

MULRC *Media
Law
Resource
Center*
MEDIA LAW LETTER

Reporting Developments Through April 25, 2010

SUPREME COURT

Supreme Court Strikes Down Ban on Depictions of Animal Cruelty	04
<i>Court Refuses to Create New Category of Unprotected Speech</i>	
U.S. v. Stevens	
Supreme Court Takes On Major First Amendment Cases	08
<i>Court Will Review Video Violence and Funeral Protest Decisions</i>	
Video Software Dealers Ass’n v. Schwarzenegger; Snyder v. Phelps	

REPORTERS PRIVILEGE

N.J. App.	Blogger Not a Journalist Under New Jersey Shield Law	10
	<i>Difference Between “New Media” and “News Media,” According to Court</i>	
	Too Much Media v. Hale	
Ky. Cir. Ct.	Kentucky Court Refuses to Apply Shield Law to Online Commenter	12
	<i>But Adopts Heightened Standard to Protect Anonymous Speech Online</i>	
	Clem v. An Unknown Person (Richmond Register)	
Kan.	Kansas Enacts Shield Law By Wide Margin	13
	Caps 8 Year Effort by Kansas Media	

LIBEL & PRIVACY

V.I. Dist. Ct.	Virgin Islands Jury Awards \$240,000 to Judge Over Articles Reporting on Bail Decisions	15
	<i>Articles and Editorial Criticized Judge’s Decisions</i>	
	Kendall v. Virgin Islands Daily News	
9th Cir.	Hilton v. Hallmark Cards, Amended: A Transforming Opinion	17
	<i>Court Discusses Application of Transformative Use Test</i>	
E.D.N.Y.	Court Dismisses Ride-Along Suit	20
	<i>No State Action for Media Presence at Site of Alleged Constitutional Violation</i>	
	Young v. Suffolk County, et al.	
Cal. App.	Court Affirms Summary Judgment in "Ali G" Libel-in-Fiction Case	22
	<i>Comedic Statements Could Not Be Understood to Imply False Assertions of Fact</i>	
	Doe. v. Channel Four Television Corp.	
N.J. App.	Summary Judgment For Newspaper Affirmed On Appeal	25
	<i>Perseverance Pays Off In NJ Libel/False Light Case</i>	
	Durando v. The Nutley Sun and North Jersey Media Group, Inc.	

Cal. App.	Newspaper's Anti-SLAPP Win Affirmed on Appeal.....	26
	<i>Article About Medical "Misdiagnosis" Was True, Not Defamatory and Not Trade Libel</i>	
	<i>Keene v. Lake Publishing Co.</i>	
Wash.	Media Expected to Benefit from Washington State's Newly Strengthened Anti-SLAPP Statute.....	27
	<i>New Statute Broadens Definition of Protected Speech</i>	
	<i>Senate Bill 6395</i>	
Utah, MD	Libel Tourism Update.....	28
	<i>Utah Enacts Libel Tourism Law; Maryland Bill on Governor's Desk</i>	
	<i>78B-5-320; HB 193</i>	
D.N.J.	False Allegation of Homosexuality No Longer Actionable, Says NJ Fed Court.....	29
	<i>Unlikely that State Supreme Court Would Legitimize Discrimination</i>	
	<i>Murphy v. Millennium Radio Group</i>	

COPYRIGHT

D.N.J.	Court Refuses to Convert "Garden-Variety" Copyright Claim into §1202 DMCA Claim.....	31
	<i>Uses of Semi-Nude Photograph of Radio Shock Jocks Were Fair</i>	
	<i>Murphy v. Millennium Radio Group</i>	
S.D.N.Y.	New York Court Rejects Prior Restraint in Copyright Case.....	34
	<i>Designer Wanted to Stop Canadian Report on Fashion Show</i>	
	<i>Nygård International Partnership v. Canadian Broadcasting Corporation</i>	

NEWSGATHERING

N.Y.C.	Proposed New Rules For New York City Press Passes.....	36
	<i>New Rules Would Govern Credentialing</i>	
	<i>38 R.C.N.Y. §11-01</i>	

BROADCASTING

D.C. Cir.	Defining the Limits of Federal Regulatory Authority over Internet Services.....	38
	<i>Decision Will Impact FCC's Ability to Enforce "Net Neutrality" Rules</i>	
	<i>Comcast v. FCC</i>	

PRIOR RESTRAINT

Fla. App.	Florida Appellate Court Rejects Prior Restraint to Protect Children's Privacy.....	33
	<i>Reverses Injunction Prohibiting Writing About Murder Case</i>	
	<i>Gagliardo v. In re the Matter of the Branam Children</i>	
Ohio	Supreme Court Overturns Judge's Gag Order on the Media.....	42
	<i>Order Preventing Murder Trial Coverage "Patently Unconstitutional"</i>	
	<i>State ex rel. Toledo Blade Co. v. Henry Cty. Court of Common Pleas</i>	

INTERNATIONAL

England	British Science Write Simon Singh Wins Libel Appeal.....	44
	<i>A Bad Day For The Orwellian Ministry Of Truth, But A Good One For Honest Opinion</i>	
	British Chiropractic Association v. Singh	
Germany	Court Finds Jurisdiction Over New York Times in Libel Suit.....	47
	<i>Article Accessible Online in Germany Involved Plaintiff's Personality Rights</i>	
	Fuchsmann v. New York Times	
EJC	Google AdWords Upheld in Europe, But the Battle Isn't Over Yet.....	48
	<i>Adwords Not a Trademark "Use"; But Possible Liability for Actual Confusion</i>	

LEGISLATION

Media Issues On the Hill: Congress Considers Agenda For Rest of Year.....	50
Free Flow of Information Act; Libel Tourism; Anti-SLAPP Bill; FOIA Reform	

EMPLOYMENT

NJ	New Jersey Supreme Court Issues Employee Email Privacy Ruling.....	55
	<i>Legitimate Expectation of Privacy in Employee's Emails to Attorney</i>	
	Stengart v. Loving Care Agency	

ETHICS

Ethics Corner: The Perils of Being Merely a Mouthpiece for Your Client.....	56
--	-----------

MLRC Upcoming Events

MLRC/Stanford Digital Media Conference

May 6-7, 2010 | Stanford University, Palo Alto, CA

For more information, [click here](#).

NAA/NAB/MLRC Media Law Conference 2010

September 29-October 1 | Chantilly, VA

For more information, [click here](#).

MLRC Annual Dinner

November 10 | New York, NY

DCS Annual Meeting

November 11 | New York, NY

Supreme Court Strikes Down Ban on Depictions of Animal Cruelty

Court Refuses to Create New Category of Unprotected Speech

By Jonathan Bloom

In a strongly worded opinion written by Chief Justice John Roberts, the U.S. Supreme Court rejected the government's bid to create a new category of unprotected speech and, by an 8-1 vote, struck down as unconstitutionally overbroad 18 U.S.C. § 48, a federal statute criminalizing the creation, sale, or possession of certain depictions of animal cruelty. *United States v. Stevens*, No. 08-769 (Apr. 20, 2010).

18 U.S.C. § 48 imposes criminal penalties (up to five years in prison) for creating, selling, or possessing with intent to distribute a depiction of animal cruelty if done for commercial gain in interstate or foreign commerce. "Animal cruelty" is defined as an act in which "a living animal is maimed, mutilated, tortured, wounded, or killed," when the conduct is illegal under federal or state law where the depiction is created, sold, or possessed with intent to distribute.

In a nod to the *Miller* obscenity standard, the statute exempts depictions that have "serious, religious, political, scientific, educational, journalistic, historical, or artistic value."

The legislative history reveals the primary purpose of the statute, enacted in 1999 but rarely used, to have been to outlaw so-called "crush videos" – gruesome depictions of small animals being crushed to death, often by women with bare feet or wearing high heels, which appeal to those with a specific sexual fetish.

The statute as passed, however, was not limited to crush videos, and Mr. Stevens was not prosecuted for making, selling, or possessing crush videos. A pit bull lover who wrote a book and sold videos extolling the virtues of the breed, he was instead prosecuted, convicted and sentenced to 37 months in prison for selling three videos depicting pit bulls engaged in dogfighting and attacking other animals as training for hunting wild boar. One of them contained footage of dogfights in Japan, where dogfighting is legal, and

others contained footage from the 1970s and 1980s of unknown origin.

The Third Circuit reversed. The court held that depictions of animal cruelty are protected by the First Amendment and that the government's attempt to extend to section 48 the reasoning of *New York v. Ferber*, 458 U.S. 747 (1982), which upheld a ban on child pornography, was flawed.

Applying strict scrutiny, the court found that the government did not have a compelling interest in restricting depictions of conduct that already was illegal in all fifty states and that the statute was neither narrowly tailored to prevent animal cruelty nor the least restrictive means of doing so. The court did not reach the question of whether the statute was overbroad.

U.S. Supreme Court Decision

The Supreme Court took the opposite approach: it held the statute invalid on overbreadth grounds without undertaking strict scrutiny analysis. After stating that the statute was content-based and thus presumptively invalid, the Court devoted the first section of its decision to a forceful rebuttal of the government's effort to avoid First Amendment scrutiny altogether by arguing that "[w]hether a given category of speech enjoys First Amendment protection depends upon a categorical balancing of the value of the speech against its societal costs." This argument, which helped galvanize the amicus effort in support of Mr. Stevens, proved to be a bad tactical error. The Court strongly condemned the government's proposed balancing test as "startling and dangerous." Slip op. at 7. As the Court explained:

The First Amendment's guarantee of free speech does not extend only to categories of speech that

(Continued on page 5)

(Continued from page 4)

survive an ad hoc balancing of relative social costs and benefits. The First Amendment itself reflects a judgment by the American people that the benefits of its restrictions on the Government outweigh the costs. Our Constitution forecloses any attempt to revise that judgment simply on the basis that some speech is not worth it.

Id. Rather, the Court stated that it has defined a few traditional “well-defined and narrowly limited” categories of speech that do not enjoy First Amendment protection: obscenity, defamation, fraud, incitement, and speech integral to criminal conduct.

The government’s “balancing test” argument rested on language in several Supreme Court decisions referring to categories of unprotected speech as being “of such slight social value as a step to truth that any benefit that may be derived from them is clearly outweighed by the social interest in order and morality.”

Slip op. at 7 (quoting *R.A.V. v. St. Paul*, 505 U.S. 377, 383 (2002)).

In *Ferber*, the last ruling in which the Court recognized a new category of unprotected speech (child pornography), the Court referred to “the evil to be restricted” outweighing the “expressive interests.” 758 U.S. at 763-64.

But such language, the *Stevens* Court explained, was “descriptive” and did not “set forth a test that may be applied as a general matter to permit the Government to imprison any speaker so long as his speech is deemed valueless or unnecessary, or so long as an ad hoc calculus of costs and benefits tilts in a statute’s favor.” Slip op. at 8.

The Court’s decision in *Ferber*, the *Stevens* Court explained, did not rest on “a cost-benefit analysis” but rather on the market for child pornography being “intrinsically

related” to the underlying sexual abuse. Slip op. at 8. “Our decisions in *Ferber* and other cases,” the Court declared, “cannot be taken as establishing a freewheeling authority to declare new categories of speech outside the scope of the First Amendment.” *Id.* at 9.

Although the Court left open the possibility of adding additional categories of unprotected speech in the future, it “reject[ed] the Government’s highly manipulable balancing test as a means of identifying them.” *Id.*

The worst fear of the First Amendment bar was thus definitively put to rest.

Having declined to create a new category of unprotected speech, the Court turned to Mr. Stevens’ facial challenge. As noted, rather than engaging in traditional strict scrutiny

analysis, as the Third Circuit had, the Court invoked the overbreadth doctrine.

In the First Amendment context, a law can be invalidated as overbroad on its face if “a substantial number of its applications are unconstitutional, judged in relation to the statute’s plainly legitimate sweep.” Slip op. at 10 (quoting *Washington*

State Grange v. Washington State Republican Party, 552 U.S. 442, 449 n.6 (2008)).

To avoid this problem, the government’s argument as to section 48 depended on a reading of the statute as limited to “extreme material,” in particular crush videos and animal fighting videos.

But the Court found it to be far broader. “We read § 48 to create a criminal prohibition of alarming breadth,” the Court stated. Slip op. at 11.

First, the statute “nowhere requires that the depicted conduct be cruel.” *Id.* It therefore covered, *inter alia*, hunting and humane slaughter. Second, it requires that the conduct depicted be illegal where the depiction is create, sold, or possessed with intent to sell, but, the Court pointed out,

(Continued on page 6)

The Court’s emphasis on its traditional limited categorical approach to defining unprotected speech; its rejection of “serious” value as a precondition to First Amendment protection; its scorn for prosecutorial discretion as a basis for upholding a facially overbroad speech restriction; and its embrace of the overbreadth doctrine as an independent basis for facial challenges in the First Amendment context all should prove important weapons against efforts to restrict various types of unpopular or disfavored speech.

(Continued from page 5)

many federal and state laws concerning the proper treatment of animals, such as hunting and fishing rules and livestock regulations, are “not designed to guard against animal cruelty.”

The statute, however, made no distinction between such laws based on the reason for the conduct being illegal. The problem was exacerbated, in the Court’s view, by the fact that a depiction of conduct that was legal where it was created, such as a hunting video, can violate section 48 if it finds its way into a jurisdiction where the conduct is illegal, as is true of hunting in the District of Columbia. Slip op. at 13.

The statute’s “exceptions clause” does not cure the overbreadth problem, the Court found, for several reasons. First, the government’s contention that material other than crush videos, depictions of animal fighting (other than bullfighting), and “perhaps other depictions of ‘extreme acts of animal cruelty,’ relied upon “an unrealistically broad reading of the exceptions clause.” Slip op. at 15.

Specifically, the government’s assertion that any depiction with “at least some minimal value” or more than “scant social value” would not be prosecuted was inconsistent with the statute, which requires that there be “serious” value. The trial court had interpreted the statute in its jury instructions to require that the material be “significant and of great import,” and the Court pointed out that the government had defended those instructions. Slip op. at 16. (Indeed, Stevens – to no avail – presented expert testimony at trial as to the educational value of his films.)

Second, the categories of “serious” value listed in the statute did not include “entertainment” value, a category into which, the Court found, most hunting videos would fall. That created a problem to which several Justices alluded during oral argument: “The Government offers no principled explanation why . . . depictions of hunting or depictions of Spanish bullfighting would be *inherently* valuable while those of Japanese dogfights are not.” *Id.* (emphasis in original).

Finally, on a more fundamental level, the Court rejected the government’s argument that incorporating a variant of the “serious value” prong of the *Miller* obscenity standard answered any First Amendment objection. *Miller*, the Court explained, did not reflect a determination that a showing of “serious” value is “a general precondition” to protecting speech. Slip op. at 17.

Most of what we say every day, the Court observed, lacks the type of “serious” value required by section 48, but is “still sheltered from government regulation.” *Id.*

In a parting shot, the Court lambasted the government’s reliance on an assurance that it would exercise its prosecutorial discretion to apply the statute only to depictions of “extreme” cruelty. That assurance, in the Court’s view, implicitly acknowledged the problems with a “more natural” reading of the statute.

Moreover, the Court declared, “[T]he First Amendment protects against the Government; it does not leave us at the mercy of *noblesse oblige*. We would not uphold an unconstitutional statute merely because the Government promised to use it responsibly.” Slip op. at 18.

The Court pointed out that the prosecution of Mr. Stevens was itself at odds with President Clinton’s 1999 signing statement, in which he stated that his administration would interpret the statute to cover only depictions of “wanton cruelty to animals designed to appeal to a prurient interest in sex.” The Court also declined to adopt a narrowing construction to conform to the government’s proposed reading, as doing so would require “rewriting, not just reinterpretation.”

The Court concluded by observing that the markets for crush videos and dogfighting videos were “dwarfed by the market for other depictions, such as hunting magazines and videos,” that it found to be within the scope of § 48.” The Court, accordingly, held the statute invalid as substantially overbroad, expressly not reaching the question of whether a statute limited to crush videos or other depictions of extreme animal cruelty would be constitutional.

The lone dissenter, Justice Alito, would not have engaged in the “strong medicine” of overbreadth analysis but, instead, would have remanded to the Third Circuit for consideration of whether the statute constitutionally could be applied to Stevens’ videos.

He defended section 48 as having been enacted “not to suppress speech, but to prevent horrific acts of animal cruelty,” and he disagreed that the record demonstrated that the statute was substantially overbroad, accusing the majority of relying on “fanciful hypotheticals.”

Justice Alito would have construed the statute as limited to depictions of conduct is illegal for the specific purpose of

(Continued on page 7)

(Continued from page 6)

preventing animal cruelty – which would exclude hunting. He and would have found that any overbreadth under his reading of the law was not substantial.

He also would have held that depictions of hunting fall with the exceptions clause as having serious, scientific, educational, or historical value.

In the second half of his dissent, Justice Alito made the case that the statute is constitutional as applied to crush videos and to depictions of “brutal animal fights” based on the *Ferber* rationale, namely, that drying up the market for the depictions is necessary to eliminate the underlying conduct. In this respect, Justice Alito was, in effect, making the case for upholding a narrower law.

* * *

Stevens is a an important decision in several respects beyond its invalidation of a poorly drafted speech restriction. The Court emphatically underscored several important First Amendment principles – in terms that reflect the libertarian suspicion of government power held by members of the Court’s conservative wing.

Justice Roberts’s majority opinion is animated by a strong antipathy to the “trust us to do the right thing” defense of section 48 offered by the government.

The Court’s emphasis on its traditional limited categorical approach to defining unprotected speech; its rejection of “serious” value as a precondition to First Amendment protection; its scorn for prosecutorial discretion as a basis for upholding a facially overbroad speech restriction; and its embrace of the overbreadth doctrine as an independent basis for facial challenges in the First Amendment context all should prove important weapons against efforts to restrict various types of unpopular or disfavored speech, including depictions of violence. Having these principles articulated with such force by the Chief Justice, writing for a near-unanimous Court, is especially encouraging.

Jonathan Bloom is counsel to Weil, Gotshal & Manges LLP. He and Weil, Gotshal partner Bruce Rich wrote an amicus brief in the case on behalf of the Association of American Publishers, Inc., other members of the Media Coalition, and several other media organizations in support of Mr. Stevens. Patricia Millet of Akin Gump argued the case for the defendant to the Supreme Court.



