsworthiness exception to the right of publicity." *See Toffoloni*, 572 F.3d at 1213. In doing so, the court also cited the fact that the published images were unrelated to the apparently only "incident of public concern," which it deemed to be Ms. Benoit's death. A petition for rehearing *en banc* was denied, and the United States Supreme Court denied certiorari.

On remand to the Northern District of Georgia, plaintiff filed for a motion for partial summary judgment as to liability, which motion was denied by Judge Thrash on the ground that plaintiff may still possess discoverable evidence that could create a genuine issue of material fact. The parties then proceeded with discovery. LFP developed a record in support of its newsworthiness defense for review by the District Court on summary judgment with the benefit of a fully developed and contextual record.

Plaintiff deposed four LFP executives, including Larry Flynt, in an effort to show that LFP published the Benoit images without plaintiff's consent in order to increase the sales of its magazines.

At the close of discovery, both parties moved for summary judgment. LFP's motion argued that the fully-developed record showed that, notwithstanding the Eleventh Circuit's decision, the Benoit images were typical of the nature and subject matter of news and entertainment reporting currently pervasive in mainstream American media; and that no reasonable jury could conclude that *Hustler's* editors did not act in the sincere and reasonable belief that publication of the Benoit images was constitutionally-protected.

Plaintiff's motion for partial summary judgment as to liability argued that the Eleventh Circuit's decision

effectively had decided the issue of liability, and was binding. The court denied LFP's motion for summary judgment, stating that the Eleventh Circuit's decision was the law of the case. It granted plaintiff's motion as to liability for the same reason, thereby leaving compensatory damages and plaintiff's claims for punitive damages and attorneys' fees as the only issues left for trial.

Before trial, the court granted in part the parties' competing motions *in limine* to exclude certain evidence. Included among the excluded evidence was the fact that Judge Thrash had previously agreed with LFP that publication of the Benoit images was protected by the newsworthiness exception to the right of publicity.

Finally, a Trial

A jury trial was held in June 2011 in Atlanta before Judge Thrash. The trial was bifurcated such that the issues put to the jury in Phase I were (1) the amount of compensatory damages due to plaintiff, (2) whether plaintiff was entitled to punitive damages and (3) whether plaintiff was entitled to attorneys' fees. If the jury were to answer questions (2) or (3) in the affirmative, Phase II of the trial would determine the appropriate amounts.

After the court dismissed several panel members who asserted that they would be unable to remain impartial with a pornographer as defendant, the court gave each side eight preemptive strikes and the jury was seated.

Plaintiff called as her first witness Donna Hahner, defendant LFP's corporate vice president; then plaintiff Maureen Toffoloni, testified; followed by Nancy Benoit's husband at the time of the nude modeling session, James Daus. Plaintiff also put on two witnesses by video deposition, including Larry Flynt, and plaintiff argued to the jury that it should consider in its deliberations the fact that Larry Flynt did not see fit to appear in person to defend LFP's decision to publish. Despite the court's pre-trial evidentiary rulings, plaintiff's counsel solicited testimony and evidence of Judge Thrash's initial ruling on LFP's Rule 12(b) (6) motion.

(Continued on page 12)

LFP argued that it at all times acted out of a sincere and good faith belief that the Benoit images were newsworthy, that its decision to publish them was protected by the First Amendment.

(Continued from page 11)

The theme of plaintiff's arguments was that LFP acted out of arrogance by not seeking permission from Ms. Benoit's estate prior to publication and that LFP did not do enough to limit distribution of the March 2008 issue once it received plaintiff's cease and desist letter.

Plaintiff rested on the second day of the trial and LFP made a Rule 50 motion for judgment as a matter of law. The court stated that it would take the motion under advisement, and LFP then presented its case. It introduced three witnesses via video deposition: Christopher Helton, one of the photographers who took pictures of Ms. Benoit who testified as to the commercial value of the Benoit images and stated that he was never asked to destroy his photographs of Ms. Benoit; Tyler Downey, LFP's editorial assistant at the time the decision to publish was made, who testified that LFP at all times believed the Benoit article was a news feature, that LFP believed it had the First Amendment right to publish, and that LFP would never have paid more than \$10,000 for nude photos of a celebrity; and William Otten, the wrestling photographer who "discovered" Ms. Benoit, who testified as to the media circus that ensued when Ms. Benoit was murdered and that other media outlets had contacted him requesting photographs from the early part of Ms. Benoit's career.

LFP argued that it at all times acted out of a sincere and good faith belief that the Benoit images were newsworthy, that its decision to publish them was protected by the First Amendment; and that it did, in fact, take reasonable steps to limit distribution of the story after it learned of Plaintiff's objection to it.

After deliberating well into a third day, the jury returned a verdict in which it awarded \$125,000.00 in compensatory damages to plaintiff and found that punitive damages were appropriate; but the jury did not award plaintiff her attorneys' fees.

Immediately after the verdict was returned, Phase II of the trial began. Plaintiff again called Ms. Hahner, this time to answer questions regarding LFP's finances. Plaintiff attempted to ascertain LFP's net worth and then argued that punitive damages should be an amount equal to 10% of what he claimed was LFP's net worth – approximately \$190 million. The jury deliberated briefly and returned a verdict of \$19,603,600.00 in favor of plaintiff – precisely 10% of what plaintiff had argued LFP's net worth to be.

After thanking and dismissing the jurors, Judge Thrash

told counsel that he was ready to rule on LFP's motion for judgment as a matter of law. Although he questioned whether there was sufficient evidence to support the jury's finding that punitive damages were warranted, he ruled it was clear that there was no evidence that LFP had acted with specific intent to harm plaintiff.

The Court cited plaintiff's admission that LFP did not know of plaintiff when it made the decision to publish the article, evidence that LFP believed the Benoit images were newsworthy, as well as testimony from Mr. Otten that other media outlets had requested from him photos of Ms. Benoit during the early part of her career. Under Georgia law, punitive damages are capped at \$250,000.00 when there is no specific intent to harm a plaintiff; therefore, Judge Thrash entered a verdict in favor of Plaintiff for \$125,000.00 in compensatory damages and wrote down the award of punitive damages to \$250,000.00.

Plaintiff has appealed to the Eleventh Circuit the court's decision to reduce punitive damages; LFP has cross appealed the portion of the court's judgment awarding compensatory and punitive damages, as well as the court's earlier grant of plaintiff's motion for partial summary judgment as to liability.

Implications

The case has significant implications for publishers. It illustrates just how muddy the waters are when it comes to the question of "newsworthiness." But more fundamentally, the Eleventh Circuit's ruling on LFP's Rule 12(b)(6) motion represents an unprecedented reach by the courts into a realm historically and properly reserved for jurors: making the determination that a matter is not of interest to the public and therefore not "newsworthy."

Even more troubling, the Eleventh Circuit made its decision on the pleadings and without context provided by a fully-developed record. Publishers should tread cautiously when publishing photos of a celebrity without his or her consent; but they must also be mindful, in light of the 11th Circuit's decision, that it may be a panel of judges and not their peers that decides the public has no legitimate interest in seeing them.

LFP was represented at trial by S. Derek Bauer, Barry Armstrong and Darrell Solomon of McKenna Long & Aldridge in Atlanta. Plaintiff was represented by Richard P. Decker and F. Edwin Hallman, Jr. of Hallman and Wingate in Atlanta.

Eleventh Circuit Upholds Dismissal of Privacy Claims over “COPS” Episode

The Eleventh Circuit this month affirmed dismissal of privacy claims against the producers of a police reality television show for recording and broadcasting a traffic stop incident. [*Spilfogel v. Fox Broadcasting Company, et. al.*](#) No. 10-12507 (11th Cir. July 5, 2011) (Edmondson, Pryor, Anderson, JJ.) (per curiam). The court held that plaintiff 1) failed to allege facts to support her claim that the broadcast disclosed private facts; and 2) failed to allege facts to support a claim for intrusion where the events occurred in a public place.

Background

In 2005, the plaintiff Arlene Spilfogel was stopped on a public street and cited by Florida police for driving with “no tag light/no head light.” The encounter was filmed without plaintiff’s knowledge by the production company that produces the “COPS” television series. Video footage was later included in an episode of “COPS.” Plaintiff sued the show’s production company, Langley, Inc., and its broadcasters, Fox Broadcasting Company and Turner Broadcasting System, Inc.