©2010

MEDIA LAW RESOURCE CENTER, INC.
520 Eighth Ave., North Tower, 20 Fl.,
New York, NY 10018

BOARD OF DIRECTORS

Kenneth A. Richieri, Chair

Marc Lawrence-Apfelbaum

Dale Cohen

Stephen Fuzesi, Jr.

Henry S. Hoberman

Ralph P. Huber

Robert Nelon

Karole Morgan-Prager

Elisa Rivlin

Susan E. Weiner

Kurt Wimmer

STAFF

Executive Director

Sandra Baron

Staff Attorneys

David Heller

Maherin Gangat

Katherine Vogelee Griffin

Fellow

Gabrielle Russell

MLRC Administrator

Debra Danis Seiden

Publications Assistant

Jacob Wunsch

Supreme Court Takes On Major First Amendment Cases

Does First Amendment Bar Restrictions on Violent Video Games?

The Supreme Court this month agreed to review whether a California violent video game statute violates the First Amendment. See *Video Software Dealers Ass'n v. Schwarzenegger*, 556 F.3d 950 (9th Cir. 2009), *rev. granted*, (U.S. April 25, 2010) (No. 08-1448). Last year a Ninth Circuit panel unanimously affirmed summary judgment in favor of the Video Software Dealers Association and Entertainment Software Association on their challenge to California Civil Code sections 1746-1746.5 (the "Act"), which would have imposed restrictions and a labeling requirement on the sale or rental of "violent video games" to minors.

The Ninth Circuit held that the law was an invalid content based restriction on speech and that California failed to demonstrate a compelling interest to justify the statute. In addition the court held that the labeling requirement constituted unconstitutional compelled speech because it would have reflected the State's opinion as to which games were excessively violent. The court notably rejected California's argument that an obscenity standard could be applied to the sale of video games to minors.

California's petition for review contained the following two questions:

1. Does the First Amendment bar a state from restricting the sale of violent video games to minors?
2. If the First Amendment applies to violent video games that are sold to minors, and the standard of review is strict scrutiny, under *Turner Broadcasting System, Inc. v. F.C.C.*, 512 U.S. 622, 666 (1994), is the state required to demonstrate a direct causal link between violent video games and physical and psychological harm to minors before the state can prohibit the sale of the games to minors?

In its petition for review, California argues that: "In the limited context of distribution to minors, expressive material can be so excessively violent that, just like sexual material, it deserves no First Amendment protection. Accordingly, this Court should consider whether extremely violent material can be obscene as to minors even without a sexual element, and whether *Ginsberg v. State of New York*, 390 U.S. 629 (1968), should thus be extended to apply to such material."

Paul M. Smith of Jenner & Block LLP in Washington, D.C. represents the Video Software Dealers Association and Entertainment Software Association. The petition for cert. is available [here](#). The brief in opposition to cert. is available [here](#).

Does *Hustler v. Falwell* Apply to Private Figure Distress Claims?

The Supreme Court also agreed to review a Fourth Circuit decision reversing a \$5 million damage award for intrusion, intentional infliction of emotional distress and conspiracy against a fringe religious group, notwithstanding what the court termed its "distasteful and repugnant" speech outside of a soldier's funeral. *Snyder v. Phelps*, 580 F.3d 206 (4th Cir. 2009), *rev. granted*, (U.S. March 8, 2010) (No. 09-751).

Last year the Fourth Circuit, citing to *Milkovich v. Lorain Journal Co.*, 497 U.S. 1 (1990), held that phrases such as "God Hates Fags" and "Priests Rape Boys" could not be understood to assert verifiable facts about the plaintiff (a

(Continued on page 9)

(Continued from page 8)

grieving father of a dead soldier), and that a reasonable person would interpret the statements as “hyperbolic rhetoric intended to spark debate” about issues of public concern. In an interesting footnote, the Fourth Circuit stated that it did not recognize a media/nonmedia distinction regarding speech on matters of public concern that does not contain provably false factual assertions.

The plaintiffs petition contains the following questions.

1. Does *Hustler Magazine, Inc. v. Falwell* apply to a private person versus another private person concerning a private matter?
2. Does the First Amendment’s freedom of speech tenet trump the First Amendment’s freedom of religion and peaceful assembly?
3. Does an individual attending a family member’s funeral constitute a captive audience who is entitled to state protection from unwanted communication?

The defendant Westboro Baptist Church, Inc., founded and run by Fred W. Phelps from Topeka Kansas, has held numerous protests outside of soldier funerals to publicize their belief that “God hates homosexuality and hates and punishes America for its tolerance of homosexuality, particularly in the United States military.” The plaintiff did not see defendants at the funeral of his son, but later saw footage of the event. He brought suit under Maryland law, alleging invasion of privacy by intrusion upon seclusion, intentional infliction of emotional distress, civil conspiracy, publicity given to private life, and defamation. The last two claims were dismissed at summary judgment in an unpublished, cursory opinion.

After a trial on the remaining three claims in October 2007, the jury found the defendants liable for \$2.9 million in compensatory damages and a total of \$8 million in punitive damages. On post trial motion, the district court flatly rejected defendants’ claim that their speech was entitled to absolute First Amendment protection. Citing to the Supreme Court’s decision in *Dun & Bradstreet, Inc. v. Greenmoss Builders, Inc.*, 472 U.S. 749 (1985), the district court stated that there is no absolute First Amendment right for speech by private individuals against other private individuals. The district court found sufficient evidence for a reasonable jury to conclude that defendants’ invaded plaintiff’s privacy and intruded upon his seclusion during a time of bereavement. The court, however, remitted the punitive damages to \$2.1 million. 533 F. Supp. 2d 567 (D. Md. 2008), *rev’d*, 580 F.3d 206.

Plaintiff’s petition to the Supreme Court argues that:

The question of whether *Hustler Magazine, Inc. v. Falwell* is applicable to private individuals versus private individuals requires resolution by this Court. If *Hustler Magazine* is applied in this fashion, the victimized private individual is left without recourse. Complicating matters further, the Fourth Circuit has allowed Phelps (in this instance) to dictate what is a matter of public concern. Indeed, the Fourth Circuit’s analysis encourages individuals to engage in “loose, figurative or hyperbolic language” to afford more First Amendment protection -- even if that language is targeted at another private individual at a private religious funeral -- it encourages harsh rhetoric. Put succinctly, the Fourth Circuit has extended *Hustler* to private versus private individuals, allowed speakers to subjectively determine what is a matter of public concern, and afforded more First Amendment protection to speech that is outrageous.

Plaintiff is represented by Sean E. Summers, Barley Snyder LLC, York, PA; and Craig Trebilcock, Shumaker Williams, York PA. The defendants were represented on appeal by Margie Jean Phelps, Topeka, KS. Plaintiff’s cert.

Blogger Not a Journalist Under New Jersey Shield Law

Difference Between “New Media” and “News Media,” According to Court

By Bruce S. Rosen

While bad facts often beget bad law, a New Jersey appellate court has stymied a website operator’s attempt to stretch those bad facts to enable her to fall within the New Jersey shield law – one of the strongest in the nation. *Too Much Media, LLC v. Shellee Hale* (A-0964-09T3 April 22, 2010).

While the court provided one of the few available roadmaps to determine whether a blogger fits within a shield law, its criteria for determining who is entitled to shield protection misunderstands the journalistic process and New Jersey’s shield law as well.

The defendant Shellee Hale, a website operator and “life coach” in the State of Washington, uploaded purportedly defamatory posts on Oprano.com, a website involving the adult entertainment industry. The posts criticized Too Much Media, LLC (“TMM”), suggesting that the company, which had been subject to a data security breach, and its principals, were involved in fraud and selling personal information, and may have physically threatened those who attempted to expose them.

Hale alleged that she has formed her own website to investigate the online adult entertainment industry, was collecting information for that purpose, and had visited the Washington State Attorney General’s office to make them aware of her investigation.

After TMM and its principals filed suit in New Jersey alleging defamation, false light and trade libel, Hale answered and then asserted NJSA 2a:84A-21, the Newsperson’s Privilege to avoid being deposed. The trial court found a certification provided by Hale concerning her journalistic activities to be not credible and “a sham,” and ruled that she was not part of news media or and did not have an intent to disseminate news and was thus not entitled to shield protections.

In response to claims that the plaintiff was seeking presumptive damages, the trial court also ruled that Internet

defamation should be classified as slander, and that as a result plaintiff could be entitled to presumptive damages. A consortium of media entities filed an amicus brief arguing that Internet defamation is libel, not slander, and requires proof of concrete damages under New Jersey law; the appellate panel agreed with both points. The amici did not take a position on the shield issue.

Defendant Not Covered By Shield Law

The appeal court found that no matter how one looked at Hale’s activities in the context of new technology, they did not merit shield protection. “Simply put, new media should not be confused with news media,” Judge Anthony J. Parrillo wrote for the unanimous panel in a 48-page decision. While the ruling did not attempt to define news, it did attempt to define a news person under the shield law. Citing *O’Grady v. Superior Court*, 44 Cal. Rptr. 3d 72 (Cal. Ct. App. 2006), which found websites protected by that state’s shield because they were functionally indistinguishable from traditional print publications. *O’Grady*, the court said, focused on the defendant’s actions in gathering, selecting and preparing materials for publication to a mass audience.

In coming up with its own criteria, the New Jersey panel looked to whether there were confidential sources involved; however the New Jersey shield goes far beyond confidential sources and protects the editorial process. The panel attacked Hale’s affidavit as self-serving, but these affidavits are provided in the ordinary course in the state by reporters seeking to invoke the shield.

The decision then notes how Hale failed to present credentials, proof of affiliation with a media entity, adherence to standards of professional responsibilities, editing, fact-checking and disclosure of conflicts, none of which are mutually exclusive of an intent to disseminate news to the public, and many of which, other than editing, are notably

(Continued on page 11)

(Continued from page 10)

absent from most newspaper reporting in the state.

Further, the panel faulted Hale's failure to provide notes of her work, lists of meetings, and interviews with contacts or attempts to contact TMM, none of which are necessarily indicia of bona fide news gathering or journalism.

The court, which said that Hale's only proof that her site Pornafia qualifies as a new medium was a press release she issued months before her allegedly defamatory statements about her intent for the site, ruling that Hale did nothing but assemble the writings and postings of others, which is also indicative of many other websites and publications which some would argue were bona fide journalistic entities.

"[I]n view of the totality of the evidence, defendant has exhibited none of the recognized qualities or characteristics traditionally associated with the news process, nor has she demonstrated an established connection or affiliation with any news entity."

The court also ruled that Hale's posts on Oprano were outside any news gathering or dissemination process, and, citing language in *O'Grady*, determining that the posting of actionable material by a visitor to a website "may indeed constitute something other than the publication of news."

The court ruled that her posts were separate from Oprano and she did not represent herself as a journalist and analogized posts by site visitors to letters to the editor in traditional media.

The court also rejected further protection for Hale under

the First Amendment, stating the New Jersey Shield Law underlies and extends beyond the protections of the First Amendment.

Libel Damages

The court restated previous New Jersey appellate holdings that libel damages require "concrete damages" to reputation without which the action could be dismissed at summary judgment, but ruled that for the purposes of a motion to dismiss, a plaintiff need only allege damages.

Finally, in the only part of the ruling that directly bolstered Hale's case – and one that may prove pivotal to further proceedings – the panel ruled that the trial court's ruling that plaintiffs need not prove actual malice was premature and made without proper notice or a full record.

New Jersey law requires proof of actual malice where the subject matter of a report involves consumer or regulatory fraud, or matters involving public health or safety.

Bruce S. Rosen of McCusker, Anselmi, Rosen & Carvelli, P.C. in Florham Park, N.J.,

represented amici North Jersey Media Group, Inc., New Jersey Press Association, NBC Universal Inc., and the New York Times Company. Hale was represented by Jeffrey M. Pollock, Barry J. Miller and Joseph Scram III of Fox Rothschild's Princeton, N.J. office. Plaintiffs were represented by Joel N. Kreizman of Evans, Osborn and Kreizman of Oakhurst, N.J.



The court, which said that Hale's only proof that her site Pornafia qualifies as a new medium was a press release she issued months before her allegedly defamatory statements about her intent for the site, ruling that Hale did nothing but assemble the writings of others, which is also indicative of many other websites and publications which some would argue were bona fide journalistic entities.

Kentucky Court Refuses to Apply Shield Law to Online Commenter

But Adopts Heightened Standard to Protect Anonymous Speech Online

A Kentucky trial court recently granted a newspaper's motion to quash a subpoena seeking the identity of an anonymous online commenter accused of posting a defamatory statement to a news article. *Clem v. An Unknown Person*, No. 08-CI-1296 (Cir. Ct. March 26, 2010) (Logue, J.). The court flatly rejected the newspaper's attempt to raise the state shield law as defense to the subpoena, but accepted that anonymous online speech is entitled to a higher standard of protection than provided by an ordinary discovery subpoena.

In August 2008 the *Richmond Register* published an article titled "You can buy it at the mall, but you can't wear it there." The article discussed an incident at the local mall involving a young college student, Kymbery Clem. Clem was ejected from the mall by security because her dress was too short. Ironically she had bought the dress at the mall the day before. The incident garnered national media attention and a lively debate in the comments section of the online article.

Clem filed a libel complaint against an anonymous poster writing under the screen name "12bMe" who wrote that the real reason Clem was ejected from the mall was that she exposed "her private parts" to a woman and child after the woman made a remark about the length of Clem's dress. Clem subpoenaed the *Richmond Register* for any and all identifying information about "12bMe."

The newspaper moved to quash on two grounds. First, it claimed the information sought was protected by the Kentucky Shield Law, KRS 421.100. The shield law provides in relevant part that "no person shall be compelled to disclose in any legal proceeding ... the source of any information procured or obtained by him, and published in a newspaper or by a radio or television broadcasting station by which he is engaged or employed, or with which he is connected."

The judge flatly rejected that the commenter was covered by the statute, finding that doing so would extend the shield law beyond its purpose. "The posting was not procured or obtained by any reporter of the *Richmond Register* for purposes of publishing the information in the *Richmond Register*," the judge wrote. Moreover, the comment was posted the day after the article first appeared, online comments are "not controlled by the newspaper" and the newspaper does not "take any responsibility for the accuracy of the contents of the web posting."

However, the court accepted the newspaper's second argument that disclosure would violate the protection afforded anonymous speech. The judge surveyed the leading case law in the area, including *Dendrite v. Doe*, 775 A.2d 756 (NJ App. 2001); *Doe v. Cahill*, 884 A.2d 451 (Del. 2005); *Mobilisa v. Doe*, 170 P.3d 712 (Ariz. App. 2007); and *Solers v. Doe*, 977 A.2d 941 (D.C. App. 2009).

The court adopted the 5-part test set out by the District of Columbia Court of Appeals in *Solers*. This requires that before granting disclosure of the identity of an anonymous defamation defendant the court "1) ensure that the plaintiff has adequately pleaded the elements of a defamation claim; 2) require reasonable efforts to notify the anonymous defendant that the complaint has been filed and the subpoena has been served; 3) delay further action for a reasonable time to allow the defendant an opportunity to file a motion to quash; 4) require the plaintiff to proffer evidence creating a genuine issue of material fact on each element of the claim that is within its control; and 5) determine that the information sought is important to enable the plaintiff to proceed with his lawsuit." *Solers* at 954.

The court noted that plaintiff would have to make a reasonable effort to notify the anonymous defendant before the suit could proceed.

Kansas Enacts Shield Law by Wide Margin

By Mike Kautsch

For shield law advocates, the 2010 Kansas legislative session was one to celebrate. By votes of 39-1 in the Senate and 116-3 in the House, the state legislature passed a bill to protect journalists' confidential sources, and Gov. Mark Parkinson signed the bill into law April 15. The signing of the bill capped an eight-year effort by Kansas media to convince the legislature of the need for a shield law.

The reasons for the shield law advocates' success after so many years included a change in how they explained the benefits of such a law. In the early years, they emphasized a basic purpose of a shield law: to give journalists a privilege not to reveal the confidential sources they need to uncover corruption or incompetence in government.

Later, the advocates also emphasized that a shield law could clarify the procedures and standards by which Kansas courts decide whether a journalist should be compelled to disclose confidential sources. An existing state Supreme Court precedent, *State v. Sandstrom*, 224 Kan. 573 (1978), recognized a qualified privilege for reporters, but it was unclear about when and how a privilege actually would apply in a given case.

Uncertainty about the privilege in Kansas became evident during a controversy in late 2009. In connection with a homicide case, a prosecutor issued a subpoena to a reporter for the Dodge City (Kansas) Daily Globe.

The reporter, Claire O'Brien, claimed reporter's privilege, refusing to respond to the subpoena and declining to reveal a confidential source. After a judge found her in contempt, publicity about the incident prompted Kansas legislators to consider anew the need for a shield law.

After the legislature passed the bill to establish a shield law, Doug Anstaett, executive director of the Kansas Press Association (KPA), called it a "huge victory for the reporters and their sources who stick their necks out to uncover corruption in government."

Because of the shield law, he added, prosecutors "will be much more reluctant to embark upon fishing expeditions for the work product and confidential sources of reporters."

Prosecutors, he said, now at least will have reason "to pause when they're tempted to try to force reporters to become an arm of law enforcement, which is not what the framers had in mind when they wrote the First Amendment to the U.S. Constitution."

When Gov. Parkinson signed the bill, he observed that the nation's founders "were very meticulous in making certain that our country, including members of the press, received the necessary protections for freedom."

"The shield law demonstrates that Kansas upholds that belief and respects a reporter's discretion in disclosing information and sources," Parkinson said.

"While we understand the need for information under extraordinary circumstances, we must allow journalists to perform their jobs without fear of prosecution and continue bringing the news home to Kansans."

The shield law grants both traditional and online journalists a qualified privilege not to testify in

response to a subpoena unless the requesting party satisfies a three-part test.

Both the requesting party and the journalist are entitled to a hearing on whether disclosure of the requested information should be compelled. At the hearing, the requester must show by a preponderance of the evidence that a journalist's information:

"(1) Is material and relevant to the proceeding for which the disclosure is sought;

"(2) could not, after a showing of reasonable effort, be obtained by readily available alternative means; and

"(3) is of a compelling interest."