Plaintiff alleged four causes of action: (1) disclosure of private acts, (2) commercial misappropriation under Fla. Stat. § 540.08, (3) defamation and (4) intrusion. Relying on *Bell Atlantic Corp. v. Twombly*, 550 U.S. 544 (2007) and *Ashcroft v. Iqbal*, 129 S.Ct. 1937 (2009), the district court dismissed for failure to state a claim. The disclosed facts were not the types of “private facts” actionable under Florida law; plaintiff’s image was not used for a commercial purpose, i.e. the promotion of something other than the expressive work in which she appeared; after viewing the episode in its totality, there is no indication that plaintiff could be falsely viewed as a criminal; and the episode occurred on a public highway where the plaintiff did not have a reasonable expectation of privacy.

Among other things, plaintiff argued that the show’s theme song “Bad Boys” falsely implied she was a criminal. The district court, however, reasoned that the show’s specific disclaimer about the presumed innocence of plaintiff dispelled any possible defamatory meaning. Plaintiff appealed dismissal of the private facts and intrusion claims.

Eleventh Circuit Opinion

On appeal, the Eleventh Circuit affirmed dismissal for failure to state a claim. Under Florida law, the elements of the private facts tort are: (1) the publication, (2) of private facts, (3) that are offensive, and (4) are not of public concern. Plaintiff alleged that the “COPS” episode publicized her “eccentric reactions and behavior in stressful situations” but failed to allege facts that would allow a reasonable juror to find the matter private or their revelation offensive. Plaintiff was merely recorded on a public street discussing the details of a traffic stop after running through several stop signs and driving without working tag and head lights on her vehicle. The Court concluded that because plaintiff failed to allege disclosure of any facts that a reasonable juror could deem private and offensive, the lower court was correct in dismissing her complaint for public disclosure of private facts.

Regarding plaintiff’s second allegation, the tort of intrusion upon seclusion under Florida law requires intrusions “into a ‘place’ in which there is a reasonable expectation of privacy.” The Court stressed that for liability to attach, the offender must be guilty of “physically or electronically intruding into one’s private quarters.” Because the alleged facts state that the recording occurred on a public street there was no reasonable expectation of privacy.

The media defendants were represented by L. Martin Reeder, Jr. and C. Bryce Albu of Reeder & Reeder, Jupiter, FL. Plaintiff was represented by Jennifer S. Carroll, Law Offices of Jennifer S. Carroll, Palm Beach Gardens, FL.

Florida Federal Court Enters Judgment Declaring Canadian Defamation Judgment Unenforceable in United States

By Deanna K. Shullman and Paul R. McAdoo

A federal court in Florida has entered a stipulated final judgment holding that a Canadian defamation judgment is unenforceable in the United States pursuant to the new federal “Securing the Protection of our Enduring and Established Constitutional Heritage Act” or “SPEECH Act” and a similar libel tourism law found in Florida Statutes.

In *Investorshub.com, Inc., Matthew Brown, and Robert Zumbrunnen v. Mina Mar Group Inc., Mina Mar Group Inc. (of the USA) n/k/a Emry Capital Group, Inc., and Miro Zecevic*, No. 4:11cv9-RH/WCS (N.D. Fla. filed Jan. 10, 2011), a U.S. website and two individuals, sought declaratory relief against enforcement of a judgment entered against them in a defamation case in Canada. The case was filed in the Northern District of Florida on January 10, 2011 by three plaintiffs, Investorshub.com (“iHub”), Matthew Brown, and Robert Zumbrunnen (collectively the “Plaintiffs”). The judgment is a result of a stipulated motion filed by the parties and includes important findings of law by the court regarding enforcement of Canadian defamation judgments under the federal and Florida libel tourism laws.

Background

On October 17, 2008, the Defendants, Mina Mar Group, Inc., Mina Mar Group, Inc. (of the USA) and Miro Zecevic (collectively “Mina Mar”) filed suit in Canada against the iHub, Brown, and Zumbrunnen for defamation based upon statements by third parties on discussion boards on iHub’s website (the “Canadian Suit”). Mina Mar obtained a final judgment by default against Plaintiffs in the amount of \$105,000 (CAD) in damages and costs as well as numerous non-monetary awards. The non-monetary awards included orders for the Plaintiffs to apologize, publicly retract some of the statements at issue, and disclose the names of several posters to the iHub website. Plaintiffs also were enjoined from posting defamatory statements about Mina Mar. In

addition, Mina Mar got a separate costs order against the Plaintiffs for \$13,650 (CAD) (the “Costs Judgment”).

After Mina Mar took initial steps to recover under the Costs Judgment, Plaintiffs brought a declaratory judgment action in federal court to address both Canadian judgments. Plaintiffs’ complaint included two claims for relief; one under the SPEECH Act and the other pursuant to the Florida libel tourism law. Plaintiffs argued that Canadian law did not provide for sufficient free speech protections to allow the judgments to be enforceable in the United States. Mina Mar agreed that the Canadian judgments were not enforceable, and the parties sought entry of a stipulated order by the district court.

In entering the Stipulated Final Judgment, the district court was required to review the motion to determine if entry of a consent judgment “would be fair, adequate, and reasonable” and that it was not the product of collusion between the parties. Furthermore, the court was required to determine that the consent judgment would “not violate the Constitution, statutes, or governing law” and was “consistent with the purposes of the relevant statute.” Judge Robert L. Hinkle found that these hurdles were cleared.

The judge also found “that Canadian law does not provide as much protection of speech as the First Amendment, federal law, and Florida law.” Specifically, the court cited to Canada’s refusal to adopt the actual malice standard for public official or public figure defamation cases first adopted in the United States in *New York Times Co. v. Sullivan*, 376 U.S. 254 (1964). The court also explained that Canadian law did not provide for the same protections for free speech online as the Communications Decency Act, 47 U.S.C. § 230. As a result, the Court declared that the Canadian judgments were not enforceable pursuant to both the SPEECH Act and Florida’s libel tourism provisions.

Deanna K. Shullman and Paul R. McAdoo of Thomas & LoCicero PL represent iHub, Matthew Brown, and Robert Zumbrunnen

Publicity and Trademark Claims Against Video Game Maker Dismissed

Indiana Right of Publicity Statute Not Retroactive; First Amendment Bars Trademark Claim

In separate decisions, an Indiana federal district court granted judgment on the pleadings and summary judgment to Electronic Arts, Inc. (“EA”) over its use of the name “Dillinger” in its *Godfather* video games. [*Dillinger, LLC v. Electronic Arts, Inc.*](#), 1:09-cv-1236 (S.D. Ind. June 15, 2011) (Magnus-Stinson, J.), [*Dillinger, LLC v. Electronic Arts, Inc.*](#), 1:09-cv-1236 (S.D. Ind. June 16, 2011) (Magnus-Stinson, J.).

The Court concluded that the state right of publicity statute does not apply retroactively and the use was protected by the First Amendment because it related to the content of an expressive work and consumers were not misled by its use.

Background

Plaintiff alleged that it had registered two trademarks for “John Dillinger.” It also claimed the right to control the famous Depression-era gangster’s “personality” rights for commercial purposes. Plaintiff allegedly acquired those rights by assignment from the heirs of John Dillinger, who died intestate.

Video game maker EA is the developer and publisher of video games, including “*The Godfather*” and “*The Godfather II*” (collectively “*Godfather* games”). The games are based on Francis Ford Coppola’s adaptations of Mario Puzo’s 1969 novel, *The Godfather*. EA used the name “Dillinger” to identify weapons in its *Godfather* video games. John Dillinger is commonly associated with Thompson submachine guns, or “Tommy Guns,” which were seized *en masse* from his hideouts by police. The novel and film include widespread use of Tommy Guns, but John Dillinger is not referenced in the movies or novel.

Plaintiff sued EA for violation of Indiana’s right of publicity statute and trademark infringement. EA submitted a motion for judgment on the pleadings. The parties brought cross-motions for summary judgment with EA asserting a First Amendment defense to its use of the Dillinger name.

Right of Publicity Statute

The district court addressed two issues regarding Indiana’s right-of-publicity statute: (1) whether the statute applies retroactively to personalities who died before the statute was enacted and (2) whether the “literary works” exception covers videogames.

On the first question, the court held that the statute does not apply to personalities who died before its 1994 enactment. Providing causes of action for the heirs of people who died between 1894 and 1994, i.e. during the 100 year post-death period of protection, would greatly expand the potential liabilities created by the statute. Given the existence of a reasonable alternative reading of the statute, the court

presumed that the Indiana Supreme Court would not endorse such a result.

On the second question, the court held that videogames enjoy the same First Amendment protection as “highbrow literature.” Given that “literary works” can easily be read to encompass videogames, the court found that the Indiana Supreme Court would adopt such a reading of the exception to avoid the constitutional issues of a narrower definition.

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*(Continued from page 15)***First Amendment Defense**

The court applied the test articulated by the Second Circuit in *Rogers v. Gimaldi* to determine whether EA qualified for First Amendment protection: first, whether the use of the mark has any artistic relevance to the underlying work; second, whether it explicitly misleads the public as to the source or content of the work.

In analyzing the first prong, the court focused on the fact that the *Godfather* games are not “about” Tommy Guns, but rather about a fictional world, based on the *Godfather* novel and movies, wherein players act like criminals and mobsters using a wide array of weapons – including Tommy Guns. Furthermore, plaintiff admitted there is only a “superficial and attenuated” link between John Dillinger and the

Godfather video games.

The court noted that “the gentleman-bandit known for his public persona as a ‘flashy gangster who dressed well, womanized, drove around in fast cars, and sprayed Tommy Guns’” has at least some relevance to a game that enables players to act like members of the mafia and spray Tommy Guns.

Turning to the second prong of the *Rogers* test, the court looked to whether EA’s use of the trademark “explicitly misleads as to the source and content of the work.” To be “explicitly misleading,” a work must make some affirmative statement of the plaintiff’s sponsorship or endorsement, beyond the mere use of plaintiff’s name or other characteristic.

Because plaintiffs presented no evidence of confusion, EA’s use was “quite incidental to the overall story of the game” and “not the main selling point of the game.”

Corbis Wins Right of Publicity Suit Over Thumbnails

Plaintiff Posed for Pictures Knowing They Would Be Distributed

A California federal district court granted summary judgment dismissing actress Shirley Jones’ right of publicity lawsuit against Corbis Corporation over thumbnail photos of her available on Corbis’s website. [*Jones v. Corbis Corporation*](#), No. 10-8668 (C.D. Cal. May 25, 2011) (Wilson, J.)

Corbis argued that Jones consented to the use and that her claim was barred by the First Amendment and preempted by the Copyright Act. The court granted summary judgment to Corbis on the first ground and did not consider the constitutional and copyright arguments.

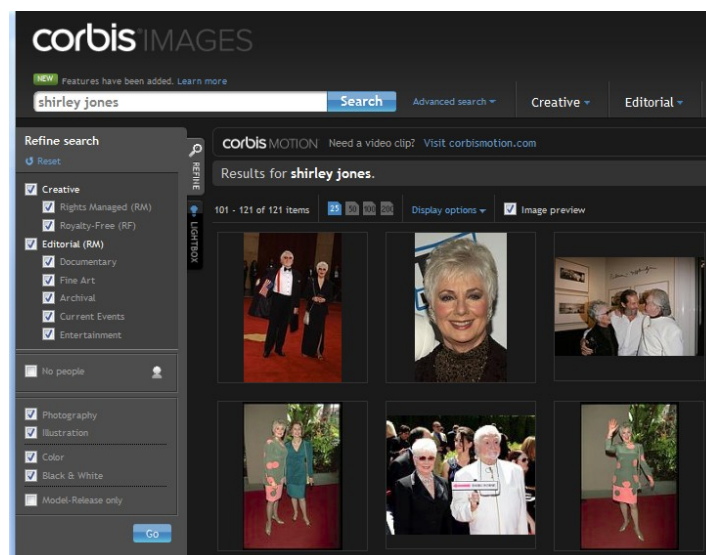
Background

Corbis maintains online libraries of millions of photographs available to prospective end-users. Typically, the photographers retain copyright over the

images and license Corbis to distribute sublicenses on their behalf. In exchange, Corbis agrees to share a portion of the licensing revenues.

Customers can search for images and view thumbnails of photographs available for license. Corbis expressly states to its customers that it licenses only the copyright in its images and not any other rights such as trademarks or the rights of publicity. Licensees are responsible for determining whether additional consents are required for use.

Actress Shirley Jones sued Corbis alleging that ten thumbnail photographs of her available on the Corbis site violated her statutory and common law rights of publicity. The photographs were taken at “red carpet” events where celebrities typically pose for photographers – a fact that proved fatal to her claim.

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She sought to bring a putative class action on behalf of “all California residents, whose names, images, or likenesses, without their permission, have been exploited by Corbis, by selling licenses for these names, images, or likenesses which are accessed by consumers through a name search on the Corbis websites, during the applicable statute of limitations time period and then sold to these consumers via Corbis’ websites.”

Consent Analysis

To sustain a common law cause of action for commercial misappropriation, a plaintiff must prove: (1) the defendant’s use of the plaintiff’s identity; (2) the appropriation of plaintiff’s name or likeness to defendant’s advantage, commercially or otherwise; (3) lack of consent; and (4) resulting injury. Furthermore, under California Civil Code § 334, the state’s statutory remedy for commercial misappropriation, a plaintiff must prove (1) all the elements of the common law cause of action, (2) knowing use without consent by the defendant, and (3) a direct connection between the alleged use and the commercial purpose.

Consent may be implied from the party’s conduct or the circumstances of the case. Here Jones admitted that she consented to being photographed at the red carpet events, knew that the photographers would distribute the photographs of her, and, importantly, that their customers would not buy the photographs without first seeing what they were buying.

Jones’ argument was that she did not consent to Corbis’ use of the thumbnail photographs for the purpose of selling copyright licenses to the full-size photographic images. The court rejected her argument finding that Corbis simply provides a modern-day version of the hard copy catalogue of sample images for potential buyers.

Jones’ motion for class certification was dismissed as moot. The court noted that even if Jones’ claims survived summary judgment, she did not meet the burden to show that the claims are susceptible to a class action lawsuit since the consent analysis is highly individualized and questions of law and fact common to members of the class do not predominate over questions affecting individual members. Moreover, she was an inadequate class representative where licenses to the ten photos at issue were never sold by Corbis.



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Passage of the Texas Anti-SLAPP Statute

A Walk in the Park or a Walk on a Tightrope?

By Laura Lee Prather

As the Texas Supreme Court continues to demonstrate unprecedented judicial activism to prevent access to public information such as dates of birth and travel vouchers for state employees, the Texas Legislature unanimously adopted one of the strongest Anti-SLAPP statutes in the nation and showed their continued support of the First Amendment.

On June 17, 2011, the [Texas Citizen Participation Act](#) (hereinafter the “Texas Anti-SLAPP statute”) was signed into law by Gov. Rick Perry. Because the law was passed out of both legislative chambers by more than a 2/3rds majority, the law went into effect immediately.

Although the unanimous record makes it sound like passage of this bill was a walk in the park, it was more like a walk on a tight rope. Trying to get all of the pieces in place at the right time in the right political climate was an interesting two year journey that required continued vigilance and a Hilary Clinton “it takes a village” approach to lawmaking. We also had the extraordinary challenge of the fact that the current Governor had vetoed Anti-SLAPP legislation ten years earlier.

(Representative Richard Raymond (D-Laredo) had introduced Anti-SLAPP legislation in the 1995, 1997, 1999, and 2001 sessions only to have his bill vetoed by Governor Rick Perry when it finally arrived on his desk on June 17, 2001. In his veto statement, Perry said the bill was “a radical departure from traditional concepts of our adversarial justice system and the role of the courts.” Rep. Raymond continued to introduce the same legislation in every session after 2001, but it never made it back to the Governor’s desk.)

After obtaining passage of the Reporter’s Privilege in 2009, the next logical quest to protect the First Amendment rights of Texas citizens was to get an Anti-SLAPP statute passed. With the Texas legislature only meeting for four months every two years, the work began in earnest during the interim. We had to have all of our ducks in a row before the

lawmakers returned to Austin in January 2011. The first step was drafting the proposed statute. This meant canvassing other state’s laws and seeing what has worked and what hasn’t worked in other jurisdictions.

Although technically Texas is the 28th state in the nation to pass an Anti-SLAPP statute, only a handful of those state laws cover statements made outside the governmental setting. California, Illinois, Indiana, Louisiana, Washington, and the District of Columbia are the primary states that have more expansive Anti-SLAPP statutes, so, those were the most relevant to our work. In addition, because Texas lawmakers like to feel comfortable that our judiciary will be able to

apply any new laws that are adopted, we had to research existing Texas case law to determine what standards the Texas courts were applying in analogous situations.

And, because there had been a prior veto of Anti-SLAPP legislation in Texas, we had to analyze carefully how the prior bills were written, determine what was potentially offensive to the Governor in those prior bills, and craft our legislation to make it palatable to both the legislative and executive

branches. Finally, after the initial draft of the bill was completed – in late 2009 – it was time to get input from media law experts throughout the nation to make sure the draft was the best possible proposal to present to potential legislative sponsors. MLRC Executive Director, Sandy Barron, RCFP Executive Director, Lucy Dalglish, and Gannett Vice President and Senior Counsel, Barbara Wall, were all instrumental in this process.