(Continued on page 14)

In the early years, shield law advocates emphasized a basic purpose of a shield law: to give journalists a privilege not to reveal the confidential sources they need to uncover corruption or incompetence in government. Later, the advocates also emphasized that a shield law could clarify the procedures and standards by which Kansas courts decide whether a journalist should be compelled to disclose confidential sources.

(Continued from page 13)

The shield law gives special attention to the term “compelling interest,” defining it to include the “prevention of a certain miscarriage of justice” or “an imminent act that would result in death or great bodily harm.”

Non-compelling interests include “those of parties whose litigation lacks sufficient grounds, is abusive or is brought in bad faith.”

After the hearing, the judge may conduct an *in camera* inspection of the information that the requester wants. The judge then orders disclosure only if he or she “specifically finds” that the journalist’s information “is admissible and that its probative value outweighs any harm to the free dissemination of information to the public through the activities of journalists.”

In 2002, the KPA and the Kansas Association of Broadcasters (KAB) proposed a bill that was somewhat like the one now enacted. The 2002 bill was based on model legislation developed by a student, Ann Premer, in the Media Law Clinic at the University of Kansas School of Law.

When introduced in the legislature, the bill underwent some change. Ultimately, it called for a qualified privilege for journalists to refuse to testify about non-confidential sources and information. It also included an absolute privilege for journalists not to disclose confidential sources and information.

The 2002 bill received a lukewarm reception from legislators. They sent it to a legislative advisory group, the Kansas Judicial Council, for study. A committee formed by the Council considered the bill for more than a year.

Leita Walker, a University of Kansas law student who researched the issue of shield laws in 2005, wrote in the *Kansas Law Review* that:

The advisory committee generally agreed that confidential information should be protected. But “[t]he concept of an absolute privilege was troubling to many [c]ommittee members who believe[d] that a reporter’s privilege must be balanced against the due process right of a litigant seeking information crucial to his or her case.” Further, committee members disagreed as to whether protection should be extended to nonconfidential information, and even those

who believed it should be extended could not agree on the degree of protection.

Although ensuring due process was no doubt a concern of the committee, the aversion of some of its members to an absolute privilege—or any privilege at all—also indicates a distrust of the media and a lack of respect for its function in society.

The Judicial Council did not recommend a shield law, but the KPA, the KAB and others persisted in efforts to win legislative support for one.

As they tried again to develop a bill to establish a shield law, they worked to educate the public about the need for one.

In 2006, for example, the Kansas Bar Association’s Media Bar Committee presented a panel discussion in Wichita titled “Reporter’s Privilege: Should They Be Jailed?” The session included a historical overview of reporter’s privilege provided by the Media Law Resource Center.

In 2007, the majority leader of the Senate, Derek Schmidt, produced a bill to establish a shield law. His interest in press freedom was longstanding. He had served as editor of the *University Daily Kansan* while a University of Kansas undergraduate student in journalism. With the Senate minority leader, Anthony Hensley, as co-sponsor, Sen. Schmidt introduced his proposed shield law.

Although Sen. Schmidt’s bill did not pass in 2007, it remained on the legislative agenda. The KPA, in coordination with the KAB, organized ongoing support for the bill.

Meanwhile, proponents continued their effort to promote public understanding of reporter’s privilege. Contributions to the effort ranged from research by three University of Kansas law students—Carol Toland, Adam Davis and Chris Grenz—to a discussion of reporter’s privilege that opened the 2009 annual Media and the Law Seminar in Kansas City. In 2010, Terry Bruce, a respected state senator and former prosecutor, took an interest in the proposed shield law. As a member of the Senate Judiciary Committee, he oversaw some changes to Sen. Schmidt’s bill, and it is a version of that bill that now has become the Kansas shield law.

Mike Kautsch is a professor at the School of Law, University of Kansas.

Virgin Islands Jury Awards \$240,000 to Judge Over Articles Reporting on Bail Decisions

A Virgin Islands jury recently handed a libel win to a public official plaintiff. Former Virgin Islands Superior Court Judge Leon Kendall complained of 16 articles and one editorial in the Virgin Islands newspaper, *The Daily News*, which reported on his rulings regarding bail.

A jury of seven women and one man deliberated for three days before finding the Daily News Publishing Co. and one of the reporter-defendants, Joy Blackburn, had defamed the judge, awarding him \$240,000 on March 16, 2010. (The jury found in favor of a second reporter named in the suit, Joseph Tsidulko.)

Plaintiff's lawyer Howard Cooper won a libel case against The Boston Herald for his then-client, Judge Ernest Murphy, winning \$2,100,000 in 2005.

The matter may not be entirely over, however – as of April 29, 2010, the trial judge was still considering the defendants' motion for judgment as a matter of law (or, in the alternative, to set aside the judgment).

The Complaint

Judge Kendall claimed he was defamed by a series of articles that began in 2004, reporting on his bail rulings in a number of cases where the criminal defendants committed crimes while released from custody without requiring them to pay money bail.

For example, one defendant, Daniel Castillo, was released on his own recognizance while awaiting trial on domestic violence charges; once out of custody he killed a 12-year-old girl.

Judge Kendall complained that the series of articles on the case falsely stated that Castillo was released despite his "history of violence" (he claimed he did not know this history at the time of the bail hearing), and that Kendall's bail decision had given Castillo "the opportunity to murder 12 year old Laquina Hennis."

A second set of claims involved another defendant who was released from jail pending sentencing following his conviction for sexually assaulting a homeless man.

When the defendant failed to report back to custody on time, it led to a five-hour standoff with authorities, during which the defendant threatened to blow up his house with a propane tank.

The stand-off required the evacuation of nearby residents. Judge Kendall claimed that when the Daily News reported on the stand-off, it falsely stated that the defendant had been released into the community unsupervised when, according to Judge Kendall, he was released on house arrest.

Judge Kendall also complained of "false" statements in an editorial that stated his decisions were "clearly unreasonable by any logical measure" and that they put "the very safety of the citizens of the Virgin Islands" at risk.

In the complaint, Judge Kendall cited the laws applicable to bail hearings, and argued that of his 350 bail decisions, none had been appealed. He also complained that "bail set for persons charged with crimes in the Superior Court has generally been done in an arbitrary and capricious

(Continued on page 16)



The Daily News focused its defense on presenting evidence and testimony to establish that the publications at issue were substantially true and that the reporters never doubted anything they wrote. Indeed, their reports were largely based on court records.

(Continued from page 15)

manner,” something that Judge Kendall sought to change. Judge Kendall complained that the Daily News articles “inaccurately described judicial actions” by suggesting that release on personal recognizance” was “release without bail.” Judge Kendall also complained about statements that he had “lifted” or “thrown out” bail as opposed to his having followed the Federal Bail Reform Act.

Procedural Problems

The case, which was filed in October 2007, hit speed bumps early on, as every judge assigned to the case recused themselves. Finally, Judge Francis J. D'Eramo accepted the case, and signed an amended scheduling order in March 2009. Judge D'Eramo passed away within five weeks of signing this order, though, and the case was once again without a judge, which left no one to enforce the scheduling order. Depositions and discovery slowed to a crawl.

In May 2009, after Judge Kendall amended his complaint, defendants filed a motion to dismiss, arguing that the reports were substantially true, and that they were privileged as fair and accurate reports of bail proceedings; furthermore that the criticism of the judge constituted opinion, protected by the First Amendment.

In September 2009, a senior judge, Judge Edgar D. Ross, agreed to take the case, and soon thereafter announced that he intended to adhere to the scheduling order and expected to go to trial in March 2010.

On October 29, the defendants filed a motion proposing a revised pre-trial schedule, asking to take third-party discovery, and proposing a December 18 due date for summary judgment motions, if the pending motion to dismiss was denied.

On December 11, Judge Ross adopted the proposed schedule, including the due date for the summary judgment motion. At the same time, the judge issued a cursory ruling denying the motion to dismiss, noting that a “court cannot dismiss an action for failure to state a claim upon which relief can be granted unless it appears beyond doubt that plaintiff can prove no set of facts in support of claims as pled which would entitle plaintiff to relief.”

The defendants’ motion for summary judgment was denied on Feb. 22, 2010 in a similarly cursory manner. The

order notes that “there exists a genuine dispute of material fact as to whether Defendants published an editorial and articles about the Plaintiff with a reckless disregard for the truth of the assertion.”

Trial

The plaintiff tried the case by grouping the articles together by bail decisions and primarily presented his case through the testimony of Judge Kendall and the two reporters. Plaintiff also called many local celebrities as reputation witnesses, including the former governor and a local radio talk show host, none of whom had been identified during discovery.

The Daily News focused its defense on presenting evidence and testimony to establish that the publications at issue were substantially true and that the reporters never doubted anything they wrote. Indeed, their reports were largely based on court records.

The trial lasted nine days. On the final day, Judge Ross held the charging conference and, following closing arguments, instructed the jury for an hour and a half. The jury – which had been selected on a blisteringly hot day in an unairconditioned courtroom and told to expect a “two week trial” – asked that they not have to read the verdict they finally entered, of \$240,000 for Judge Kendall. Judge Ross granted a defense motion to preclude punitive damages, ruling that punitives were not allowed under the First Amendment.

A motion for a directed verdict was denied at the close of plaintiff’s case, but, as noted above, a motion for judgment as a matter of law that was made following the close of all of the evidence is still pending before Judge Ross.

Conclusion

Judge Kendall retired from the bench in 2009, after six years on the bench.

Michael D. Sullivan and Michael Berry of Levine Sullivan Koch & Schulz LLP represented the defendants, together with Kevin Rames of the Law Offices of K.A. Rames, P.C.. Plaintiff was represented by Howard M. Cooper and Julie Green of Todd & Weld LLP together with Gordon Rhea, of Richardson, Patrick, Westbrook & Brickman.

Hilton v. Hallmark Cards, Amended: A Transforming Opinion

By Lou Petrich

Last year a three-judge panel of the United States Court of Appeals for the Ninth Circuit affirmed a denial of a motion by Hallmark Cards under the California Anti-SLAPP statute to dismiss a California common law right of publicity claim arising from the use in a birthday greeting card of Paris Hilton's image and trademarked catch phrase "That's hot." See MLRC MediaLawLetter Sept. 2009 at 10

On March 23, 2010, the panel issued an amended opinion, *Hilton v. Hallmark Cards*, 2010 WL 1039872, which denied a petition for rehearing and rehearing *en banc*, and superseded the opinion reported at 580 F.3d 874. The panel unanimously voted to deny the petition for panel rehearing. Judges O'Scanlon and Graber voted to deny the petition for rehearing *en banc* and Judge Noonan recommended a rehearing *en banc*. The panel reported that the full Court was advised of the petition for rehearing *en banc* and no active circuit court judge requested a vote. According to the opinion:

The front cover of the card contains a picture above a caption that reads, "Paris's First Day as a Waitress." The picture depicts a cartoon waitress, complete with apron, serving a plate of food to a restaurant patron. An oversized photograph of Hilton's head is super-imposed on the cartoon waitress's body. Hilton says to the customer, "Don't touch that, it's hot." The customer asks, "What's hot?" Hilton replies, "That's hot." The inside of the card reads, "Have a smokin' hot birthday."

In the initial opinion, the panel had first determined that it had jurisdiction only over the appeal from the denial of the anti-SLAPP motion and not from the denial of the FRCP 12 (b)(6) motions to dismiss the publicity claim or the false designation Lanham Act claim because the latter were not inextricably intertwined with the anti-SLAPP motion which tests the evidence. The Ninth Circuit allows direct appeal from a denial of a California anti-SLAPP motion under the

collateral order doctrine. *Batzel v. Smith*, 333 F.3d 1018, 1025 (9th Cir. 2003).

The panel had readily concluded that Hallmark had satisfied the first prong of California's anti-SLAPP statute by making the threshold showing that the greeting card was "conduct in furtherance of the exercise of the constitutional right of petition or the constitutional right of free speech in connection with a public issue or an issue of public interest." *Cal. Civil Code* § 425.16(e)(4). The panel concluded that Hallmark's card qualified as speech and fell comfortably within the universe of types of communication that California courts have considered "conduct in furtherance of" the exercise of free speech rights upon which to base anti-SLAPP motions to strike.

The panel held that a showing had been made that the sale of the card was "in connection with a public issue or an issue of public interest," because it concerned a person or entity in the public eye and also a topic of widespread public interest, that is, it concerned Hilton's trademarked phrase and her public persona – "the very things that interest people about her." Hallmark did not have to prove any ongoing public controversy. In a potentially disconcerting aside, at footnote 7, however, the panel noted that it might be argued that Hallmark had not engaged in speech because it had simply supplied the medium for the customer to do so – but Hilton had not raised the argument and waived it. The panel rejected an argument that Hilton did assert – that the card was commercial speech.

The second prong of the anti-SLAPP statute provided the stumbling block to an outright dismissal. The initial opinion had concluded that Hilton has shown a probability of proving a *prima facie* case; that is, a triable issue of fact existed as to whether Hallmark had an affirmative defense under California law based on the First Amendment, the transformative use defense or the public interest defense. The panel had reviewed two California Supreme Court decisions, *Comedy III Productions, Inc. v. Gary Saderup, Inc.*, 25 Cal.4th 387 (2001) and *Winter v. DC Comics*, 30 Cal.4th 881 (2003) which had imported from copyright law the

(Continued on page 18)

(Continued from page 17)

“transformative element” from fair use analysis to balance First Amendment interests against right of publicity interests. Whether the work was “transformative” was determined by whether the defendants’ work depends on the celebrity likeness or whether that likeness was just one of the raw materials from which an original work was synthesized.

In *Comedy III*, the California Supreme Court had held that literal conventional charcoal drawings of the Three Stooges on tee shirts and lithographs made no significant or transformative or creative contribution and therefore were merely merchandising the celebrities’ image, the very interest protected by the right of publicity. The *Winter* decision furnished the other end of the spectrum. There a publisher of a comic book was found entitled to summary judgment because the cartoon figures based on two musicians, Johnny and Edgar Winter, were distorted for purposes of lampoon, parody or caricature and drawn as half human and half worm as part of a larger story.

Hallmark’s Petition raised several points that prompted the panel to amend its opinion in ways that could fairly be deemed “transformative.” Hallmark pointed out that the initial Opinion twice stated that the greeting card “spoofs” Hilton’s persona and her trademark phrase and public persona. Hallmark argued that, by spoofing her, the card was making commentary and was thus transformative. The amended opinion simply changes the word “spoofs” to “concerns.” Although not expressly connecting this correction to a later discussion in an added footnote 13, the panel notes that California’s transformative test was borrowed from the “fair use” defense to copyright infringement, citing *Campbell v. Acuff-Rose Music, Inc.*, 510 U.S. 569, 579 (1994), and that under copyright law a parody is not “presumptively fair.” 510 U.S. at 581.

The *Campbell* Court explained: “parody, like any other use, has to work its way through the relevant factors [four

factors in 17 U.S.C. § 107], and be judged case by case, in light of the ends of the copyright law.” 510 U.S. at 581. But *Campbell* did not say that parody was not transformative; in fact, *Campbell* earlier stated “that parody has an obvious claim to transformative value.” 510 U.S. 579. When the California Supreme Court borrowed the transformative test as a defense to right of publicity claims, it expressly refused to borrow the other three factors of the “fair use” analysis. *Comedy III*, 25 Cal.4th at 404 (“We conclude that a wholesale importation of the fair use doctrine into right of publicity law would not be advisable.”). Accord: *Winter*, 30 Cal.4th at 891. So, contrary to the *Hilton* panel’s reading of *Campbell*, for right of publicity purposes, parody is transformative and transformation is a total defense to a right of publicity claim.

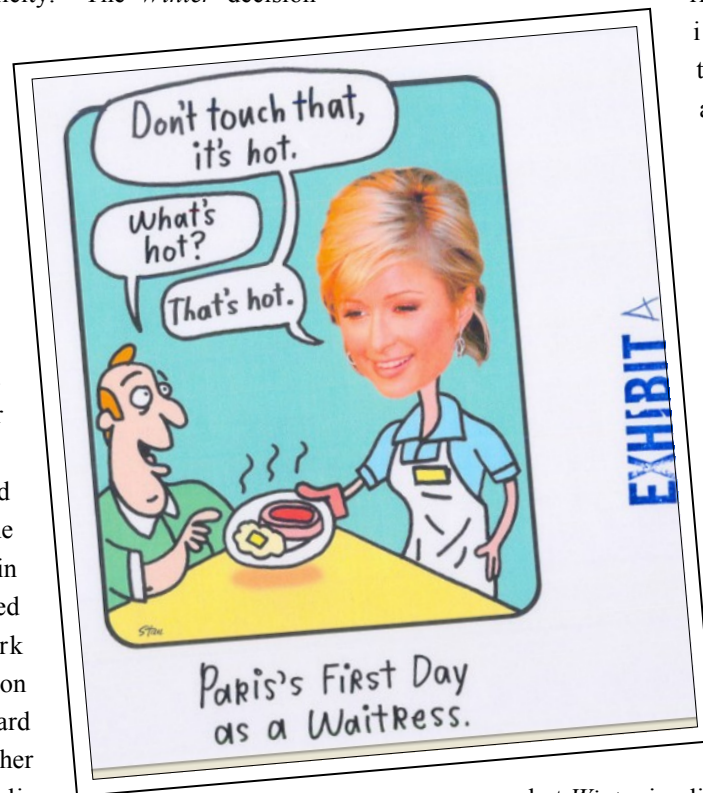
The initial *Hilton* opinion also quoted from *Winter* the admonition that “[w]hat matters is whether the work is transformative, not whether it is parody or satire or caricature or serious social commentary or any other specific forms of expression.” 30 Cal. 4th at 891. Although the *Hilton* panel quoted this segment from *Winter* to suggest that parody may not always be transformative, *Winter* was making a different point -- that a work need not be a parody to be “transformative”

– but *Winter* implied that parody would suffice.

In fact, earlier *Winter* said just that: “These ‘transformative elements or creative contributions that require First Amendment protection are not confined to parody and can take many forms from factual reporting [citation] to fictionalized portrayal [citations], from heavy-handed lampooning [citation] to subtle social criticism [citation].” quoting *Comedy III*, 25 Cal.4th at 406. The amended opinion draws the wrong lesson from *Winter* to “thus decline Hallmark’s invitation to label its card a parody and to deem it transformative on that basis alone.” 2010 WL 103987, n. 13.

The initial *Hilton* opinion employed the *Comedy III* and

(Continued on page 19)



(Continued from page 18)

Winter decisions as bookends to a “spectrum,” with *Comedy* illustrating an actionable use of a celebrity’s image and *Winter* (with its half-worm images) illustrating transformative use as a matter of law. Hallmark’s Petition pointed out that the panel had overlooked a middle case, *Kirby v. Sega of Am., Inc.*, 144 Cal. App. 4th 47, 50 Cal. Rptr. 3d 607 (2006), which had found as a matter of law that even assuming a video game character, Ulala, was “reminiscent” of a celebrity singer, Kirby, aka “Lady Miss Kier,” the game had “transformed” the image sufficiently to avoid liability by creating differences in their physiques, typical hairstyles and costumes and dance moves, as well as a 25th Century setting that made Ulala more fanciful than imitative.

The initial *Hilton* opinion stated that “[a]s long as Hallmark’s card is not in the same category as the comic book in *Winter*, then the anti-SLAPP motion to strike must be denied.” The amended opinion modifies that tone: “While a work need not be phantasmagoric as in *Winter* or fanciful as in *Kirby* in order to be transformative, there is enough doubt as to whether Hallmark’s card is transformative under our case law that we cannot say Hallmark is entitled to the defense as a matter of law.” (Emphasis added.)

The panel does not identify “our case law” but Hallmark’s Petition pointed out that the facts in *Hilton* were quite close to the only application of the transformative test in the Ninth Circuit, in *Hoffman v. Capital Cities/ABC, Inc.*, 255 F.3d 1180, 1184, n. 2 (9th Cir. 2001).

In *Hoffman*, the Ninth Circuit considered whether *Comedy III* had created a rule that imposed liability for a right of publicity claim under California law on the ground the photograph of Hoffman’s head was superimposed on a different body. The *Hoffman* panel opined “there is no question that [defendant’s] publication of the ‘Tootsie’ photograph contained ‘significant transformative elements.’ Hoffman’s body was eliminated and a new, differently clothed body was substituted in its place.” *Ibid*.

The *Hilton* panel’s initial opinion attempted to distinguish *Hoffman* on the ground that the claim there, unlike *Hilton*, involved a false portrayal, and plaintiff had not proven “actual malice” to establish common law and statutory right of publicity and Lanham Act false designation claims. Hallmark’s Petition pointed out that footnote 2 of the *Hoffman* decision did discuss and appear to apply the transformative defense. The *Hilton* panel revised its initial opinion which stated that “We reversed on grounds [in

Hoffman] having nothing to do with the transformative use defense,” by adding the explanation that *Hoffman* “discussed the defense in a footnote.”

In footnote 15 of the amended *Hilton* opinion and accompanying text, the *Hilton* panel states that it “appears” the *Hoffman* panel “did not consider the application of the transformative use defense in *Hoffman* in any depth,” because *Comedy III* was decided between oral argument in *Hoffman* and the *Hoffman* opinion.

Because the three judge *Hilton* panel lacked the power to overrule a holding made by a panel in a prior Ninth Circuit opinion such as *Hoffman*, it had to invoke Judge Kozinski’s exception to this rule from his concurring opinion in *United States v. Johnson*, 256 F.3d 895, 915 (9th Cir. 2001) (*en banc*) that the “earlier panel did not make a deliberate decision to adopt the rule of law it announced,” and thus could be ignored.

The Ninth Circuit applied California’s “transformative” test years ago in *Mattel Inc. v. Walking Mountain Prods.*, 353 F.3d 792, 812-13 (9th Cir. 2003), to affirm summary judgment and dismissal of unspecified state law claims where the defendant artist produced and sold photos containing Mattel’s “Barbie” doll, usually nude, and portrayed as in danger of being attacked by vintage household appliances.

After disposing of appeals regarding copyright and trademark claims, the Court stated that “[i]n light of our holding above that Forsythe’s work was transformative, Mattel’s remaining state law claims are barred by the First Amendment,” citing *Comedy III*. Thus, *Comedy III*, *Winter*, *Kirby* and *Mattel* all decided the transformative issue as a matter of law.

The California Supreme Court in *Winter* stressed the importance to speech interests of making such a determination on early motions “simply by viewing the work in question and, if necessary, comparing it to an actual likeness of the person or persons portrayed.” *Winter*, 30 Cal.3d at 893. The *Hilton* panel resolutely resisted those examples.

Lou Petrich is a partner with Leopold Petrich & Smith in Los Angeles. Hallmark was represented by Lincoln D. Bandlow of Lathrop & Gage. Paris Hilton was represented by Brent H. Blakely of the Blakely Law Group in Los Angeles. An amici curiae brief was submitted in support of Hallmark’s Petition for rehearing and rehearing en banc by Kelli L. Sager, Alonzo Wickers IV and Karen A. Henry of Davis Wright Tremaine LLP, Los Angeles.

EDNY Dismisses Ride-Along Suit

No State Action for Media Presence at Site of Alleged Constitutional Violation

By Laura R. Handman, Edward J. Davis
and Victor Hendrickson

Conclusory allegations of a “media ride-along” with the police, supported only by allegations of media presence at the location of alleged constitutional violations by government authorities, are insufficient to state a claim against the media under 42 U.S.C. § 1983, according to a recent decision by Judge Joseph F. Bianco of the Eastern District of New York. The media defendants in the case were found not to be state actors and therefore inappropriate targets for a constitutional tort claim under § 1983.

In Young v. Suffolk County, No. 09-CV-3325, plaintiff Deborah Young alleged that various print, broadcast and online media – News 12, Newsday, New York Post, New York Daily News and W C B S T V . C O M – participated in a ride-along with Suffolk County authorities in a search and seizure of her residence in violation of the Fourth Amendment. She also asserted claims against the media defendants for constitutional violations under 42 U.S.C. §§ 1985 and 1986, and state law claims for defamation and intentional infliction of emotional distress. By Memorandum and Order dated April 9, 2010, the court dismissed the complaint against the media defendants in its entirety. The court exercised pendent jurisdiction over the state law claims, dismissing them as time-barred.

Plaintiff’s Section 1983 claims against the Suffolk County police and social services agencies that conducted the search, as well as her estranged husband and other private individuals who allegedly summoned the authorities and the media, are going forward.

Factual Background

On February 21, 2007, while plaintiff and her three minor

children were traveling, her estranged husband and father of the children summoned the Suffolk County authorities to the house where plaintiff and the children lived, and which the father and his father owned. The authorities, and later the media, arrived to find the house in unimaginably horrific condition, with garbage, dead cats, feces and bottles of urine strewn throughout. Soon thereafter, a neglect proceeding was brought against the plaintiff in family court, and the children were placed in foster care, where they had been until January of this year, when the father was awarded sole custody. Plaintiff alleged that the father manufactured the unsanitary condition of the house in an effort to remove their children from her custody, an argument that the family court did not

find credible. The discovery of the house’s uninhabitable condition garnered widespread local news coverage, which extended into March 2007. Plaintiff brought this action in July 2009.

Plaintiff tried to frame her Section 1983 claim against the media defendants

as a ride-along case. For private parties to be held liable under Section 1983, they must have willfully and jointly participated with government officials in the alleged constitutional violation sufficiently to be considered state actors themselves. However, plaintiff repeatedly alleged, and confirmed in her opposition papers and at oral argument, that the media were invited into the house by the other private parties, particularly her husband. As for any joint activity by the media and the authorities, she alleged only that the authorities had “permitted” the media to enter and remain on the premises and take photo and video footage.

At oral argument, Judge Bianco expressed skepticism that the mere presence of the media in the house at the same time the police were there, as alleged, could be state action.

(Continued on page 21)

(Continued from page 20)

The Court's Decision

a. Federal Civil Rights Claims

The court found that plaintiff's specific factual allegations contradicted her contention that the media defendants could be state actors, despite the repeated use of the phrase "media ride-along." Plaintiff's allegations "that the media defendants were invited by [other private party] defendants, not the police . . . eviscerat[e] any plausible theory of conspiracy or joint state action between the media and the County defendants."

Relying on *Brunette v. Humane Society of Ventura County*, 294 F.3d 1205 (9th Cir. 2002) – where the Ninth Circuit held that the media could not be state actors merely for being present at the premises of, and reporting on the events surrounding, an alleged constitutional violation by a state agency – Judge Bianco found that "plaintiff offers no allegations that suggest that the media arrived in the same vehicles as the County defendants or that the media defendants even arrived at the same time as the County defendants. . . . In the instant case, as in *Brunette*, the media and the state parties are not alleged to have assisted the other in the performance of its separate tasks."

The court also distinguished this case from *Wilson v. Layne*, 526 U.S. 603 (1999), where the issue was whether the police violated the Fourth Amendment by inviting the media to ride-along during the execution of a search warrant. *Wilson* did not, however, address whether the media's participation in the ride-along constituted joint action sufficient to convert it into a state actor.

The court declined to dismiss plaintiff's Section 1983 claims against the other private party defendants because it found sufficient allegations of joint activity and a conspiracy between them and the authorities, and sufficient allegations that a Fourth Amendment violation had occurred.

The defendant owners of plaintiff's residence had argued that they had authority to consent to the search of the home by virtue of their ownership, despite plaintiff's allegations of exclusive use and occupancy of the home. The court held that ownership of a residence alone does not confer authority to consent to a search, and that the issue of authority to consent in this case is a fact-based inquiry requiring discovery.

The Section 1985 claim was also dismissed against the media defendants because of the absence of state action and dismissed against all defendants for failure to allege any class-based, invidious discrimination as required to state a claim under that section. The class plaintiff had claimed was

discriminated against was composed of those "tried and convicted in the media." The Section 1986 claim was dismissed against all defendants because Section 1985 liability is a necessary predicate to such a claim.

b. State Law Claims

The court exercised pendent jurisdiction over the state law claims of defamation and intentional infliction of emotional distress because "the legal issues are straightforward and applicable to all defendants" and "promote[] the interests of judicial economy, convenience, and fairness."

The statute of limitations in New York for emotional distress and for defamation claims is one year. Plaintiff brought this action in July 2009, yet all the alleged conduct by the media defendants relevant to her state law claims occurred no later than March 2007.

Plaintiff pointed to the continued availability online of many of the allegedly defamatory news articles and broadcasts, but the court noted that, "under the single publication rule, the fact that a story remains available online does not restart the statute of limitations."

Conclusion

In relying on the Ninth Circuit's *Brunette* case to hold that the presence of the media at the site of an alleged constitutional violation cannot alone constitute state action, the court has set an important precedent within the Second Circuit for media ride-along cases. Courts within the Second Circuit previously have analyzed whether government conduct involving the media can constitute a constitutional violation, but until now none had expressly addressed the circumstances under which media entities could be viewed as state actors.

While this decision does not suggest precisely where the line between private and state action is drawn, it supports the principle that there should be no finding of state action so long as the media and authorities act independently in carrying out their respective duties, even if they are working in the same place at the same time. For the media to be considered state actors, there must be more concerted activity with state officials.

Laura R. Handman, Edward J. Davis and Victor Hendrickson of Davis Wright Tremaine LLP represented the media defendants. Plaintiff is represented by Thomas F. Liotti of the Law Offices of Thomas F. Liotti in Garden City, New York.

California Court of Appeal Affirms Summary Judgment in "Ali G" Libel-in-Fiction Case

Comedic Statements Could Not Be Understood to Imply False Assertions of Fact

By Michael Cleaver and Russell Smith

With the first appellate decision in the United States addressing “libel-in-fiction” in a television context, a unanimous three-judge panel of the California Court of Appeal in Los Angeles has ruled for the defense, protecting “the free speech rights of all comedy performers and humorists.” *Doe v. Channel Four Television Corp.*, No. B217145 (Cal. App. April 6, 2010) (Todd, Boren, Ashmann-Gerst, JJ.) (unpublished).

In particular, defendant Channel 4 Television Corporation (“Channel 4”), the UK’s second largest commercial television broadcaster and the originator of “Da Ali G Show,” starring Sacha Baron Cohen (“Cohen”), has defeated a libel case involving a plaintiff who sought \$800,000 dollars in damages, all allegedly due to the inclusion of her name in a comedy routine.

The plaintiff, who sued as “Jane Doe,” claimed that Cohen used her name in a comedy “interview” by the fictional “Ali G” with the noted historian and author, Gore Vidal, during the course of an episode of “Da Ali G Show.” In the interview, “Ali G” asked Mr. Vidal why there is any point in amending the U.S. Constitution, since he (Ali G) once had a girlfriend (the plaintiff) who was constantly “amending herself,” but to no avail.

“Da Ali G Show” is a satirical television comedy in which Cohen (a white male from the UK), under the guise of three separate, fictional alter-egos – “Ali G” (a “wannabe” black gangsta-rapper), “Borat” (a witless journalist from Kazakhstan), and “Bruno” (an Austrian gay fascist fashion reporter) – interviews real people, including countless celebrities and other public figures (such as Pat Buchanan, Boutros Boutros-Gali, Newt Gingrich, Dick Thornburgh and Donald Trump). The “interviews” involve a steady stream of ridiculous statements and questions posed by the respective alter-egos to the interviewees. Although the television audience is well aware that the interviewer is a fictional persona, the interviewees, at least at the time of the interview,

are not.

Throughout the program, Cohen never steps out of character, and never appears as himself. Using his idiotic and buffoonish “Ali G” persona in particular, Cohen satirizes sexism, racism, homophobia, and what passes for Western “youth culture.” As *New York Times* columnist Maureen Dowd noted, “[w]ith his white-gangsta-rapper-wannabe persona, Sacha Baron Cohen, a brilliant graduate of Cambridge, sends up the vacuity of the culture.”

Background of the Case

The Plaintiff, a one-time acquaintance of Cohen by way of a British Jewish youth group trip to Israel in 1987, alleged that an episode of the “Da Ali G Show” originally broadcast in August of 2004 referred to her by her full name, and in doing so defamed her. Specifically, during a spoof interview with Gore Vidal, Cohen’s “Ali G” character remarked as follows:

Ain't it better sometimes, to get rid of the whole thing rather than amend it, cos like me used to go out with this bitch called [Jane Doe] and she used to always be trying to amend herself. Y'know, get her hair done in highlights, get like tattoo done on her batty crease, y'know have the whole thing shaved – very nice, but it didn't make any more difference. She was still a minger and so, y'know me had enough, and once me got her pregnant me said alright, latters, that is it. Ain't it the same with the Constitution?

Mr. Vidal laughed, and then responded: “Well, the Constitution has not yet become pregnant.”

The Plaintiff responded with a libel suit alleging that the

(Continued on page 23)



Ali G: Is history happening all the time?
Gore Vidal: We are history. We can't help it.

(Continued from page 22)

above statements falsely suggested that she had a sexual relationship with Cohen, and that, because she has no children, the statements also falsely suggested that she must have had an abortion. She further claimed that, as a result of the broadcast statements, she was exposed to hatred, contempt and ridicule, and that she suffered extreme shock and bewilderment causing her physical pain, as well as embarrassment in her profession (public relations).

Summary Judgment

Granting Channel 4's motion for summary judgment, Los Angeles Superior Court Judge Terry Friedman, in a pro-media ruling, apparently only the second libel-in-fiction decision in the television context (the first being *Frank v. National Broadcasting Company*, a New York decision dismissing a libel suit against *Saturday Night Live*), decisively threw out the lawsuit, holding as follows:

No reasonable person could consider the statements made by Ali G on the program to be factual. To the contrary, it is obvious that the Ali G character is absurd, and all his statements are gibberish and intended as comedy. The actor, Sasha Baron Cohen, never strays from the Ali G character, who is dressed in a ridiculous outfit and speaks in the exaggerated manner of a rap artist. Ali G's statements are similarly absurd. For example, prior to the reference to

Plaintiff, while 'interviewing' the author Gore Vidal, Ali G refers to the Constitution of the United States as having been written on two tablets, clearly intended to confuse the Constitution with the Ten Commandments. Altogether, the program is obviously a spoof of a serious interview program. No reasonable person could think otherwise.

Summary judgment was entered in July of 2009. (Defendant's summary judgment brief is available [here](#).)

Appeal

The plaintiff appealed the trial court's grant of summary judgment, asserting that there were triable issues of fact as to whether a reasonable person could have considered the statements at issue to be factual and susceptible of defamatory meaning. The appellate court disagreed.

On April 6, 2010, after hearing oral argument from both sides, the California Court of Appeal in Los Angeles, affirmed the summary judgment, ruling in part as follows:

The Ali G character made the statements during a comedy show in the context of an interview with Vidal involving a series of other comedic and sometimes crude statements that could not be reasonably understood as asserting actual facts. Ali G's unremittingly facetious statements included comments about Vidal's being a world famous hairstylist; Denzel Washington's living in George

(Continued on page 24)

(Continued from page 23)

Washington's former Mount Vernon home; John Paul Jones being a quadriplegic; the world running out of gravity, which was discovered by Sir Isaac Newton-John; euthanasia meaning the killing of elderly people by youth in Asia; and Ali G's face being added to Mount Rushmore. Taken in context, a reasonable viewer would have no basis for distinguishing these satirical and imaginative statements from statements purporting to detail Ali G's prior relationship with a "minger".... "To hold otherwise would run afoul of the First Amendment and chill the free speech rights of all comedy performers and humorists, to the genuine detriment of our society." [citations omitted]

Based on the totality of the circumstances (i.e., whether the language of the statement has a defamatory meaning, considering the entire context in which the statement was made), and after viewing the episode at issue, the appellate court held that "no reasonable viewer of the episode could have understood Ali G's statements in a defamatory sense." The statements, made by Cohen "while in character, pretending to be a gangsta rap artist of a different race ... purported to address a fictional character's prior relationship [and accordingly] a reasonable viewer could not have understood the statements to convey a provably false assertion of fact, but instead merely as a joke or parody." Notably, the trial court had also made explicit reference to the fact that the statements were made by a "fictional character," comparing, at oral argument, the plaintiff's allegation to a claim that a real person could have a sexual encounter with "Bugs Bunny."