Strategy

At the same time as working on drafting the legislation, we

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Trying to get all of the pieces in place at the right time in the right political climate was an interesting two year journey that required continued vigilance and a Hilary Clinton “it takes a village” approach to lawmaking.

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also had to start talking up the concept to key lawmakers and supporters. We laid the initial groundwork for excitement about passage of the Anti-SLAPP bill immediately after the Reporter's Privilege law passed. Thankfully, Sen. Rodney Ellis (D-Hou.), who had sponsored the Reporter's Privilege bill, was quickly on board as a sponsor. In the Texas House, it was clear we were going to need a Republican sponsor, preferably one with significant gravitas, because of the supermajority the Republicans held in that Chamber. During the prior session, Chairman Todd Hunter (R-Corpus Christi) had been instrumental in forcing the negotiations with the District Attorney's concerning the Reporter's Privilege, and he had become a significant ally for open government and First Amendment causes.

When we approached him about being the House sponsor, we had no way to know that his role in the 2011 Legislature would be even more powerful than in the prior session. When the committee assignments came out in mid-February, Chairman Hunter had been named to Chair the House Calendars Committee – the committee through which all bills must go to get a setting for a vote on the House floor. With the combined forces of Sen. Ellis and Chairman Hunter, we had a great sponsor team, but we still needed a Republican in the Senate. Thankfully, Sen. Kevin Eltife (R-Tyler), a friend to the Texas newspaper industry, stepped up and joined Sen. Ellis as a co-sponsor of the legislation in the Senate.

In the meantime, as we were working on drafting the bill and getting the sponsors, we also had to reach out to our potential allies and our potential foes so that we did not encounter any unanticipated opposition during session and so that we could have the strongest possible coalition of supporters by the time the committee hearings were scheduled.

With regard to the potential foes, there were a number of groups who had opposed Anti-SLAPP efforts in other jurisdictions, and we could anticipate that they might come forward as enemies in our efforts. Specifically, the trial lawyers, the developers, and the business communities have

been known to oppose Anti-SLAPP efforts. So, during the interim, we reached out to all three of these groups, as well as the Attorney General's office, the tort reform groups and AFL-CIO to take their temperature on our proposed legislation. We left each of these groups with a notebook including a draft of the bill, historical information about anti-SLAPP statutes, and articles explaining the purpose behind such laws. While we didn't always get immediate commitments in support, all of the groups agreed to let us know if they had any opposition to the bill, and a dialogue had begun.

In developing the coalition of supporters, we reached out to all of the open government groups, media organizations, trade associations, citizens rights groups (such as ACLU, Public Citizen), consumer organizations (such as Consumers Union), watchdog and government accountability organizations (such as Texas Watch), public interest law firms (such as the Institute for Public Justice), and anyone else we thought might have a passion for the cause (such as the Better Business Bureaus and electronic communication providers who had been on the defensive end of many SLAPP suits simply for posting people's opinions or their evaluations of businesses).

The coalition grew to more than three dozen groups, and the members of these organizations became an integral part of the grass roots effort to gain support for the legislation among lawmakers and their constituents. The coalition was also a great source of potential witnesses for the legislative

hearings and for examples of demonstrated need. One of the most helpful pieces of information that we put together in the process was a four page document of examples of people who had been subjected to SLAPP lawsuits in every part of the state. We later handed this to every lawmaker we met with and supplied a copy to the House and Senate floor at the time of voting so that each legislator could see that this issue had impacted voters in their own communities.

After all of this preparatory work during the interim, the

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The trial lawyers, the developers, and the business communities have been known to oppose Anti-SLAPP efforts. So, during the interim, we reached out to all three of these groups, as well as, the Attorney General's office, the tort reform groups and AFL-CIO to take their temperature on our proposed legislation.

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“real work” began. The Legislature convened in January 2011, and it was time to start educating the lawmakers who would be voting on the bill. Once the bill was assigned to the House Judiciary and Civil Jurisprudence committee, we met with every committee member, discussing any concerns they had about the bill, making any tweaks to language that needed to be made, and supplying them with the information they needed to feel comfortable supporting the bill.

For instance, Vice-Chair (and former state court judge) Tryon Lewis wanted to have a reciprocal right of appeal in the bill, so we put that in and likely prevented a future constitutional challenge in the process. In addition, the trial lawyers had issues with parts of the bill that needed to be addressed. For instance, they didn’t like the possibility for attorneys being held liable for the mandatory fee shifting; they also wanted some tweaks to the commercial speech exemption, and they wanted a clear exemption for wrongful death and personal injury cases. These provisions were modified appropriately. Each step of the way, it was a balancing act between the powerful tort reform and trial lawyer lobbies. What we had going for us most of all was the fact that this was a great piece of legislation that protected the little guy, promoted judicial economy, provided for tort reform and advanced the First Amendment rights of all Texas citizens.

Hearings

The bill was set to be heard at the very first House committee hearing on March 28, 2011 (with only two months left to the session). We were pleasantly surprised at the resounding support the bill got with droves of public testimony from those who had been SLAPPED with meritless lawsuits. We had individuals, like author Carla Main, who spoke about her experience being sued by an influential developer after writing a book about eminent domain. We had a number of homeowners who came forward and testified about their experience getting sued by their homebuilder for putting signs in their yard expressing their opinion about their

construction.

We had media groups come forward and talk about the impact on their newsrooms in having to defend against lawsuits where they were merely sued for reporting on public records or for providing a conduit to a whistleblower. We also had countless groups including some strange bedfellows come together and put in cards in support of the bill – Texas Municipal League and the Freedom of Information Foundation of Texas, the Texas Trial Lawyers Association and the Texans for Lawsuit Reform, and the ACLU and the Texas League of Conservative Voters. The bill was voted out unanimously the following week.

Then, it was time for the Senate State Affairs committee. We had originally thought the bill would be referred to the

Senate Jurisprudence committee, so we had already visited with all of those committee members, but, surprisingly, the bill was referred to the State Affairs Committee, so we had to change course and start meeting with a different set of committee members. Although there was no indication of opposition to the bill prior to the Senate committee hearing, the hearing was a contentious one because the bill got caught up in a lengthy debate about one of the Governor’s key initiatives – loser pay. It looked, for a time as though, there would be a push to change the evidentiary standards in the bill and/or to change the

mandatory fee shifting to discretionary. Thankfully, though, we were able to persuade the committee members to keep both provisions intact, and the bill was voted out of the Senate State Affairs Committee on April 13, 2011 with only a minor amendment, consisting of six words that the Chairman of the committee liked and that clarified a judge’s discretion in determining the amount of the attorney’s fees to be awarded – it did not alter the fact that the fee award is still mandatory.

With only five weeks left for bills to get to the other chamber and with the Texas Legislature facing hugely divisive issues like funding the State’s education system, developing a budget, and dealing with a number of agency sunset provisions, the process began to look like a game of

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What we had going for us most of all was the fact that this was a great piece of legislation that protected the little guy, promoted judicial economy, provided for tort reform and advanced the First Amendment rights of all Texas citizens.

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chess. Originally, we thought it would be best to get the Senate bill over to the House where we knew our sponsor could help get it set on the House calendar, but the stars were not in line for that course of action. The bill had been on the Senate calendar several days, but it was not brought up because of more pressing issues and concerns. In the meantime, opposition started to grow with one particular Senate staffer who wanted to have his boss offer a “clarifying amendment” that would have gutted the bill. This matter had to be dealt with immediately and deftly so that the sentiment did not grow.

As the Senate bill appeared to languish, we changed direction and had the House bill brought up for a floor vote on May 3, 2011. In benevolent fashion, Chairman Hunter asked long-time supporter, Rep. Richard Raymond to lay out the bill. The bill passed unanimously and was referred to the Senate on May 5, 2011. The clock was ticking as all House bills had to be considered in the Senate by May 24, 2011, and, unfortunately, since it was now a House bill and the Senate Jurisprudence committee had previously considered the Senate version, it had to go back through the committee process in the Senate.

The amended bill was voted out of the Senate State Affairs committee on May 12, 2011 and was ultimately passed out of the Senate unanimously on May 18, 2011 – with just six days to spare. Still, though, the voyage was not over. The bill had to go back through the House for concurrence because of the Senate amendment. This happened on May 21, 2011 and four days later the bill was sent to the Governor.

Bill Goes to the Governor

Now, the challenge was ensuring that the Governor would not veto the bill. The primary issue that he had not cared for in the prior legislation was the creation of a private cause of action, and HB 2973/SB 1565 did not have a similar provision. We had also been in contact with the Governor’s office throughout the legislative session to ensure there were no problems, but still one cannot take anything for granted during this process. During the weeks after the legislative session ended, we asked our tort reform supporters, media groups and open government advocates all to contact the Governor’s office in support of the legislation, and on June

17, 2011 – exactly ten years after the prior Anti-SLAPP bill had been vetoed – Governor Perry signed HB 2973 making Texas the 28th state to adopt an Anti-SLAPP statute.

The Anti-SLAPP Statute

Here are some quick highlights about the Texas Anti-SLAPP statute which is codified at Texas Civil Practice & Remedies Code, Chapter 27:

- ◆ The statute allows a judge to dismiss frivolous lawsuits filed against one who speaks out about a “matter of public concern” within the first 60 days. “Matter of public concern” is defined expansively in the statute.
- ◆ The Anti-SLAPP motion is supported by affidavits explaining to the court that the lawsuit is based on, relates to, or is in response to one’s exercise of his right to free speech, right to petition or right of association.
- ◆ The burden of proof is initially on the party who files the Anti-SLAPP motion to establish (by a preponderance of the evidence) that the lawsuit was filed in response to the exercise of his First Amendment rights. Then the burden shifts to the plaintiff to establish (by clear and specific evidence) a prima facie case for each essential element of the claim.
- ◆ The statute creates a stay of discovery in a lawsuit while an Anti-SLAPP motion is pending and/or appealed. The court has discretion to order discovery pertaining to the motion if it feels it is necessary.
- ◆ That statute provides for mandatory fee shifting when a party wins an Anti-SLAPP motion so that the person or entity wrongfully filing a lawsuit must pay the defense costs. There is a discretionary fee award if the Court finds that the Anti-SLAPP motion was frivolous or brought solely for the purpose of delaying the proceedings.
- ◆ The statute provides an immediate right to an expedited appeal if the Anti-SLAPP motion is denied.
- ◆ The statute applies to lawsuits or “legal actions” (which

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includes claims and counterclaims that implicate First Amendment rights) filed on or after June 17, 2011.

♦ The exemptions contained in the statute are for enforcement actions brought by the State or law enforcement, for commercial speech and for wrongful death and bodily injury lawsuits.

The effort, which began as my pro bono project at Sedgwick, LLP, quickly became a tour de force at the Legislature with the help of key strategist former Sen. Don Adams, and the marketing savvy of St. Mary's law student Alicia Calzada.

As momentum mounted, a broad-based coalition of groups began supporting the Citizen Participation Act, including several national, state, and local media companies and local non-profits and trade organizations such as the Texas Daily Newspaper Association, Texas Press Association, Texas Association of Broadcasters, Freedom of Information Foundation of Texas, the Better Business Bureaus of Central Texas, Texas Watch, Consumers Union, the Institute for Public Justice, Public Citizen, Homeowners for Better Building, Coalition for HOA Reform, the Texas Trial Lawyers Association, the Texans for Lawsuit Reform and the American Civil Liberties Union.

The bill would never have become law were it not for the tireless efforts of all those who came to testify, who contacted their senators and representatives in support of the bill, who ultimately helped to subsidize some of the costs, and who provided examples of demonstrated need to personalize the issue for their lawmakers.

The masterful legislative talents of our sponsors, Chairman Todd Hunter and Senators Rodney Ellis and Kevin Eltife, cannot be overstated either. Each of these gentlemen brought their gravitas and significant imprint to the legislation and to the process. We applaud them for protecting the First Amendment rights of all Texas citizens.

Laura Lee Prather, is a partner at Sedgwick, L.L.P. and formed and spearheaded the coalition that worked for and obtained passage of HB 2793/SB 1565 (the Texas Anti-SLAPP statute).



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Congressional Update:

PROTECT IP Act Waiting Senate Action

By Kathleen Kirby and Shawn Bone

Online piracy has become a hot topic on Capitol Hill in recent months, with Senate Judiciary Committee action on S. 968, the “[Preventing Real Online Threats to Economic Creativity and Theft of Intellectual Property Act](#)” (or PROTECT IP Act). The legislation had its genesis in the last Congress, in the form of the Combating Online Infringement and Counterfeits Act (or COICA), which was approved by the same Committee in 2010, just before Congress adjourned.

The PROTECT IP Act was reported out of the Senate Judiciary Committee in late May on a unanimous vote, though not without significant controversy, as discussed below. That has left the bill in limbo, with a prominent Senator, Ron Wyden (D-WA), vowing to filibuster the proposal should Senate Majority Leader Harry Reid (D-NV) elect to open Senate debate on the measure.

Background

The problems the legislation attempts to address, online copyright and trademark infringement, present difficult challenges. According to Senate Judiciary Committee Chairman Patrick Leahy (D-VT), the bill’s sponsor, the PROTECT IP Act is intended to “protect the investment American companies make in developing brands and creating content and will protect the jobs associated with those investments.”

The bill enhances the authority of the federal government to take action against “Internet sites dedicated to infringing activities.”¹ Specifically, the legislation authorizes the Attorney General to commence an *in personam* action against the registrant or owner of an infringing site associated with a “nondomestic domain name.” (A “nondomestic domain name” is a domain name for which the domain name registry that issued the domain name and operates the relevant top level domain, and the domain name registrar for the domain name, are not located in the United States.)

If the owner or registrant cannot be found after due diligence, the Attorney General may commence an *in rem* action against the site itself. A federal court may then issue a temporary restraining order, a preliminary injunction, or an

injunction against an infringing site under certain circumstances (primarily if the website is directed at or harms persons in the U.S.) and after certain findings by the court.

Once the court has issued an order, federal law enforcement may serve that order on Domain Name System (DNS) operators, financial transaction providers, Internet advertising service providers, providers of information location tools, and other similarly situated entities. Upon receipt of the order, those entities would be required to act as follows:

- ◆ **DNS operators** must take the “least burdensome technically feasible and reasonable measures” designed to prevent a domain name from resolving into the domain’s IP address. Operators, however, would not be required to (1) modify their networks or systems; (2) take any measures with respect to any DNS server that they do not operate; or (3) continue to prevent access to a website that has been effectively disabled.
- ◆ **Financial transaction providers** must take “reasonable measures, as expeditiously as reasonable,” to stop completing transactions with the website involving U.S. customers.
- ◆ **Internet advertising service providers** would be required to “take technically feasible and reasonable measures, as expeditiously as reasonable,” to stop providing ads to infringing sites with which they contract, and cease making available ads for that website on other websites.
- ◆ **Providers of information location tools** must take “technically feasible and reasonable measures, as expeditiously as possible,” to remove or disable access to the infringing website and not serve a hypertext link to that website.

Such entities are afforded immunity from suit for performing the required actions as the result of a court order.

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The Attorney General may bring a declaratory action for injunctive relief against an entity that “knowingly and willfully fails to comply” with a court order.

Significantly, under the Act, “qualifying plaintiffs” also are afforded the right to bring an *in personam* action against an owner or registrant of any infringing website or, under certain circumstances, an *in rem* action against the site itself. Here again courts may issue a temporary restraining order, a preliminary injunction, or an injunction under the same general circumstances as in an action by the Attorney General. Under the Act, a “qualifying plaintiff” is (A) the Attorney General of the United States; or (B) an owner of an intellectual property right, or one authorized to enforce such right, harmed by the activities of an Internet site dedicated to infringing activities occurring on that Internet site.

Orders issued in this action may be presented to financial transaction providers and Internet advertising service providers, who must take the same measures outlined above in order to receive immunity from suit. The qualifying plaintiff may seek an injunction to compel compliance with a court order.

Finally, the bill would provide some protections for financial transaction providers and Internet advertising service providers for taking certain voluntary actions against a potentially infringing website. Such entities will be immune from liability for damages if they act “in good faith and based on credible evidence” which results in a “reasonable belief” that a website is Internet site dedicated to infringing activities. Moreover, certain entities will be immune from liability if they “stop providing or refuse to provide services” to an infringing Internet site that endangers public health, if they act “in good faith and based on credible evidence.”²

Controversy

Like COICA before it, PROTECT IP has met with significant opposition from various groups. Major Internet companies, like Google, have expressed concerns about their duties under the bill, although Google itself has pledged to work with Congress on the measure. In particular, these companies are concerned that the difficulties in defining a rogue website could lead to overbroad enforcement of the measure. Public interest groups have been strident in their opposition to the measure, declaring that the bill threatens the

stability, freedom and economic potential of the Internet, and hinder online freedom of expression and association. Those public interest groups were joined recently by a coalition of 90 law professors challenging the constitutionality of the measure, claiming it would censor freedom of speech as badly as “repressive regimes.” On July 14, 2011, a group of Internet engineers questioned whether the enforcement provisions in the measure would encourage web users to avoid trusted Internet Service Providers (ISPs) in favor of untrusted DNS servers which circumvent the ISP blocks set up by the legislation. The group also claimed that the Act could interfere with new DNS security measures, and that any blocking of infringing websites would easily be circumvented. Finally, a coalition of 50 venture capitalists have opposed the measure, suggesting that passage of the PROTECT IP Act would hamper investments in Internet companies, harming innovation and competitiveness in the U.S.