With regard to the plaintiff's other claims, the appellate court noted that its conclusion that the statements at issue are not defamatory as a matter of law disposes of the entire complaint, because the other claims were based on the same allegations as the simultaneous libel claim, and were thus superfluous.

Role of Indian Attorneys in the Victory

As was the case with the motion for summary judgment, U.S. law-trained Indian attorneys at SDD Global Solutions in Mysore, India conducted the legal research and drafted all of the preliminary drafts of papers in the appeal. Once again, as reiterated by Channel 4's general counsel in a statement following the appellate victory, this "proved to be an innovative and cost-effective way for Channel 4 to fight and

win the suit [as opposed to settling simply to avoid significant legal costs]." This proves in practice the wisdom of ABA's Formal Ethics Opinion 08-451, in which the ABA ethics panel ruled that "[t]he outsourcing trend is a salutary one for our globalized economy...." and that "outsourcing affords lawyers the ability to reduce their costs and often the costs to the client," allowing law firms to better represent clients "effectively and efficiently." Indeed, without legal outsourcing to India, the U.S. media defense lawyers in this case would not have had any work to do at all in the matter, because it would have been settled instead of won.

Russell Smith and Michael Cleaver of SmithDehn LLP were lead U.S. counsel to Channel Four Television Corporation in this case. Providing crucial and cost-effective legal research and drafting were Padmavathi Shanthamurthy, Vidya Devaiah, Preethi Venkataramu, Ashish Kumar, and Sanjay Bhatia, U.S. law-trained Indian lawyers at SDD Global Solutions Pvt. Ltd. in Mysore, India.

Recently Updated THE MLRC PRACTICALLY POCKET-SIZED GUIDE TO INTERNET LAW

**[Click here to download
entire publication](#)**

or on the links below for individual articles:

**[Broad Immunity:
Section 230 of the Communications Decency
Act Provides Immunity
to Interactive Computer Service Providers
for a Variety of Legal Claims](#)**

**[When do the Plaintiff's Interests Outweigh
the Internet Speaker's
Right to Remain Anonymous](#)**

**[Computer Fraud and Abuse Act in
New Territory: The Lori Drew Case](#)**

Summary Judgment For Newspaper Affirmed On Appeal

Perseverance Pays Off In NJ Libel/False Light Case

By Bruce S. Rosen and Kathleen A. Hirce

A New Jersey appellate panel has upheld a trial court ruling dismissing allegations of false light because there was insufficient evidence of actual malice surrounding a weekly paper's front page teaser headline saying two men accused by the SEC of civil fraud were "arrested." *Durando and Dotoli v. The Nutley Sun and North Jersey Media Group Inc.*, No. a2524-08 (N.J. App. April 8, 2010).

In 2009, the trial court "reluctantly" reconsidered and reversed its opinion not to dismiss a false light count brought by two Nutley, N.J. men accused in a \$9 million "pump and dump" scheme, saying that it felt a jury should consider the issue but recognizing that caselaw required clear and convincing evidence of actual malice which was not present, and thus required a dismissal. Earlier, in an unusual ruling that was unreported, the same court had found the existence of actual malice arguable, but nevertheless dismissed the plaintiffs' libel claim on summary judgment because plaintiffs had failed to show "concrete damage" to their reputations. The court had also dismissed ancillary claims of emotional distress, leaving only the false light count.

The court rejected plaintiffs' arguments that actual malice was evidenced by an editor's answer to a vague question during deposition testimony. The editor, Paul Milo, had written the errant front page teaser headline referring to a page 11 story about plaintiffs while in the midst of a harried night working on deadline. Milo wrote the teaser a day after he laid out the page 11 news story about the SEC complaint; the story was actually written by *The Nutley Sun's* sister newspaper, *The Record*. The teaser, "Two Local Men arrested in 'Pump and Dump,'" did not identify the plaintiffs, and the story, which was conceded to be accurate, did not name the plaintiffs until after it disclosed the matter was an SEC civil complaint.

During his deposition, when asked by plaintiffs' counsel if it was possible he was unsure that the plaintiffs had been arrested before he published the headline, editor Milo stated "it's possible, but I don't remember." Plaintiffs seized on the statement as proof that Milo was attempting to sell more newspapers with the teaser headline, but the panel ruled that there was no evidence of any motivation to sell more newspapers by using the word "arrested," rather than "accused."

The court pointed to Milo's subsequent certification, which was submitted with media defendants' motion for summary judgment, clarifying this "singular and tentative response," where Milo explained that he supposed the question was asking whether "anything was possible." Milo also explained through the certification that there was no motive for him to make the error for it made him look bad to his employers, would subject him to discipline and made *The Nutley Sun* appear confusing or erroneous to readers.

The Appellate Court ruled that cases falling within the ambit of public concern or involving the tort of false light are governed by the *New York Times* standard, and found no clear and convincing evidence of actual malice. In fact, the Court point out that the placement of the headline—as the third of four teasers, falling under other teasers about the Christmas holidays—was consistent with a lack of actual malice. "Although the headline's inclusion of the inaccurate word "arrested" was careless and unfortunate, the circumstances do not satisfy the legal and constitutional requirements for liability," the Court wrote in a *per curiam* decision.

Bruce S. Rosen and Kathleen A. Hirce of McCusker, Anselmi, Rosen & Carvelli, P.C., along with NJMG General Counsel Jennifer A. Borg and Counsel Dina L. Sforza, represented The Nutley Sun and North Jersey Media Group Inc. Plaintiffs were represented by Glenn M. Finkel and Christopher A. Stewart of Schepisi and McLaughlin, PA, Englewood Cliffs, N.J.

Newspaper's Anti-SLAPP Win Affirmed on Appeal

Article About Medical "Misdiagnosis" Was True, Not Defamatory and Not Trade Libel

A California appeals court panel affirmed dismissal of a doctor's libel complaint against a newspaper, finding that the term "misdiagnosis" as used in an article was substantially true, not defamatory, and not a trade libel of the doctor's practice. *Keene v. Lake Publishing Co.*, No. A125371 (Cal App. March 18, 2010) (Haerle, Lambden, Richman, JJ.) (unpublished). The appeals court also affirmed an award of \$107,000 in attorney fees for the defendant newspaper, deferring to the trial court's judgment as to the reasonableness of the fees on the motion to strike the complaint.

Background

At issue in the case was an April 15, 2008 article in the *Lake County Record-Bee* titled "Getting his life back ... Misdiagnosed man breathes huge sigh of relief," about local sportscaster and disc jockey, Eric Patrick. The article reported that Patrick had been initially diagnosed as suffering from Lou Gehrig's disease (ALS), but further tests showed he had a non-fatal neurological disorder.

The plaintiff, Dr. Camille Keene, had initially treated Patrick for his neurological ailment. She sued over multiple statements in the article stating that Patrick was "misdiagnosed with Lou Gehrig's disease" and quoting her saying to her patient "it looks like you have ALS." The trial court granted the newspaper's motion to strike the complaint under the California anti-SLAPP statute, 425.16, finding the statements true, not defamatory and not made with actual malice to the extent the complaint sounded in trade libel.

Court of Appeals Decision

On appeal, plaintiff conceded that the complaint fell within the scope of the anti-SLAAP statute as an exercise of free speech on a matter of public concern, but argued that she demonstrated a probability of prevailing because the newspaper knowingly misused the term "misdiagnosis." The appellate court disagreed, affirming the trial court ruling on the merits and its substantial fee award.

The court first addressed the meaning of the term "misdiagnosis" as used in the article. It rejected plaintiff's argument based on one medical dictionary definition that the

term could only mean a "final, incorrect determination" of the patient's medical condition. The plaintiff, the court stated, "cannot dictate the definition of 'misdiagnosis' simply by alleging what the term means to her." Instead the court looked to the context of the article and how a typical reader would understand the term.

Under this approach, the court found that the typical reader would understand the article to mean that plaintiff's assessment of the patient's condition was "preliminary" and subject to additional testing – thus the article was substantially true.

The court also affirmed that given this meaning the article was not even defamatory. "We find nothing in the substance of the April 15 article that could be reasonably construed by an average reader as questioning [plaintiff's] medical skills or abilities to perform her job. To the contrary, the clear import of the article was that it really did appear as though Patrick had the fatal disease and the discovery that he did not have ALS was remarkable at least in part because it was unexpected."

The court then affirmed that to the extent plaintiff's complaint sounded in trade libel she failed to present any evidence of actual malice and there was no basis to grant her request for more discovery on the issue.

Attorney Fees

The court also affirmed the \$107,000 attorney fee award, applying an abuse of discretion standard. Plaintiff had argued that the trial court did not adequately review the fee claim and moreover could only award fees based on local attorney rates. As to the former, the court found no merit to the argument. Oral argument on the fee motion as well as the trial court's statement that it "read the papers on all sides" showed adequate review by the trial court.

Finally, the court rejected plaintiff's claim that the attorney fee award had to be based on local attorney rates. Instead the trial court's decision to award higher hourly rates "was supported by defense evidence that there are very few lawyers in Northern California with experience defending news entities sued for libel, none of whom practice in Lake County."

Media Expected to Benefit from Washington State's Newly Strengthened Anti-SLAPP

By Bruce E.H Johnson and Sarah K. Duran
Davis Wright Tremaine LLP

The news media received an important new legal tool on March 18, when Governor Chris Gregoire signed Senate Bill 6395, an enhanced anti-SLAPP statute. The law, which takes effect June 10, will provide important procedural safeguards against unwarranted defamation suits and similar claims based on news content and other speech.

The legislation protects the public from Strategic Lawsuits Against Public Participation, commonly known as SLAPPs. Washington led the nation in 1989 by passing the first anti-SLAPP statute, RCW 4.24.510. The law allows a defendant to bring a motion to defeat SLAPP claims, and to recover fines and attorneys' fees for the cost of defending against the SLAPP claim.

However, the statute has changed little since it was passed, and protected only advocacy to the government if the advocacy was designed to have an effect on government decision making and only if the advocacy took the form of a complaint to a government agency.

Some described the previous law as closer to a whistleblower statute. (See Michael Eric Johnson, *A Better SLAPP Trap: Washington State's Enhanced Statutory Protection for Targets of Strategic Lawsuits Against Public Participation*, 38 Gonz. L. Rev. 263, 282 (2003).

Because the statute did not protect speech aimed to the public in general, no media entities have been able to use the statute.

The revised law expands the existing statute in the following ways. First, it provides a broader definition of protected conduct. The law protects not only statements aimed at influencing a government agency or judicial body, but also any public statements and documents submitted to a public forum and "any lawful conduct in furtherance of the exercise of the constitutional right of free speech" that are related to issues of public concern.

Thus, under this broader definition, news media should be able to invoke the statute when they are sued for the articles and reports they publish.

Second, the law requires an expedited dismissal procedure. The law provides for early "special motions to

strike," which require SLAPP plaintiffs to demonstrate by "clear and convincing evidence" at the outset of litigation that they can establish the required elements of their case. If the plaintiff is unable to do so, the case will be dismissed.

A hearing on the motion must be held within 30 days. If the court's docket does not allow for a hearing within 30 days, the hearing must take place "with all due speed" and receive priority. The court must rule within seven days of hearing the motion.

This is a significant improvement: The previous law had no deadlines for resolving a claim, and special motions to dismiss would be handled in the same manner as any other non-dispositive motion.

Third, all discovery and any pending hearings or motions will be postponed until the court rules on the motion.

Fourth, as with the previous law, a defendant who prevails on a special motion to strike will be entitled to a fine of \$10,000, reasonable attorneys' fees, and the costs of litigation. A frivolous motion to strike will be subject to similar sanctions.

Fifth, either party has the right to seek an expedited appeal of the trial court's ruling or if a court fails to promptly rule on a motion to dismiss.

The law also provides extensive legislative findings to guide the judiciary when it interprets the statute. For instance, the findings make clear that the law must be applied and construed liberally to bring about the goal of protecting the right of citizens to participate in public debate and without fear of reprisal from SLAPP lawsuits. The legislative findings also acknowledge the need for expedited judicial review and a speedy decision on SLAPP lawsuits.

The Washington law is modeled after California's anti-SLAPP statute, which has been used successfully by the news media and other speakers to deter and defeat frivolous defamation claims.

Senate Bill 6395 passed out of both houses of the Washington legislature with no dissenting votes.

Mr. Johnson is a partner and Ms. Duran is an associate in DCS member firm Davis Wright Tremaine LLP. They drafted the proposed anti-SLAPP legislation and testified in support of the bill.

Libel Tourism: Legislative Update

Utah Enacts Libel Tourism Law

On March 23, Utah Governor Gary R. Herbert signed into law a bill to make foreign libel judgments unenforceable in the state unless complaint with the First Amendment and Utah constitution. The bill was introduced on January 20, 2010 by state representative Julie Fisher, R-Fruit Heights, a former television broadcaster. It unanimously passed in the state house on February 9 by a vote 73-0. The bill was approved by the state senate's Judiciary, Law Enforcement, and Criminal Justice Committee on Feb. 22. Full legislative history is available here.

Section 78B-5-320 provides: "A judgment obtained in a foreign jurisdiction may be considered nonrecognizable and unenforceable by the courts of this state if:

(1) the judgment was obtained in a jurisdiction outside the United States; (2) the judgment resulted in a libel judgment for damages; and (3) the court sitting in this state before which the matter is brought determines that the libel law applied in the foreign court's adjudication process did not provide at least as much protection for freedom of speech and press as would be provided by the United States Constitution and the Utah Constitution."

Section 78B-5-321 provides that for the purposes of applying the law "the courts of this state may not make the determination in Section 78B-5-320 unless the person attempting to enforce the judgment submits to personal jurisdiction and the person against whom the judgment is being enforced: (1) is a resident of this state; (2) is a person or entity amenable to the jurisdiction of this state; (3) has assets in this state; or (4) may be required to take action in this state to comply with the judgment. "

Maryland Libel Tourism Bill Awaits Governor's Signature

A Maryland libel tourism bill has reached the desk Governor Martin O'Malley. HB 193 was introduced in January 2010 by State Senator Samuel Rosenberg, D-Baltimore. The bill passed unanimously this month in the House and Senate.

The bill provides that foreign defamation judgments – and privacy judgments based on false facts – need not be enforced unless the court determines that the foreign law provided at least as much protection for freedom of speech and press in that case as would be provided by the United States Constitution and the State Constitution. The state long-arm jurisdiction statute would be amended to provide for personal jurisdiction over the foreign plaintiff for a declaratory judgment action of non-enforceability.

The bill would also make certain foreign judgments against the providers of interactive computer services unenforceable unless compliant with Section 230 of the Communications Decency Act.

Legislative history and bill status available here.

Court Refuses to Convert “Garden-Variety” Copyright Claim into §1202 DMCA Claim

Uses of Semi-Nude Photograph of Radio Shock Jocks Were Fair

By Itai Maytal and David S. Korzenik

A photographer’s effort to convert his “garden-variety” copyright infringement claim, involving a semi-nude photograph of two radio shock jocks, into a potentially more lucrative Digital Millennium Copyright Act (“DMCA”) §1202 claim was blocked last month by a New Jersey federal district judge.

In *Murphy v. Millennium Radio Group LLC, et. al.*, No. 08-1743, 2010 WL 1372408 (D.N.J. Mar. 31, 2010), United States District Judge Joel Pisano granted summary judgment to defendants radio shock jocks and their radio station on all counts for their online use and discussion about a copyrighted photograph. The suit alleged violations of the DMCA, copyright infringement and defamation. By ruling that the removal of a fine-print gutter credit did not amount to a DMCA violation under section 1202 of the statute, Judge Pisano confirmed that the DMCA does not supplant the original Copyright Act and cannot be used in this manner to expand possible recovery by a plaintiff.

Judge Pisano dismissed Plaintiff’s copyright claim after finding the defendants’ uses of his photograph on their website were fair use. He dismissed plaintiff’s defamation claim after finding that statements made about the plaintiff by the defendants were either rhetorical hyperbole or otherwise not capable of defamatory meaning.

Background

This case arose from a photograph taken by plaintiff Peter Murphy of Defendants Craig Carton and Ray Rossi, hosts of the “Jersey Guys” show on WKXW 101.5 FM. Murphy, a freelance photographer, took Carton and Rossi’s photograph for *New Jersey Monthly* Magazine, which named them the best shock jocks of New Jersey in 2006. The photograph shows Carton and Rossi standing side-by-side seemingly nude, except for a placard with the station’s name covering their mid-sections. *New Jersey Monthly* published the photograph in its March 2006 print edition, but not online, as part of a special awards feature entitled “Best of New Jersey.”

At the time the photograph was taken, Murphy was an independent contractor for the magazine.

Shortly after publication, WKXW posted the photograph of Carton and Rossi on its own website after scanning the print version from *New Jersey Monthly*. No copyright notice or watermark appeared on either of the two pages of the magazine on which the photograph was printed. Instead, credit in fine print appeared in the side of each page (the “gutter” of the printed page) where Murphy, along with other photographers, was credited by name. A *New Jersey Monthly* magazine employee, who composed the page, inserted the credit using Adobe InDesign software. Plaintiff claimed that this software made the credit here “copyright management information” under section 1202(c) of the DMCA. Defendants asserted that they did not remove any information in copying the photograph and they expressly identified *New Jersey Monthly* as the source of the image.

After some visitors to the radio station’s website sent altered versions of the photograph, the station invited more visitors to contribute, so as to allow fans to react to the work. As many as 28 visitors made submissions to the site. For example, one visitor altered the photograph by putting Carton and Rossi in bikini tops and replacing the station’s logo on the placard with “2007 Jersey Girls Calendar.” The station displayed the altered photographs on its site as thumbnail images until Murphy’s lawyer sent a cease-and-desist letter in June 2006, claiming copyright infringement and DMCA claims and demanding compensation.

Murphy alleged in his complaint that shortly after their receipt of his letters, defendants Rossi and Carton for 45 minutes of live broadcast proceeded to “impugn his personal integrity” by describing him as a “‘a man not to be trusted’ in a business environment”; “a man who ‘will sue you’ if you have business dealings with him”; and a “man with whom ‘a person should avoid doing business.’” He alleged in his complaint that Carton and Rossi also “discussed the manner in which he had them pose for the photograph and derogatorily inferred he was a homosexual.” Following the

(Continued on page 30)

(Continued from page 29)

filing of his copyright and defamation suit against the two shock jocks and Millennium Radio Group, the owner of their radio station, the Defendants moved for summary judgment on all of his claims.

DMCA Claim Under 17 U.S.C. §1202(b)

Section 1202 of the DMCA bars the removal or alteration of “copyright management information” (“CMI”) from a copyrighted work with the intent to commit copyright infringement. 17 U.S.C. §1202(b). Thus, the removal or alteration of CMI without a showing of intent to “induce, enable, facilitate, or conceal” copyright infringement will not be a violation of the statute. CMI is defined by Section 1202(c) in eight categories of information about authorship, ownership and permitted uses of a work that are components of “rights management functions” or “rights management systems.” One of those categories involves, in relevant part, “the name of, and other identifying information about, the author of a work.” 17 U.S.C. §1202(c)(2).

In his complaint and opposition papers, plaintiff asserted that defendants’ posting of his photograph, but not the gutter credit line, amounted to intentionally removing CMI under 17 U.S.C. §1202(b), which is a violation of his rights under the DMCA. Defendants disputed Plaintiff’s characterization noting that the information at issue in the case (1) was nothing more than a photography credit in a print magazine (not even in digital form); (2) a fine print credit not even

located on or next to the photo in question; (3) one located in the gutter of the page (already removed and remote from the photo that it was crediting); and (4) most significantly, not part of any automated or technological copyright management or protection system.

Defendants also noted that even if the DMCA did apply, that WKXW and the other defendants lacked the kind of intent required by §1202 to be liable, as they expressly credited *New Jersey Monthly* as the source of the photograph. *See Kelly v. Arriba Soft Corp.*, 77 F.Supp.2d 1116, 1122 (C.D. Cal. 1999), *aff’d in part and rev’d in part on other grounds*, 280 F.3d 934 (9th Cir. 2002).

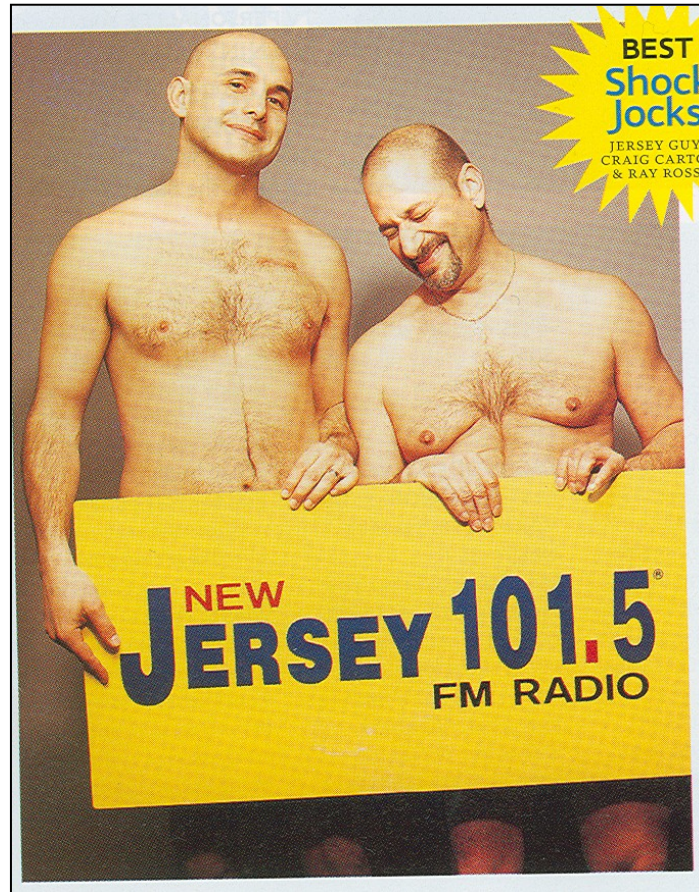
Defendants also cautioned that if plaintiff’s DMCA argument were to succeed, every photograph published without its original credit would give rise to a violation of the statute, arguably allowing for expanded remedies and extension of rights not otherwise granted under the Copyright Act of 1976. For example, untimely registered works would still be entitled to statutory damages and attorneys’ fees if a DMCA

1202 claim was viable. Plaintiff

had not timely registered his photograph here. Further, while the Copyright Act permits recovery of one award of statutory damages for each work infringed, regardless of evidence of widespread distribution, the DMCA appears to permits recovery of statutory damages for “each violation” of §1202. 17 U.S.C. §1203(c)(3)(B).

As the term “each violation” is undefined in the statute, and unclear to courts, it could be abused by copyright

(Continued on page 31)



Judge Pisano dismissed Plaintiff’s copyright claim after finding the defendants’ uses of his photograph on their website were fair use. He dismissed plaintiff’s defamation claim after finding that statements made about the plaintiff by the defendants were either rhetorical hyperbole or otherwise not capable of defamatory meaning.

(Continued from page 30)

plaintiffs. Statutory damages for DMCA claims can also range from a minimum of \$2,500 to a maximum of \$25,000 per violation (17 U.S.C. §1203), which is more than the standard statutory damages for copyright claims of \$750 or more per infringement. 17 U.S.C. §504. In addition, some plaintiffs claim that fair use is not a defense to any DMCA claim under section 1201 or 1202. The irony here, as Defendants asserted, is that parodies rarely ever retain copyright notices or credits.

District Court Decision

Judge Pisano agreed with the Defendants that the fine-print gutter credit was not CMI. Persuaded by the opinion of then New Jersey Federal District Judge, now Third Circuit Judge, Joseph Greenaway Jr., in *IQ Group Ltd. v. Wiesner Publishing*, 409 F. Supp.2d 587 (D. N.J. 2006), Judge Pisano held that the DMCA did not apply.

The *IQ Group* court concluded — after an exhaustive

(Continued on page 32)

False Allegation of Homosexuality No Longer Actionable, Says NJ Federal Court

By Bruce S. Rosen

Nearly nine years after the New Jersey Appellate Division ruled that a false accusation of homosexuality is reasonably susceptible of a defamatory meaning, a U.S. District Court judge has predicted that the New Jersey Supreme Court would no longer follow that principle. Ironically both rulings stem from gay-baiting accusations aired on the same New Jersey radio station, WKXW 101.5, by different on-air talent under different ownership.

U.S. District Judge Joel Pisano, in *Murphy v. Millennium Radio Group LLC*, dismissed allegations by a photographer who shot “shock jocks” Craig Carton (now on WFAN’s “Boomer and Carton”) and Ray Rossi partially nude for a magazine article, that the two hosts had maligned him on the air as “a man not to be trusted in business,” and inferred that he was a homosexual. In his March 31, 2010 decision, Pisano ruled that within the content, verifiability and context of a shock jock radio show, the alleged defamatory comments were “nothing more than rhetorical hyperbole, name calling or abuse,” which are not actionable under *Ward v. Zelickovsky*, 136 N.J. 516 (1994).

However, Pisano went further, stating that events – and court rulings - have overtaken the Appellate Division’s ruling in *Gray v. Press Communications LLC*, 342 N.J. Super 1 (App. Div. 2001) in which, relying on decisions from other states, the appellate court ruled that a false accusation of homosexuality is actionable. That case involved statements by one of two different shock jocks who said he “had heard” that Sally Starr Gray, once the longtime host of a Philadelphia children’s television show in which she dressed up as cowgirl, was a lesbian.

Pisano predicted that the N.J. Supreme Court would no longer accept *Gray* as good law after its decision in *Lewis v. Harris*, 188 N.J. 415 (2006), which held the equal protection clause of the state constitution was violated by not allowing the same rights and benefits to same sex couples as well as the subsequent enactment of the Domestic Partnership Act, NJSA 26:8A-1 et seq. and the creation of civil unions, NJSA 37:1-28, et seq.

Pisano noted that the *Lewis* Court clearly laid out its thinking on the subject: “Times and attitudes have changed, and there has been a developing understanding that discrimination against gays and lesbians is no longer acceptable in this state.” Thus, Pisano ruled, “it appears unlikely that the New Jersey Supreme Court would legitimize discrimination against gays and lesbians by concluding that referring to someone as homosexual “tends so to harm the reputation of that person as to lower him in the estimation of the community as to deter third persons from associating or dealing with him.”

Bruce S. Rosen is a partner with McCusker, Anselmi, Rosen & Carvelli, P.C. in Florham Park, N.J. Thomas Cafferty, Nomi Lowy and Lauren James-Weir of Scarini Hollenbeck LLP were counsel to the defendants as to the libel claim. Plaintiff was represented by Maurice Harmon of Harmon & Seidman LLC.

(Continued from page 31)

review of the DMCA's own definition of CMI, its legislative history, law review articles by experts on the intersection of copyright and new technology; a report by the Working Group on Intellectual Property Rights; and treaties of the World Intellectual Property Organization, of which the DMCA was the implementing statute — that “to come within §1202, the information removed must function as a component of an automated copyright protection or management system.” *Id.* at 597. The court explained that these are “technological measures that can control access and reproduction of works, and thereby manage the rights of copyright owners and users.” *Id.* For example, encryption technologies, digital signatures and watermarking are measures that address copyright management concerns and could be governed by §1202 of the DMCA. *See Id.* at 594.

Judge Pisano held that the fact that “a *New Jersey Monthly* employee used a software program to compose the page and insert the gutter credit did not bring this case into the scope of the DMCA.” The DMCA did not cover copyright management “performed by people” but rather “technological measures of automated systems.” Otherwise, Judge Pisano concluded that every reproduction of a magazine photograph without its original credit would cause a violation of the DMCA, converting “virtually all garden-variety copyright infringement claims” to DMCA claims, and “supplanting the original Copyright Act.” Judge Pisano went further to note that as an added section the Copyright Act, the DMCA was intended to supplement, not supplant, the act. Judge Pisano did not address the intent of the Defendants in his dismissal of Plaintiff's claims under the DMCA.

Status of Debate over Scope of Protectable CMI under 17 U.S.C. §1202

With this decision, Judge Pisano joins a growing consensus in federal courts that the statutory protection of §1202 is triggered only when CMI exists as a result of an automated copyright protection or management system. *See e.g., IQ Group, Ltd. v. Weisner, supra; Silver v. Lavandeira*, No. 08 Civ. 6522, 2009 WL 513031 (S.D.N.Y. Feb. 26, 2009), *Textile Secrets Int'l Inc. v. Ya-Ya Brand Inc.*, 524 F. Supp.2d 1184 (C.D. Cal. 2007); *Jacobsen v. Katzer*, 609 F.Supp.2d 925, 934 (N.D. Cal. 2009)(finds for copyright plaintiff, but appears to follow holding of *IQ Group*). What is common among these cases is that they largely reached their

conclusions about the scope and applicability of §1202 after exhaustive analysis of the intent and purpose of the DMCA, as manifest in the statute's express language, its legislative history and the surrounding legal scholarship and documents. These decisions provide a service to artists, authors, publishers and other copyright holders by reinforcing the contours of copyright law.

Several courts have interpreted §1202 more expansively, such that they do not limit the DMCA to technological measures of automated systems. *See e.g., Associated Press v. All Headline News Corp.*, 608 F.Supp.2d 454 (S.D.N.Y. 2009); *Fox v. Hildebrand*, No. CV 09-2085, 2009 WL 1977996 (C.D. Cal. July 1, 2009); and more confusingly *McClatchey v. The Associated Press*, No. 3:05-cv-145, 2007 WL 776103 (W.D. Pa. March 9, 2007).

However, these cases tend to treat the issue of what is protectable CMI in a cursory manner with little explanation, and the 1202 issue is ancillary to other issues. These cases tend to endorse the application of section 1202 of the DMCA without examining the meaning of the statute or its legislative history. By doing so, they leave copyright plaintiffs with the unwarranted ability to use §1202 claims as a bargaining tool in pushing settlements of questionable copyright claims.

Fair Use Exception to the Copyright Act – 17 U.S.C. §107

Defendants also prevailed at summary judgment on plaintiff's copyright infringement claims relating to the 28 altered photographs submitted by visitors to their website as well as their own use of the unaltered photograph. In ruling against the claim, Judge Pisano considered each of the statutory factors of the fair use analysis: (1) the purpose and character of the use, (2) the nature of the copyrighted work, (3) the amount and substantiality of the portion used in relation to the copyrighted work as a whole, and (4) the effect of the use upon the potential market for or value of the copyrighted work. 17 U.S.C. §107.

Judge Pisano concluded that the fair use factors, considered as a whole, weighed in favor of the defendants. The fact that, under the first factor, the new uses of the photograph were either for a different purpose or fundamentally transformative in nature, coupled with the fact that they had no credible effect on the value of the original copyrighted work, the fourth factor, led Judge Pisano to

(Continued on page 33)

(Continued from page 32)

dismiss plaintiff's copyright claims on fair use grounds. Judge Pisano found the third and fourth factors neutral in the analysis given that the case involved parody.

Defamation

Judge Pisano also dismissed Murphy's defamation claims, finding that the bulk of the claims amounted to "nothing more than rhetorical hyperbole," and that a false accusation of homosexuality is no longer capable of defamatory meaning in New Jersey. For a full discussion of the defamation claim in this decision, please refer to the companion piece in this issue, "False Allegation of Homosexuality No Longer Actionable, Says NJ Federal Court."

Conclusion

While Judge Pisano's fair use analysis does not create

new law in copyright, his decision on the DMCA claim in this dispute helps further resolve an ongoing debate in federal courts of what constitutes protectable copyright management information.

By endorsing the viewpoint held by other courts that section 1202 of DMCA covers only "technological measures of automated systems," this decision helps solidify the boundary between the Copyright Act and the DMCA, without depriving copyright plaintiffs the ability to recover reasonable damages from meritorious copyright claims.

Plaintiff has filed a notice of appeal.

David S. Korzenik of Miller Korzenik Sommers LLP represented the Defendants as to the copyright claims, supported by firm associates Mona Houck and Itai Maytal. Thomas Cafferty, Nomi Lowy and Lauren James-Weir of Scarini Hollenbeck LLP were counsel to the Defendants as to the libel claim. Plaintiff was represented by Maurice Harmon of Harmon & Seidman LLC.

Florida Appellate Court Rejects Prior Restraint to Protect Children's Privacy

A Florida appellate court panel summarily reversed a prior restraint entered to protect the privacy rights of two young children against a relative who expressed interest in writing a book about the murder of the children's parents. Gagliardo v. In re the Matter of the Branam Children, 3D09-2958 (Fla. App. March 24, 2010)

In September 2007, the parents, Taylor and Morgan Branam, were murdered at sea on the Miami charter boat they operated. The murder received international attention as did the subsequent trial against the accused killers – dubbed the "Joe Cool" murder case after the name of the parents' boat.

In the course of custody hearings over the children, one relative requested – and the trial court granted – an order prohibiting family members from disseminating any photographs of the children, or information about them or the tragedy involving their parents. The order was directed at Maria Gagliardo, the long-time companion of the children's great-grandfather, who expressed interest "to write a book about her life with the children and their parents' disappearance."

In a short decision, the appellate court remarked that prior restraints are presumptively unconstitutional. Only in "exceptional cases," explained the court, will censorship of publications be allowed.

Here, the order enjoined the writer from speaking about or publishing any information relating to the children and/or circumstances surrounding their parents' widely publicized disappearance at sea. There were no exceptional circumstances present to justify censoring the writer. Thus, the trial court improperly entered this order.

The ACLU of Florida, Maria Kayanan and Randall C. Marshall, represented Maria Gagliardo. Lauri Waldmen Ross and Theresa L. Girtten of Ross & Girtten represented appellee.

New York Court Rejects Prior Restraint in Copyright Case

By Laura M. Leitner

On March 5, 2010, Judge Paul G. Gardephe of the United States District Court for the Southern District of New York denied a request for a preliminary injunction that would have barred the Canadian Broadcasting Corporation (CBC) from using any of the videotape it had taken at a New York fashion show put on by designer Peter Nygård. *Nygård International Partnership v. Canadian Broadcasting Corporation*, No. 09-CV-10298(PGG).

Knowing that the CBC was working on a documentary about his business practices, Nygård sought an injunction on the theory that the CBC's use of its own videotape of the event would violate a copyright Nygård held in the fashion show itself.

Ruling from the bench after an evidentiary hearing, Judge Gardephe found the potential future infringement of a copyright to be an insufficient basis for imposing a prior restraint against a news organization. He also held that an injunction was inappropriate for the further reason that Nygård had failed to establish a likelihood of prevailing on its claim of copyright infringement, for multiple reasons.

This lawsuit was only one part of a broader legal strategy to frustrate the CBC's newsgathering by Nygård, one of the richest men in Canada. Nygård also sued the CBC in Canada, alleging that it was tortiously interfering with confidentiality agreements between Nygård and his employees simply by interviewing them. Plaintiff's extraordinary efforts to impede the CBC proved unsuccessful. Its hour-long report about Nygård was broadcast on the CBC news magazine, "The Fifth Estate," on April 7, 2010.

Background

In December 2009, plaintiff Nygård International Partnership filed suit against the CBC in New York, asserting claims for copyright infringement and trespass. The claims arose out of a fashion show held by Nygård as part of the grand opening of its new "flagship" store in Times Square last November. Although the event was open to the public and many members of the press were invited, Nygård alleged

that only pre-approved reporters were allowed to photograph the fashion show because confidential and proprietary designs were displayed. It asserted that the CBC's presence was both unauthorized and surreptitious.

Plaintiff submitted a sworn statement from its director of communications claiming that, upon discovering the CBC crew at the fashion show, she told them they were violating Nygård's copyright and forced them to leave, and averring that the reporters then evaded security to sneak back in and continue filming illegally.

The allegations came as a complete surprise to the CBC and its reporters, who had attended the event and filmed portions of the fashion show in the ordinary course, without incident.

The CBC flatly denied that its journalists had done anything wrong, directly disputing Nygård's factual presentation. The CBC submitted its own sworn statements explaining that the camera crew had been welcomed at the fashion show by a Nygård press representative, denying that the communications director had ever confronted them, and denying that the crew was ever asked to leave at any time by any one.