Many major trade groups and businesses, however, have come out in support of the PROTECT IP Act, including certain media companies, the U.S. Chamber of Commerce, Nike, the Motion Picture Association of America, the National Cable & Telecommunications Association, and certain manufacturers. Those same entities have long sought action by Congress to limit online piracy and to protect online shoppers from counterfeit goods. The content creation community has been particularly vocal in support of the Act, suggesting that the bill would ensure that writers, directors, and other content producers receive fair payment for their work. Recent editorials in the New York Times and the Los Angeles Times commended the bill’s goal of making piracy less profitable, but cautioned that, if passed as is, the legislation would subject the Internet to overzealous enforcement.

Outlook

The outlook for the PROTECT IP Act in the present Congress is unclear. Senator Wyden’s declared intent to filibuster the measure forces Chairman Leahy to find 60 votes to overcome that filibuster. The bill currently has 25 bipartisan co-sponsors, well short of that number. Still, Senator Leahy may be able to garner additional support. The House of Representatives does not have a similar bill pending before it, and the receptiveness of the House Republican leadership to the legislation is unclear. Both House Judiciary

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Committee Chairman Lamar Smith (R-TX) and IP Subcommittee Chairman Bob Goodlatte (R-VA) are known to be longtime supporters of intellectual property rights, but neither has taken a public position on the current Leahy measure. (Rep. Goodlatte did express some reservations about COICA and the provision in that measure allowing for government seizure of infringing websites.) Representative John Conyers (D-MI), the Democratic Ranking Member on the Committee, similarly supports strong protections for intellectual property and is an advocate for the content community.

Even if a groundswell of support started to build for the PROTECT IP Act, timing may become an issue. Legislative activity on other matters ground to a halt this summer as the two Chambers worked to resolve their impasse over the debt ceiling. Many high-profile issues are languishing on the House and Senate calendars, and the possibility of an upcoming fight over the FY 2012 budget remains. With a Presidential election looming and parties beginning to refine their messaging for the battle over the White House, it could be difficult for supporters to find floor time for a controversial measure.

Kathleen A. Kirby is a partner, and Shawn A. Bone a public policy consultant, at Wiley Rein LLP in Washington, D.C.

Notes

1. An “Internet site dedicated to infringing activities” is defined in the bill as a website that:

(A) has no significant use other than engaging in, enabling, or facilitating the--

(i) reproduction, distribution, or public performance of copyrighted works, in complete or substantially complete form, in a manner that constitutes copyright infringement under section 501 of title 17, United States Code;

(ii) violation of section 1201 of title 17, United States Code; or

(iii) sale, distribution, or promotion of goods, services, or materials bearing a counterfeit mark, as that term is defined in section 34(d) of the Lanham Act; or

(B) is designed, operated, or marketed by its operator or persons operating in concert with the operator, and facts or circumstances suggest is used, primarily as a means for engaging in, enabling, or facilitating the activities described under clauses (i), (ii), or (iii) of subparagraph (A).

2. An “infringing Internet site that endangers the public health” is:

(i) an Internet site dedicated to infringing activities for which the counterfeit products that it offers, sells, dispenses, or distributes are controlled or non-controlled prescription medication; or

(ii) an Internet site that has no significant use other than, or is designed, operated, or marketed by its operator or persons operating in concert with the operator, and facts or circumstances suggest is used, primarily as a means for--

(I) offering, selling, dispensing, or distributing any controlled or non-controlled prescription medication, and does so regularly without a valid prescription; or

(II) offering, selling, dispensing, or distributing any controlled or non-controlled prescription medication, and does so regularly for medication that is adulterated or misbranded.

MLRC UPCOMING EVENTS

MLRC London Conference

International Developments in Media Libel,
Privacy, Newsgathering and New Media IP Law

September 19-20, 2011 | Stationers' Hall, Ave Maria Lane, EC4 London

MLRC Annual Dinner

November 9, 2011 | Marriott Marquis, New York, NY

DCS Annual Meeting

November 10, 2011 | Proskauer Rose, New York, NY

Australian State Enacts New Journalist Privilege Law

By Rani Wynn and Kevin Lynch

The state of New South Wales (NSW), has become the first state in Australia to enact a "Journalist Privilege" law aimed at protecting journalists' confidential sources.

Amendments were made to the Commonwealth Federal Uniform *Evidence Act 1995* in April this year, with the expectation that each State would enact their own similar legislative provisions over the coming months.

According to the Commonwealth Explanatory Memorandum, the purpose of the changes is to *"send a clear message that people who wish to provide information to journalists will have their identity protected if the journalist promises them they will not disclose their identity"*. The changes will allow journalists to report the news and undertake investigative journalism with an added degree of legislative protection in Australia.

The new law came into effect in NSW on 21 June 2011 and brings the jurisdiction into line with current legislation in New Zealand, the United Kingdom, and many parts of the United States, where journalists' confidences are expressly protected at law.

In the Second Reading of the Journalist Privilege Bill to the NSW parliament last year, Parliamentary Secretary, the Honourable David Clarke, said that the purpose of the provision is to *"strengthen the capacity of journalists to maintain the anonymity of their sources by creating a presumption that they may withhold the identity of their sources in proceedings in New South Wales courts."*

The provision is contained in the NSW *Evidence Act* (the Act) and is designed to operate alongside the Australian Journalists' Code of Ethics. As such, journalists are expected to inform their sources that they are a journalist, who is capable of producing news stories before offering any protection of identity.

Moreover, the law only becomes effective where

journalists have specifically offered a promise of anonymity to their "informant".

A "journalist" is defined in the Act as a "person engaged in the profession or occupation of journalism in connection with the publication of information in a news medium". This appears to be quite a broad definition and although it is yet to be tested, the protection may extend to bloggers and other less conventional news journalists.

Previously in Australia, a journalists' refusal to reveal their source during court proceedings could be regarded as "disobedience contempt" and has seen them suffer heavy fines, or even be jailed.

In practice, however, NSW judicial officers have been reluctant to impose punishments on journalists in recent years for refusing to identify an informant. In both *Nagle v Chulov* [2001] NSWSC 9 and *Cotter v John Fairfax Publications* [2001] NSWSC 587, NSW Supreme Court Justices relied on the 'newspaper rule' to excuse journalists who defied a court order to reveal sources.

The *newspaper rule* as discussed by the Australian High Court in the 1940 case *McGuinness v Attorney-General of Victoria* (1940) 63 CLR 73, accepted that media outlets in the business of

providing news were responsible for protecting their journalist employees where those employees wished to shield their sources from public identification.

In 2002, *NRMA v John Fairfax* [2002] NSWSC 563, in NSW helped to further protect journalists' confidences by deciding that journalism was a "professional capacity" within the meaning of the *Evidence Act* in which secret confidences would be upheld unless a public interest exception was found to the contrary.

The new position in NSW gives rise to a clear *presumption* that a confidential source will be protected during court proceedings in NSW.

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The purpose of the changes are to "send a clear message that people who wish to provide information to journalists will have their identity protected if the journalist promises them they will not disclose their identity".

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The relevant section states that “*If a journalist has promised an informant not to disclose the informant’s identity, neither the journalist nor his or her employer is compellable to give evidence that would disclose the identity of the informant or enable that identity to be ascertained.*”

The privilege will only be reversed where upon an application by a party for disclosure of the source, the court decides that, on balance, it is in the public interest for the source’s identity to be revealed. There is evidence to suggest that this test would have a high threshold and may only be overturned in a situation of national security, or high level police corruption, for example. See *ICAC v Cornwell* (1993) 116 ALR 97.

In deciding if such disclosure is warranted, the court must

weigh up the adverse effects that revealing the identity could have, as well as the public interest in maintaining effective investigative news media by allowing confidences to be protected.

Whilst a confidential source is an important part of journalistic practice, it remains the case that care needs to be taken where journalists and lawyers who advise in relation to publication rely upon a source who is not prepared to be identified. The new provisions do give a further level of protection for a journalist and his or her source, but they do not make up any of the ground lost where a publication is required to defend a story without the benefit of a sound witness.