The CBC also noted that Nygård's claims of confidential information were belied by the fact that the fashion show was held in a store that was open to the general public, and that the model's "runway" went outside the store onto the Broadway Mall in Times Square.

On January 21, 2010, Nygård moved for a preliminary injunction and an expedited hearing, on the ground that the CBC was about to publish the allegedly infringing video it had taken of the fashion show. The CBC cross-moved to dismiss, and an evidentiary hearing on both motions was held on March 5, 2010.

At the hearing, the CBC presented live testimony from the crew that had taken the video, and also introduced Nygård's deposit copy of the fashion show that the CBC had obtained from the Copyright Office, unbeknownst to Nygård.

Nygård had itself oddly failed to provide the court with a

(Continued on page 35)

(Continued from page 34)

copy of the tape to establish the nature of the allegedly infringed work, but the reasons for this failure quickly became evident at the hearing.

The Nygård videotape not only demonstrated many non-copyrightable elements in the purportedly copyrighted fashion show, but it also refuted Nygård's factual allegations about a supposed trespass by the CBC reporters. The video submitted to the Copyright Office included images of the CBC crew throughout the fashion show, setting up its microphone, and interacting with various Nygård employees. The audio picked up on Nygård's video of conversations involving the CBC crew was also inconsistent with the sworn testimony of the Nygård witnesses.

District Court's Decision

Obviously moved by what it had seen, the court promptly denied a preliminary injunction from the bench. Judge Gardephe noted that while Nygård was now objecting to the CBC recording of the event, it had attempted to maximize the publicity at the time and even held the fashion show on the sidewalks of Time Square in broad daylight.

Although Nygård argued that it had controlled media coverage by requiring all journalists to sign special agreements, the court found it significant that Nygård produced not a single copy of the agreement in the course of the hearing to substantiate its terms or to establish the nature of the restrictions imposed.

The court underscored that to obtain an injunction Nygård was required to show irreparable harm that would follow if no injunctive relief were granted and either "a likelihood of success on the merits or a serious question going to the merits to make them a fair ground for trial with a balance of hardships to be decidedly in plaintiff's favor."

Before applying this standard to the record facts, however, Judge Gardephe noted that the specific injunction Nygård sought would constitute a prior restraint against a news organization.

The court thus found a heavy presumption against the constitutional validity of the injunction being sought, and took note that Nygård was unable to cite a single federal case where a news organization had been enjoined from using videotape taken by its own journalists, on a theory of

copyright infringement.

The court then turned to the issue of irreparable harm. Judge Gardephe noted that irreparable harm has sometimes been assumed when a valid copyright is infringed, but found no clear evidence that Nygård held a valid copyright in the fashion show itself. Even if Nygård had a valid copyright, the court continued, the presumption of irreparable harm could be rebutted, and the CBC had successfully done so in this case.

The court found that there had been no confusion in the marketplace for Nygård's fashion show (if such a market exists) because no part of the CBC's recording had yet been broadcast, and it was unclear how much of the CBC video would ever be broadcast.

The court also found that no confidential or proprietary information would be disclosed if the CBC used its videotape and that Nygård had failed to demonstrate any other irreparable injury "relate[d] to its copyrightable interests." And it found Nygård's allegation of potential, future irreparable injury entirely too speculative to justify a preliminary injunction, given that the CBC had not yet made any actual use of the allegedly copyrighted material.

Turning to the likelihood of success, the court held that Nygård had failed to demonstrate that a non-scripted event like a fashion show is copyrightable, as distinct from a photograph or video of the event. In any event, Judge Gardephe concluded, the CBC was likely to have a strong case for fair use, if and when it used the video in a news program.

After rejecting Nygård's request for an injunction, the court requested additional briefing from Nygård. Noting that the hearing had revealed "many, many flaws in the case that's been brought," the court instructed Nygård to consider whether it intended to proceed, and if so, to explain within one week why the case still had merit given the testimony and evidence presented at the hearing.

Nygård promptly withdrew its complaint and terminated the action.

David A. Schulz, Robert Penchina, and Laura M. Leitner of Levine Sullivan Koch & Schulz, L.L.P. represented the Canadian Broadcasting Corporation. Plaintiff Nygård International Partnership was represented by Bart A. Lazar and Donald Dunn of Seyfarth Shaw LLP.

Proposed New Rules For New York City Press Passes

By Mickey H. Osterreicher

On April, 7, 2010 a public hearing was held at NYPD Headquarters to hear public comment on “Proposed Rule Revision Of Chapter 11 of Title 38 of The Official Compilation of Rules of the City of New York, Sections 11-01, 11-02, 11-03 and 11-04, relating to the Issuance of Working Press Cards, Reserve Working Press Cards, Single Event Working Press Cards and Press Identification Cards.”

According to a press release by the New York City Law Department, “the rules proposed to be adopted by the Police Department modernize the City’s credentialing system to reflect changes to the media industry and, for the first time, expressly incorporate online-only media such as blogs,” but a number of media organizations asserted that the proposed rules would cause additional problems for the press and that some of the proposed changes may even be unconstitutional.

The rulemaking was taken in response to a 2008 federal civil rights complaint (*Martinez-Alequin, et al v. City of New York, et al*) brought in the Southern District of New York on behalf of three “online” journalists who were denied press credentials in 2007.

In the City’s press release, Administrative Law Division Chief Gabriel Taussig claimed that the proposed “press credentialing system for the online age that can serve as a model for governments around the country.”

But other media groups including the National Press Photographers Association (NPPA), the New York Press Photographers Association (NYPPA), The New York Times, the New York Daily News, the New York Post, the Wall Street Journal and the Associated Press commented that there was room for improvement before the new rules were implemented.

The major news organizations argued that the proposed new rules for obtaining press credentials would create

problems for beat reporters who cover such things as City Hall and the courts because they might not be able to meet the requirements provided for in the proposed new rules, yet they still would be required to show a valid press credential in order to gain access to buildings where newsworthy events were taking place.

This would also be true for other news employees such as editors, who

sometimes need to supervise employees in the field.

Another obstacle created by the rules change is that a valid NYPD press pass is a requirement for obtaining New York State “NYP” license plates. Without an NYP plate, parking and vehicle access to news events is almost an impossibility. In their Comment the publications also took issue with the proposed limitation on “reserve press cards”

(Continued on page 37)



The major news organizations argued that the proposed new rules for obtaining press credentials would create problems for beat reporters who cover such things as City Hall and the courts because they might not be able to meet the requirements provided for in the proposed new rules, yet they still would be required to show a valid press credential in order to gain access to buildings where newsworthy events were taking place.

(Continued from page 36)

which are generic and rather than containing the name and photograph of the bearer can be given by news organizations to new employees who have yet to obtain their own card.

An area of concern to all groups was the proposed additional modifying restrictions that could bar access for the bearer of a press credential. The current language of 38 R.C.N.Y. §11-01 simply reads: “The Working Press Card entitles the bearer to cross a police or fire line at emergency scenes and at locations where police or fire barriers have been set up for crowd control purposes.”

The proposed new §11-01(a) reads: “The bearer of a Press Card may (i) with the approval of a supervising officer or a member of the Office of the Deputy Commissioner, Public Information of the New York City Police Department subject to safety, evidence preservation and privacy concerns, cross police, fire lines or other restrictions, limitations, or barriers established by the City of New York at emergency, spot or breaking news events and public events of a non-emergency nature where police, fire lines or other restrictions, limitations, or barriers established by the City of New York have been set up for security or crowd control purposes, within the City of New York; and (ii) *subject to space limitations*, attend events sponsored by the City of New York which are open to members of the press” (emphasis added).

In its Comment the NPPA expressed its concern that the new language “is on its face an unconstitutional prior restraint under the First Amendment of the United States Constitution as well as under Article I, Section 8 of the New York State Constitution that so severely limits the access intended to be granted to the bearer of the card as to make that privilege almost meaningless.”

It went on to state that “the additional language modifying access ‘subject to . . . safety, evidence preservation and privacy concerns . . .’ is also vague and overly broad.”

The NPPA voiced its “fear that such language may be open to arbitrary and capricious interpretation by police personnel.” “While the NPPA understands the rationale behind ‘safety’ and ‘evidence preservation’ restrictions we nevertheless believe that those additional qualifiers are

unnecessary. The NPPA also asserts that the term ‘privacy concerns’ constitutes an unreasonable restriction on press access and suggests that all those terms limiting access be deleted.”

Other areas of concern in the proposed rulemaking were found in §11-03, entitled “Single Event Press Card.” Those regulations require applicants to apply “in person” except “in case of exigent circumstances, such as a natural disaster, terrorist attack or other public emergency.”

Some commenters found this requirement to be overly burdensome while creating equal protection and due process issues for those members of the press seeking to obtain a credential for a single event. Given that the proposed rules were promulgated to reflect changes to the media industry and now apply to online-only media as well, suggestions were made that the application process should also be modernized to reflect technological advancements and the widespread use and acceptance of electronic communication for that purpose.

There were additional concerns expressed regarding the denial, appeal and hearing process as well as the review process by the Deputy Commissioner for Public Information. Also mentioned was concern where members of the press have had their press credentials taken away from them by members of the NYPD for various reasons and the apparently vague, inconsistent, arbitrary and capricious process for redressing the seizure/revocation.

According to the New York City Law Department, now that the Comment period has closed, the NYPD may do one of the following: it may adopt the proposed rules without further modification, it may make minor modification to the proposed rules in accordance with the comments it received and then adopt them, or it may make major revisions to the proposed rules in accordance with the comments it received, in which case it would have to start the rulemaking process from the beginning. In any case there is no set timeframe within which the NYPD must take action.

Mickey H. Osterreicher is the general counsel for the NPPA and a member of the New York State Bar Association Media Law Committee. He has been a photojournalist for more than thirty-five years and drafted the Comment on behalf of the NPPA.

Comcast v. FCC: Defining the Limits of Federal Regulatory Authority over Internet Services

By Jerianne Timmerman

Ancillary (an•cil•lar•y) adj. 1. subordinate: often with *to* 2. that serves as an aid; auxiliary. *Webster's New World Dictionary of American English* (3rd college ed.)

It's not often that a judicial decision opining on an arcane regulatory law issue – the extent of a federal agency's "ancillary" jurisdiction – spawns dramatic, even apocalyptic, headlines. But that occurred earlier this month following the D.C. Circuit Court of Appeals' ruling in *Comcast Corp. v. FCC*, No. 08-1291 (Apr. 6, 2010), that the Federal Communications Commission lacked authority to regulate an Internet service provider's network management practices. See, e.g., Ryan Singel, *Court Drives FCC Towards Nuclear Option to Regulate Broadband*, wired.com (Apr. 6, 2010); Elie Mystal, *D.C. Circuit Quietly Ruins the Internet for Everybody*, abovethelaw.com (Apr. 6, 2010).

Although one may well question whether the court's decision merited these extreme reactions, it is clear that the *Comcast* case will have significant impact on the FCC's efforts to adopt and enforce net neutrality regulations, as well as to implement portions of its recently-released National Broadband Plan. The court's ruling may also lead to congressional efforts to provide the FCC with clearer regulatory authority over the providers of Internet services.

Background of the Dispute: Reasonable Network Management or Improper Discrimination?

In 2007, several subscribers to Comcast's high-speed Internet service learned that the company was interfering with their use of peer-to-peer networking applications. These programs allow users to share large files directly with one another and consume significant amounts of bandwidth.

Two non-profit advocacy organizations filed a complaint against Comcast with the FCC and, together with a coalition of public interest groups and academics, a petition for declaratory ruling. Both filings asserted that Comcast had violated the FCC's Internet Policy Statement.

Adopted in 2005, that statement included the principles that "consumers are entitled to access the lawful Internet content of their choice . . . [and] to run applications and use services of their choice." *In re Appropriate Framework for Broadband Access to the Internet Over Wireline Facilities*, 20 FCC Rcd 14986, 14988 (2005). Comcast defended its actions as necessary to manage scarce network capacity.

In 2008, the FCC, by a 3-2 vote of the Commissioners, issued the order ultimately challenged by Comcast. *In re Formal Compl. of Free Press & Public Knowledge Against Comcast Corp. for Secretly Degrading Peer-to-Peer Applications*, 23 FCC Rcd 13028 (2008). As an initial matter, the FCC not only concluded that it had jurisdiction over Comcast's network management practices, but also that it could resolve the dispute through adjudication rather than through a rulemaking. On the merits, the FCC found that Comcast had impeded consumers' ability to access the content and use the applications of their choice, and that because Comcast had several available options it could use to manage network traffic without discriminating against peer-to-peer communications, its method of bandwidth management contravened federal policy. Because by then Comcast had agreed to adopt a new system for managing bandwidth demand, the FCC ordered it to make a set of disclosures describing the details of its new approach and its progress toward implementation. The FCC added that an injunction would issue should Comcast either fail to make the required disclosures or renege on its commitment.

Comcast complied with the FCC's order, but petitioned for judicial review, making three arguments. First, it contended that the FCC failed to justify exercising jurisdiction over its network management practices. Second, Comcast argued that the FCC's adjudicatory action

(Continued on page 39)

(Continued from page 38)

was procedurally flawed because it circumvented the rulemaking requirements of the Administrative Procedure Act and violated the notice requirements of the Due Process Clause. Finally, it asserted that parts of the FCC's order were so poorly reasoned as to be arbitrary and capricious. The D.C. Circuit reached only Comcast's jurisdictional challenge.

The Court's Decision: Delineating the Meaning of Ancillary

In the Communications Act of 1934, as amended, Congress gave the FCC express and expansive authority to regulate common carrier services, such as landline telephony (Title II of the Act); radio transmissions, including broadcast radio and television and cellular telephony (Title III); and cable services, such as cable television (Title VI).

In the *Comcast* case, the FCC did not claim that Congress gave it express authority to regulate Comcast's Internet service. In fact, the FCC had previously determined that cable Internet service is neither a "telecommunications service" covered by Title II of the Act, nor a "cable service" covered by Title VI, but an "information service." *In re High-Speed Access to the Internet Over Cable and Other Facilities*, 17 FCC Rcd 4798, 4802 (2002), *aff'd*, *Nat'l Cable & Telecomms. Ass'n v. Brand X Internet Servs.*, 545 U.S. 967 (2005).

Accordingly, the FCC rested its assertion of authority over Comcast's network management practices on Section 4 (i) of the Act, which authorizes the FCC to "perform any and all acts, make such rules and regulations, and issue such orders, not inconsistent with this chapter, as may be necessary in the execution of its functions." 47 U.S.C. § 154 (i). The Commission's section 4(i) power is referred to as its "ancillary" authority, which the agency

may exercise . . . only when two conditions are satisfied: (1) the Commission's general

jurisdictional grant under Title I [of the Communications Act] covers the regulated subject and (2) the regulations are reasonably ancillary to the Commission's effective performance of its statutorily mandated responsibilities.

American Library Ass'n v. FCC, 406 F.3d 689, 691-92 (D.C. Cir. 2005).

Comcast conceded that the FCC's action satisfied the first requirement because the company's Internet service qualified as "interstate and foreign communication by wire" within the meaning of Title I of the Communications Act. 47 U.S.C. § 152(a). The FCC argued that its exercise of authority over Comcast's network management practices was "reasonably ancillary" to its "effective performance" of its responsibilities under several provisions of the Communications Act. The D.C. Circuit, however, found that the FCC's action did not satisfy this second requirement set forth in *American Library*.

In a unanimous opinion, the court declared that each and every assertion of ancillary authority by the FCC must be "independently justified" and rejected the provisions cited by the Commission as providing this authority. These statutory

provisions fell into two categories: those that the parties agreed set forth only congressional policy and those that at least arguably delegated regulatory authority to the FCC.

After reviewing a series of earlier Supreme Court and D.C. Circuit cases, the court reaffirmed its doctrine that "policy statements alone cannot provide for the Commission's exercise of ancillary authority." The court explained that this "derives from the 'axiomatic' principle that 'administrative agencies may [act] only pursuant to authority delegated to them by Congress'" (quoting *American Library*, 406 F.3d at 691).

While "statements of congressional policy can help delineate the contours of statutory authority," they "are not delegations of regulatory authority." Thus, the court rejected as bases for the FCC's Comcast order the congressional

(Continued on page 40)

(Continued from page 39)

policy supporting user control of the Internet in Section 230 (b) of the Act and the policy supporting rapid and efficient communications service in Section 1 of the Act.

The FCC had maintained that congressional policy by itself created the “statutorily mandated responsibilities” needed to support the exercise of Section 4(i) ancillary authority. The court rejected this argument as inconsistent with prior case law and explained that, if accepted, “it would virtually free the Commission from its congressional tether.”

The court’s decision repeatedly stressed that ancillary jurisdiction has to be ancillary to *something* – and that something is an express delegation of authority from Congress (such as that in Titles II, III or VI).

The Commission also relied on a number of statutory provisions that at least arguably included delegations of authority. However, after examining each of these provisions in turn, the court concluded that these provisions, for a variety of substantive and procedural reasons, could not support the FCC’s exercise of ancillary authority over Comcast’s network practices. For example, the FCC relied on Section 706(a) of the 1996 Telecommunications Act, which directs the agency to “encourage the deployment on a reasonable and timely basis of advanced telecommunications capability to all Americans . . .” 47 U.S.C. § 157 nt.

As the court pointed out, however, in an earlier, still-binding decision the FCC had ruled that Section 706 did not constitute an independent grant of authority, and the Commission could not depart from that earlier conclusion without explanation. *FCC v. Fox Television Stations, Inc.*, 129 S. Ct. 1800, 1811 (2009).

The court rejected the FCC’s assertions of authority under other statutory provisions because the Commission had not developed these arguments in the Comcast order, and the agency was required to defend its action on the grounds actually advanced in the order. With regard to yet other provisions cited by the Commission, the court found

that that the provisions’ terms were either too limited, or unconnected to the Commission’s action, to support the authority exercised in the Comcast order.

In sum, the court found that the Commission had failed to tie its assertion of ancillary jurisdiction over Comcast’s Internet service to any “statutorily mandated responsibility,” *American Library*, 406 F.3d at 692, and thus granted Comcast’s petition for review and vacated the FCC’s order.