Rani Wynn and Kevin Lynch are lawyers with Johnson Winter & Slattery Lawyers, Sydney, Australia.

University of Washington Pays \$175,000 to Settle Public Records Litigation Involving 2007 Baby Video Study

By Rachel Matteo-Boehm

In a Public Records Act case that, among other things, illustrates the importance of the right of access to electronic public records in the same electronic format in which they are maintained by the public agency (as opposed to getting those records in paper or PDF form), the University of Washington has paid \$175,000 and released electronic data related to a highly publicized 2007 baby video research study to settle a lawsuit brought under the Washington Public Records Act, RCW 42.56.001 *et seq.* (“PRA”).

Background

The plaintiff in the case, William Clark, co-founded The Baby Einstein Company together with his wife, Julie Clark, in 1996. The Baby Einstein Company’s first two videos were filmed in the Clarks’ basement using borrowed equipment and edited on a home computer. In 2001 – five years, thirty children’s books, ten videos and six music albums later – the Clarks sold Baby Einstein to The Walt Disney Company.

In August 2007, *The Journal of Pediatrics* published a peer-reviewed article entitled, “Associations Between Media Viewing and Language Development in Children Under Age 2 Years.” The article described a study conducted by three University of Washington researchers that criticized the effects of baby videos, including Baby Einstein products, on young children and reported a “large negative association” between even a small amount of viewing of those videos and vocabulary acquisition in children age 8 to 16 months.

The article created a whirlwind of negative publicity about Baby Einstein video products and the Clarks, especially Julie Clark. In light of this criticism and skeptical of the study’s conclusions, William Clark decided he wanted to obtain the raw data and other records relating to the study so that the data could be re-analyzed by other researchers, thereby determining whether and to what extent the criticism was warranted. Such independent review is normally encouraged, and is one of the reasons open research and data sharing are so common in the scientific community,

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particularly for work that is peer-reviewed and/or funded by government agencies, which was the case with the study and article at issue here.

PRA Requests -- University's Responses

In August 2007, Clark made a PRA request for records relating to the study, including, among other things, the electronic raw data files. The University finally responded in November 2007, claiming that the requested records were exempt from disclosure pursuant to the PRA's exemption under RCW 42.56.270(1) for "valuable formulae, designs, drawings, computer source code or object code, and research data." However, the exemption only applies where the disclosure of the data "would produce private gain and public loss." As to this element of the exemption, the University asserted:

All researchers, including those at the University of Washington, compete for funding to conduct research and compete for limited space in scientific journals to publish research. Two important competitive factors in the funding arena and publication arena are the relative novelty of data proposed for analysis and the history of prior publications. University of Washington faculty members intend to use the data you seek in future publications. If the data in question is made public, those who compete with the University for research funding could use it for their own publications (private gain). This would eliminate the novelty of the data for a future UW publication thus making the future publication by UW faculty less likely (public harm). This, in turn, would have a negative impact on the career of UW faculty members (public harm) and would make the UW via the faculty member less competitive for future

The University produced emails that demonstrated what can only be characterized as a shocking indifference to the University's obligations not only under the Washington PRA, but under various records retention laws and policies.

grants (public harm).

The University's denial was accompanied by a one-page "Exemption Inventory" which indicated that the University's Office of Public Records was withholding a CD-ROM containing an unspecified number of documents consisting of "raw data and research designs." In fact, as Clark would only later learn, this CD-ROM never existed. Moreover, just a few months later, the lead researcher on the study, Dr. Frederick Zimmerman, *ordered the study data deleted* before departing for a new job at UCLA. Suffice it to say, the University did not use the study data Clark had requested in any future publications.

Two years later, after yet another spate of negative publicity about Baby Einstein citing the 2007 study, Clark decided to try once again to get the records relating to that study, submitting a second PRA request in July 2009. After another round of delays, in November 2009, the University finally produced two documents: (1) a copy of the study questionnaire; and (2) 2,059-page *PDF printout* of the raw data Clark had requested in electronic form (recovered from an archive of the server that Dr. Zimmerman had used to store study project files), for which Clark was charged more than \$300 in copy fees.

As later became apparent from emails produced by the University during discovery, the University could have easily provided Clark with the raw data in its native SPSS format from the outset. Not only would this have eliminated the need for Clark to pay copying fees, but providing the data in paper form instead of the SPSS database format Clark had requested severely impeded the re-analysis of that data. But although the University internally discussed the possibility of producing the file in its original SPSS format, it affirmatively elected not to do so, instead electing to provide the data in a useless and expensive paper format.

To make matters worse, there was a second problem with the data produced by the University: it had redacted the data

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fields reflecting the age of each child included in the study. Without these fields, an independent researcher could not place the individual child on the study's timeline, and because the vocabulary deficit reported in the article was so slight and so age-dependent, precise placement on the timeline was necessary to confirm or disprove the study results. The University's redactions thus made re-analysis of the data impossible.

To justify these redactions, the University relied on a Washington statute that provides confidentiality for "individually identifiable" personal records about research subjects. But Clark was not seeking, nor did he receive, the names of any of the children in the study, and the only other identifying feature that was known about the participants was that they resided in two states (Washington and Minnesota). With hundreds if not thousands of children being born on any given day in those two states, how would the mere disclosure of the birth dates of the study participants make them "individually identifiable"? The University never provided a satisfactory answer to this question.

Not only did the University's redactions to the raw data and its production of that data in paper as opposed to the electronic form Clark had requested make it extremely difficult to re-analyze, but the University failed to provide several other documents falling within the scope of Clark's PRA request and that one would expect to have been generated during the course of a research study of this type.

Lawsuit and Subsequent Settlement

Given these and other apparent violations of the PRA, on January 2010, Clark filed a lawsuit against the University under the Washington Public Records Act. During the course of discovery over the next several months, the University produced emails that demonstrated what can only be characterized as a shocking indifference to the University's obligations not only under the Washington PRA, but under various records retention laws and policies. For those interested in the details, a copy of the complaint, as well as correspondence and some of the emails and other documents relating to the lawsuit, can be found at www.clarkvuw.com.

Ultimately, in May 2011, the parties entered into a settlement whereby the University agreed to pay Clark

\$175,000 toward his attorneys fees and turned over the SPSS electronic version of the raw data together with date of birth information included. Although the settlement agreement (also available on www.clarkvuw.com) contained a confidentiality restriction limiting the categories of people with whom Clark could share the actual birth dates, he is free to disclose transformations from those birth dates (for example, data reflecting age-in-days of individual study participants) to anyone he chooses, thus enabling other researchers to independently evaluate the conclusions of the University's researchers.

Surprise Ending

The matter took a new turn in June 2011, when the University provided Clark with the SPSS electronic version of the study data including birth dates pursuant to the settlement agreement. But when Clark compared the electronic data with the paper PDF version of the raw data the University provided in November 2009, he discovered that some of the data *did not match*. Worse, the data discrepancies related to data fields reflecting the amount of screen time and number of words recognized for individual study participants – in other words, information at the heart of the study. Raw study data is sacrosanct. There is only supposed to be *one* set.

Immediately, Clark brought the discrepancies to the attention of the University. In a June 14, 2011 letter from its attorneys, the University provided the following explanation:

It appears that the November 2009 hard copy printout of the 2007 Study Data contains discrepancies introduced during the conversion of these data from the original SPSS electronic form into PDF format for production in hard copy. We do not know why these differences appeared. We presume they were caused by software or hardware glitches during the conversion into PDF. The conversion from SPSS to PDF for hard copy production was done in 2009, long after the research at issue was completed.

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It is regrettable that these data discrepancies exist. Nevertheless, the University has complied with its obligation under the Settlement Agreement to provide Mr. Clark with the SPSS version of the 2007 Study Data, with certain fields redacted.

Given that Clark had originally requested the data in its electronic format and had been forced to file a lawsuit to obtain the data in that format, the discrepancies between the paper and electronic versions of the data and the University's seemingly improbable explanation for those discrepancies was ironic, to say the least. In any event, Clark ultimately decided to move on, and in late June 2011, the lawsuit was dismissed in accordance with the settlement agreement.

Among other things, Clark now plans to closely examine the two different data sets in his possession to quantify the differences and then explore how those differences could have been introduced into the data. But the discrepancies raise troubling questions: How many different versions of the raw data exist? (The University contends there is just one, but the fact is that Clark has two different data sets in his possession). Did the fact that the lead researcher ordered the study data destroyed in 2008 play a role in the discrepancies? And given that Clark now has two different data sets for the same study, can he still realize his original goal of having the raw data re-analyzed to confirm the published study results?

It is not clear whether there will ever be definitive answers to these questions, but what *is* clear, more than ever, is the importance of the public's right of access to records in the native electronic format in which they are actually maintained by public agencies.

Plaintiff William Clark was represented in this matter by Rachel Matteo-Boehm, Katherine Keating and Leila Knox of Holme, Roberts & Owen LLP in San Francisco, CA and Greg Overstreet and Chris Roslaniec of Allied Law Group in Seattle, WA. Defendant University of Washington was represented initially by the Washington Attorney General's Office and later by Louis Peterson and Mary Crego of Hillis Clark Martin & Peterson in Seattle, WA.

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Texas Supreme Court Recognizes Common Law Physical Safety Exception to Public Information Act

The Texas Supreme Court recognized a new exception to the state's Public Information Act grounded in a common law right against disclosure of information that substantially threatens physical harm. [*Texas Department of Public Safety v. Cox Texas Newspapers, L.P. and Hearst Newspapers*](#), No. 09-0530 (July 1, 2011). The court held that the interest in personal safety can outweigh the statutory right to public information.

Background

In separate requests, two reporters asked the Texas Department of Public Safety (DPS) for travel vouchers from Texas Governor Rick Perry's security detail. The DPS obtained a ruling from the State Attorney General that disclosure would place the Governor in imminent threat of physical danger. Thus the information fell within a "special circumstances" aspect of common law privacy that required DPS to withhold the information in its entirety. DPS contended that the information revealed travel patterns, the number and placement of DPS officers on the detail, and how far in advance officers visit a location prior to the government's arrival.

The Texas Public Information Act, [Government Code § 552 et seq.](#), requires the state to disclose information "collected, assembled, or maintained under a law or ordinance" or in connection with business by or for a governmental body. All such information is subject to disclosure unless it is excluded from the definition of "public information" or if it falls under an exception to disclosure.

On behalf of the reporters, Cox and Hearst sued DPS, seeking a writ of mandamus to compel disclosure. After a bench trial, the trial court order DPS to produce the vouchers in their entirety. The court found that public disclosure "would not put any person in imminent threat of physical danger or create a substantial risk of serious bodily harm from a reasonably perceived likely threat."

The court of appeals affirmed, holding that the vouchers could not be withheld based on 1) a common law right of privacy; or 2) a Fourteenth Amendment right against disclosure of information that would create a substantial risk of serious bodily harm. *See* 287 S.W.3d 390. The state's highest court then granted a petition for review to examine whether the public right to information is subject to reasonable limitations when disclosure may lead to physical harm.

Physical Safety Exception to PIA

Reversing the Texas Supreme Court noted that "freedom from physical harm is indeed a hallmark of our common law" and is indeed "more firmly entrenched in our common law than the right of privacy, a relative newcomer." The common law right to be free from physical harm is therefore also a limitation on the state's Public Information Act.

Having recognized a common law physical safety exception to the PIA for the first time, the court remanded for a close examination of each of the disputed documents by the trial court. Information about the Governor's security detail and travel arrangements could pose a risk of harm, the court noted. But this may not justify withholding all the information in the vouchers. In addition:

A certain amount of deference must be afforded DPS officers and other law enforcement experts about the probability of harm, although vague assertions of risk will not carry the day. But the public's right to 'complete information' must yield when disclosure of that information would substantially threaten physical harm. On remand, the trial court must ascertain, under this standard, what information may be confidential and what must be disclosed.

Court Upholds Ordinance Regulating Distribution of Yellow Pages

Ordinance a Valid Regulation of Commercial Speech

A Washington federal court rejected a constitutional challenge to a Seattle ordinance banning the distribution of Yellow Pages directories unless certain conditions are met, including publishing instructions on how to opt out of delivery. *Dex Media West, Inc., et. a. v. City of Seattle*, No. 10-1857 W.D. Wash. June 28, 2011) (Robart, J.). The court held that the directories are commercial speech and that the ordinance appropriately addressed a substantial government interest.

Background

After hearing testimony from residents frustrated by the delivery of unwanted Yellow Page directories to their homes, the City of Seattle enacted an ordinance banning their distribution unless publishers met certain conditions, including displaying on the front covers and on their websites a message mandated by the City about its program for opting out of receiving phone books and paying an annual \$100 licensing fee.

A separate Washington state law requires local telephone carriers, such as Qwest and Verizon, to publish and distribute residential and business directories. Plaintiffs, Dex and SuperMedia publish directories that satisfy those requirements. Their Yellow Page directories contained telephone listings for businesses, business advertisements and public-interest material such as community information, maps, and government listings. Approximately 35% of the directories consist of advertising.

The publishers sued the City arguing that the Ordinance was unconstitutional because the directories are fully protected, noncommercial speech, entitled to the highest level of First Amendment protection.

Yellow Pages and Commercial Speech

The court ruled that while Yellow Page directories cannot be characterized merely as proposals to engage in commercial transactions, “common sense” dictates that they should not receive the highest level of protection afforded by the

First Amendment.

In considering what level of First Amendment protection applied, the court relied on the U.S. Supreme Court’s decision in *Bolger v. Youngs Drug Prods. Corp.*, 463 U.S. 60 (U.S. 1983). Under *Bolger*, “where the facts present a close question, ‘strong support’ that the speech should be characterized as commercial speech is found where 1) the speech is an advertisement, 2) the speech refers to a particular product, and 3) the speaker has an economic motivation” for engaging in the speech.

The court concluded the Yellow Page directories were commercial speech because 1) they contain advertisements for different products, 2) they reference specific products, and 3) plaintiffs have an economic interest in publishing and delivering the directories.

The court also swept aside plaintiffs’ argument that the commercial and noncommercial aspects of the directories were inextricably intertwined to make regulation unconstitutional. “Plaintiffs attempt to liken their yellow pages directories to newspapers is a stretch too far for this court,” Judge Robart wrote. The Judge continued:

“any noncommercial aspects of the speech at issue in yellow pages directories are merely tangential to Plaintiffs’ predominantly commercial purpose. While the noncommercial aspects of the directories may render their receipt more welcome by some residents, these aspects of the directories are not at the core of their purpose. In contrast, newspapers have played an ‘historic role’ in our democracy ‘as conveyers of individual ideas and opinions.’”

Central Hudson Analysis

Having concluded that the Yellow Page directories are commercial speech, the court considered whether the

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ordinance satisfied the four-part *Central Hudson* test: 1) the speech concerns a lawful activity that is not misleading, 2) the government interest is substantial, 3) the regulation directly advances that interest, and 4) the regulation is not more extensive than necessary.

Here, the parties did not contest the first factor. On the second factor, the court concluded that the City had three substantial interests in enacting the ordinance – 1) waste reduction, 2) protecting the privacy of residents and 3) recovery of the enforcement and administrative costs of the regulation.

The court distinguished the U.S. Supreme Court’s recent decision in [*Sorrell v. IMS Health, Inc.*](#), No. 10-779, (U.S. June 23, 2011) striking down a restriction on the use of prescription drug data. The court reasoned that “the City’s interest in the privacy of its citizens does not suffer from the type of paternalism that the Supreme Court rejected in both *Bolger* and *Sorrell*. Unlike the opt-in regulations in *Bolger* and *Sorrell*, the Ordinance creates an opt-out system, where the resident, and not the City, makes the choice not to receive the speech or directories at issue.”

On the third and fourth *Central Hudson* factors the court found a “reasonable fit” between the government’s ends and the means chosen to accomplish those ends. The court noted that while residents will continue to receive “junk” mail or

other unwanted printed materials that does not mean that the City has failed to establish a reasonable fit. The government is not required to legislate in a way that wholly eliminates a particular problem; rather, it may advance its goals in piecemeal fashion with a graduated response. Because plaintiffs’ asserted right to distribute materials “stops at the outer boundary of every person’s domain,” the ordinance’s mechanism to communicate individual wishes about whether or not residents wish to receive the directories on their doorsteps does not offend the First Amendment.

The City’s Required Message

The compelled publication of opt-out information did not violate the First Amendment. The court reasoned that the City’s required message includes only “purely factual and uncontroversial information” informing residents about the availability and process of the opt-out program.

Finally, in a lengthy analysis the court discussed and rejected plaintiffs’ argument that the Ordinance violated the dormant Commerce Clause of the Constitution. The court held 1) that the Ordinance does not discriminate against interstate commerce, and 2) the local benefits outweigh any burden on interstate commerce. Thus any burden imposed on interstate commerce was clearly outweighed by the legitimate benefits of the law.

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