The Commission’s Options

In response to the D.C. Circuit’s decision, the FCC asserted that it is “firmly committed to promoting an open Internet” and stated that the court had “in no way disagreed with the importance of preserving a free and open Internet; nor did it close the door to other methods for achieving this important end.” Advisory, *FCC Statement on Comcast v. FCC Decision* (April 6, 2010).

In fact, the FCC currently has a pending rulemaking proceeding seeking public comment on draft rules to preserve the open Internet. *Preserving the Open Internet*, Notice of Proposed Rulemaking, 24 FCC Rcd 13064 (2009). Assuming the agency does pursue the adoption of net neutrality-type regulations, the FCC has several options for addressing its jurisdictional problem, but they all present legal and political challenges following the *Comcast* decision.

The Commission could appeal the *Comcast* decision, either to an *en banc* hearing of the full D.C. Circuit and/or to the Supreme Court. The appeals process would be time consuming and the odds that the Supreme Court would agree to hear the case are not high. A number of legal commentators have expressed doubt that the agency would prevail, given the unanimity and reasoning of the D.C. Circuit opinion focusing on the jurisdictional question. *See, e.g., Paul Feldman, In the Wake of Comcast: Quo Vadis?*, CommLawBlog (posted Apr. 7, 2010).

(Continued on page 41)

The full legal and political ramifications of the D.C. Circuit’s decision are not yet known, in large part because it is not yet known how the FCC intends to proceed in its net neutrality rulemakings and in its implementation of the National Broadband Plan following the Comcast case. Whatever course the FCC ultimately chooses, further litigation seems a certainty and legislation a possibility.

(Continued from page 40)

The Commission could also ask Congress to enact legislation specifically providing the agency with the authority to adopt net neutrality regulations. This option would be the most direct way to resolve questions about the FCC's jurisdiction.

Passing legislation would not be done quickly, especially given the upcoming congressional elections, even assuming that such legislation could ultimately be approved. Legislation to expand the regulatory authority of the FCC (especially over the Internet) would be highly controversial on Capitol Hill and would face strong opposition from Internet service providers.

Contrary to some media reports, the D.C. Circuit did not foreclose the possibility of FCC regulation of broadband Internet service generally or of FCC imposition of net neutrality regulations specifically.

The court's decision left open the possibility for the agency to strengthen its argument for ancillary jurisdiction under Title I of the Act.

For example, the Commission could attempt to reverse its interpretation of Section 706 to conclude that it did constitute an independent grant of authority (and thus arguably would be sufficient to support the exercise of ancillary jurisdiction), or could further develop its arguments about its authority under provisions that the agency did not originally advance in its order against Comcast.

But in light of the *Comcast* case, legal commentators note that it would likely be an uphill battle for the FCC to strengthen its argument for ancillary jurisdiction sufficient to withstand the inevitable court appeals, if the FCC were to impose net neutrality regulations based on its ancillary jurisdiction. *See, e.g.,* Feldman, *In the Wake of Comcast*; M. Martin and M. Stern, *Court Overturns FCC's Net Neutrality-Based Decision Against Comcast: What Happens Next?*, K&L Gates Newstand (Apr. 8, 2010).

Alternatively, the FCC could reverse its 2002 decision treating broadband Internet service as an information service and reclassify it as a telecommunications service regulable under Title II of the Act. A number of proponents of net neutrality have urged the FCC to pursue this course of action.

However, it appears that this approach would be controversial among the FCC Commissioners and members

of Congress and would undoubtedly lead to extensive litigation. The FCC would clearly face challenges in justifying to a reviewing court its about face on the appropriate regulatory classification for Internet services.

Implications for the National Broadband Plan

On March 16, the FCC released its National Broadband Plan, an ambitious plan to ensure that all people of the U.S. have access to fast broadband services.

Beyond affecting the FCC's ability to adopt net neutrality-type requirements for Internet service providers, the *Comcast* decision also makes it more difficult for the FCC to implement various aspects of the National Broadband Plan that would rely on ancillary jurisdiction. Following the court's decision, numerous press reports indicated that the FCC was considering changes to the Plan, including specifically those recommendations aimed at improving broadband access and adoption in rural areas; connecting lower-income Americans, Native American communities and those with disabilities; supporting small business use of broadband; strengthening public safety communications; cyber security; and consumer protection and privacy.

Future Legal and Political Developments

The full legal and political ramifications of the D.C. Circuit's decision are not yet known, in large part because it is not yet known how the FCC intends to proceed in its net neutrality rulemakings and in its implementation of the National Broadband Plan following the *Comcast* case. Whatever course the FCC ultimately chooses, further litigation seems a certainty and legislation a possibility. Again, the *Comcast* case demonstrates the difficulty that administrative agencies and Congress (and, indeed, the law generally) experience in trying to keep pace with technological developments. At bottom, the jurisdictional issues facing the FCC are so complex because the agency is attempting to apply a 20th century law to 21st century technologies.

Jerianne Timmerman is Senior Vice President and Deputy General Counsel of the National Association of Broadcasters.

Ohio Supreme Court Overturns Judge's Gag Order on the Media

By Richard M. Goehler

On April 13, 2010, the Supreme Court of Ohio unanimously ruled that a Henry County Judge's gag order preventing the media from promptly reporting on a local manslaughter trial was "patently unconstitutional." *State ex rel. Toledo Blade Co. v. Henry Cty. Court of Common Pleas*

The Supreme Court issued a permanent order requested by the *Toledo Blade* to prevent Common Pleas Court Judge Keith Muehfeld from enforcing his gag order.

In reaching its decision, the Court noted that, "Judge Muehfeld's analysis proceeded from the erroneous premise that a criminal defendant's constitutional right to a fair trial should be accorded priority over the media's constitutional rights of free speech and press." The Court emphasized that well established United States and Ohio Supreme Court precedent held that a court's first duty is to try to protect both rights, not begin the discussion by choosing between them. "The Judge's refusal to accord equal importance and priority to the media's First Amendment rights was thus plainly erroneous."

The case arose after Common Pleas Court Judge Muehfeld had issued a gag order for the trial of Jayme Schwenkmeyer, who was charged with involuntary manslaughter and child endangerment in the 2007 drug overdose of her 13-month old daughter. A separate trial of her boyfriend and co-defendant, David Knepley, was to follow a week later in the same courtroom. Judge Muehfeld had ruled that restrictions

on immediate reporting of the first trial were necessary to prevent tainting the potential jury pool for the second trial. His gag order would have allowed reporters to attend Schwenkmeyer's trial along with the general public, but it would have forbidden the media from publishing or broadcasting what they saw and heard until

Knepley's jury was seated for the second trial. Both trials were ultimately placed on hold while the First Amendment challenge brought by the *Toledo Blade* was before the Ohio Supreme Court.

In reaching its unanimous decision to overturn Judge Muehfeld's gag order, the Ohio Supreme Court determined that the trial court's order was a prior restraint because it attempted to forbid the media from reporting about the first trial until the jury was impaneled for the second trial and it was issued before either trial had commenced. The Court further noted prior U.S. Supreme Court precedent finding a heavy presumption against the constitutional validity of prior restraints. The Court then cited the provisions of both the U.S. Constitution and the Ohio Constitution which create a qualified right of public access to court proceedings that have historically been open to the public and in which public access plays a significantly positive role. The

Court also recognized that in criminal proceedings, however, the Sixth Amendment to the U.S. Constitution and Section 10, Article I of the Ohio Constitution secure the criminal

(Continued on page 43)



The Supreme Court of Ohio unanimously ruled that a Henry County Judge's gag order preventing the media from promptly reporting on a local manslaughter trial was "patently unconstitutional." The Supreme Court issued a permanent order requested by the *Toledo Blade* to prevent Common Pleas Court Judge Keith Muehfeld from enforcing his gag order.

(Continued from page 42)

defendant's right to a fair trial. *Nebraska Press Assn. v. Stewart* was then cited as the seminal case interpreting the interplay between these two important constitutional rights. In *Nebraska Press Assn.*, the U.S. Supreme Court struck down gag orders attempting to prevent further publicity about a defendant accused of murdering six members of a family in a small Nebraska town. The U.S. Supreme Court held in that case that justification for a prior restraint of the media must be evidenced by a.) the nature and extent of pretrial news coverage; b.) whether other measures would be likely to mitigate the effects of unrestrained pretrial publicity; and c.) how effectively a restraining order would operate to prevent the threatened danger.

The Ohio Supreme Court decision then set out a detailed explanation of how this pertinent criteria was applied to Judge Muehfeld's gag order and resulted in a finding that the order was unconstitutional:

First, the gag order was not supported by evidence introduced on the record at a hearing before the Judge. In fact, the Court noted that there was no evidence of any evidentiary hearing here that preceded the trial court's issuance of its gag order.

Second, Judge Muehfeld's analysis proceeded from the erroneous premise that a criminal defendant's constitutional right to a fair trial should be accorded priority over the media's constitutional rights to free speech and press.

Third, Judge Muehfeld mistakenly ruled that the gag order was justified in part because of its limited duration. The Court noted several well established case precedents standing for the proposition that even a temporary restraint on free speech is improper absent the most compelling circumstances.

Fourth, Judge Muehfeld overstated the prejudicial effect of any pretrial publicity. In his findings, he merely noted that the cases had generated considerable media attention and that his voir dire had taken two days and forty prospective jurors before a jury was impaneled. The Court noted that, in effect, in the absence of evidence submitted to the trial court, Judge Muehfeld relied on conclusory, speculative assertions to support his findings.

Fifth, Judge Muehfeld did not even specify that all other alternatives to assure Knepley a fair trial short of a gag order were unavailing. Here, Judge Muehfeld did not even mention alternatives like voir dire and jury instructions in the Knepley

case or sequestration of the Knepley jurors while the Schwenkmeyer trial proceeded.

Finally, Judge Muehfeld dismissed some alternatives for reasons that were not supported by evidence or precedent. For example, he rejected a change of venue because he considered it too costly and because it would infringe upon the defendant's right to be tried in the county in which the offense was committed. In fact, there was no evidence submitted at the hearing on the cost of changing venue. The Supreme Court noted that Henry County borders Lucas County, a populous county, which would offer a more expansive jury pool that would be less likely to be impacted by the pretrial publicity.

For all of these reasons, therefore, the Ohio Supreme Court found that Judge Muehfeld's gag order was patently unconstitutional.

One final point of interest in the decision was the Ohio Supreme Court's express rejection of the arguments submitted on behalf of Judge Muehfeld that *Nebraska Press Assn.* may no longer be viable because of revolutionary changes in the delivery of information to the public, e.g., the emergence of the internet. The Supreme Court noted that the respondents cited no case that retreated from the tests set forth in *Nebraska Press Assn.* to evaluate gag orders against the media nor did counsel for Judge Muehfeld submit any evidentiary support for these claims. The Supreme Court noted that, although *Nebraska Press Assn.* was decided in 1965 without the internet or other forms of mass communication now readily available to the public, if courts based their constitutional interpretations on the rapidly changing concept of technology, . . . our constitutional rights would be in the hands of unpredictable technological trends instead of in the hands of sound judicial reasoning. Citing *Sidman, Gagging Louisiana's Politicians: The Fifth Circuit Reviews the Constitutionality of Gag Orders Against Trial Participants in United States v. Brown* (2001), 76 Tul. L. Rev. 233, 244-245.

Richard M. Goehler is a partner with Frost Brown Todd LLC, Cincinnati, OH. The Toledo Blade Company was represented by Fritz Byers and Scott Ciolec. The Reporters Committee for Freedom of the Press (Lucy Dalglish, Gregg Leslie, and Mara Zimmerman) filed an amicus brief in support of the Toledo Blade. Attorneys Max Rayle and Ronald Kozar represented Respondents Henry County Court of Common Pleas and Judge Keith Muehfeld.

British Science Writer Simon Singh Wins Libel Appeal

*A Bad Day For The Orwellian Ministry Of Truth,
But A Good One For Honest Opinion*

By David Hooper

On April 1, 2010 a strongly constituted Court of Appeal consisting of the Lord Chief Justice, Lord Judge, the Master of the Rolls, Lord Neuberger and Lord Justice Sedley – word was that two more junior judges originally chosen for the case were bounced off the bench- unanimously overruled the earlier decision by Mr Justice Eady that remarks made by Dr Simon Singh about the British Chiropractic Association (BCA) were matters of fact which had to be justified rather than opinion which could fall within the compass of a defense of fair comment. *British Chiropractic Association v. Singh* 2010 EWCA 350.

Background

Dr Simon Singh was an academic who had made a study of the efficacy of chiropractic medicine. He was co-author of a best selling book *Trick or Treatment* which examined alternative medicine. So it was that in Chiropractic Awareness Week in April 2008 he had been invited to write a piece in a comment column of the *Guardian* about the BCA. BCA was set up under the Chiropractic Act 1994 to promote and maintain professional standards.

In his article Singh did not criticize any particular chiropractitioner. He did, however, say that there was "*not a jot of evidence*" for the BCA claims to be able to remedy such matters as "*children's colic, sleeping and feeding problems, ear infections and asthma.*" He went on to observe that "*as the respectable face of the chiropractic profession the BCA happily promotes bogus treatment.*"

That Mr Justice Eady decided was an allegation of dishonesty and denoted that the BCA was knowingly peddling false remedies knowing they were ineffectual. Ironically the Advertising Standards Authority had upheld a claim in respect of an advertisement by a chiropractor who made very similar claims namely that he could treat children with colic and learning difficulties. The BCA had suffered no financial damage but the implications of Eady J's ruling were

very grave for Dr Singh.

Costs in relation to this ruling on meaning topped £100,000 before Eady J; and by the time of the Court of Appeal hearing they exceeded £200,000. If Eady J's ruling stood, Singh had to prove that what he said was true which not only would have been very costly but might well have proved impossible as he had never intended to make such an in personam attack on the BCA.

Court of Appeal Decision

The Court of Appeal had little doubt that Eady J had erred in his approach. There were considerable concerns in the Court of Appeal and indeed in the political arena – the case spawned a well-organized libel reform group backed by all political parties – that scientific disputes should not be adjudicated in the courts and also that the powerful organisations or drugs companies could use the laws of libel to silence their critics.

This had been done in the outrageous case brought by the Upjohn Company of Kalamazoo against a Scottish scientist, Professor Oswald, who had exposed the dangers of the sleeping pill Halcion and had exposed the fact that the results of the experimental administration of the drug to prisoners had been falsified. Professor Oswald's criticisms of the Upjohn drug company were in large measure supported by the DEA which progressively imposed stricter restrictions on the use of Halcion. Needless to say, however, Upjohn had won their libel action against Professor Oswald, although his counterclaim against the drug company for some of its more unpleasant and unworthy criticisms of him resulted in his also being awarded damages.

The question in the view of the Court of Appeal in the instant case was whether Dr Singh's statements were a matter of opinion and whether there was evidence to support those opinions. Once the court went down that route it mattered not that Dr Singh had expressed himself very forcefully or

(Continued on page 45)

(Continued from page 44)

that others might disagree with his opinion. The question was whether on analysis the words could constitute an opinion which a person might honestly hold.

Interestingly, the Court of Appeal in the opinion to which all three judges subscribed, felt that the defense was better described as a defense of *honest opinion* rather than of fair comment and in so doing, they followed the approach of the courts in New Zealand, Australia and the Republic of Ireland. Describing the defense as honest opinion in the words of Lord Judge “*better reflects the realities.*” One of the problems with the term “fair comment” is that it invites a jury to evaluate the merits of the opinion and to form a view as to whether or not the comment was objectively fair, whereas in reality the defense is a subjective one overlaid with the much lesser objective threshold of whether a person could honestly hold such an opinion. It is a welcome clarification of language if it is taken up, as the threshold then becomes one of honesty rather than fairness.

On analysis of the language, the Court of Appeal considered that the article meant not that the BCA was promoting what they knew were bogus treatments, but rather that Singh *believed* the treatments to be bogus, having regard to the want of reliable evidence of their efficacy. In other words, one looked at the thought processes of Dr Singh in forming his opinion rather than dissecting minutely the words to see if they spelt out an allegation of fact.

In so doing, the court may have weakened the single meaning rule whereby it decides at the outset whether, and if so to what extent, the words are defamatory before considering whether the words constitute fact or comment. The Court of Appeal felt that might not always be the best approach. Instead one should consider the entirety of the article and in this instance a court should consider firstly was there any evidence to support BCA's claims about the efficacy of chiropractic treatment and, secondly, if not, did the personnel of the BCA know this.

The view of the court was that the answer to the first question was a matter of epidemiological debate when Dr

Singh wrote of there not being a “*jot of evidence*” that was his evaluation of the epidemiological evidence, that is to say, his opinion. The Court approached this from the basis that this was Dr Singh's assessment of the evidence rather than looking for allegations of fact and imputations of bad faith which then had to be justified. It was in the court's view a question of opinion whether there was evidence to support the BCA's claim and Eady J had erred in treating it as a matter of verifiable fact which had to be proved.

The Court of Appeal appears to have strongly felt that such scientific policies should not be litigated in court. The court should not cast itself in the role of a historian or investigative journalist. To use the graphic words of the Lord Chief Justice otherwise the court would be invited “*to become and Orwellian Ministry of Truth.*”

Reference was also made at the judgment to the poet John Milton's visit to the ageing Galileo in 1638. Galileo had grown old as a prisoner of the Inquisition “*for thinking astronomy was otherwise than the Franciscan and Dominican licensers thought.*” That was a situation

the Court wanted to avoid in future.

The Court of Appeal did not seek to corrode the distinction between fact and opinion. The court did, however, adopt a rather wider approach to deciding whether something was fact or opinion. The court cited the judgment of Judge Easterbrook, Chief Justice of the Seventh Circuit Court of Appeals in *Underwager v. Salter*. 22 F3d 730 (1994) in relation to litigation regarding such scientific claims. The plaintiffs “*cannot by simply filing suit and ‘crying character assassination’ silence those who hold divergent views... Scientific controversies must be settled by the methods of science rather than by the method of litigation.*”

Analysis

So how important is the Singh decision? The answer is that although it does not change the law, the approach is significantly different. Such cases will no longer turn on fine

(Continued on page 46)

So how important is the Singh decision? The answer is that although it does not change the law, the approach is significantly different. Such cases will no longer turn on fine distinctions and theoretical decisions as to whether there is an imputation of fact which must be justified.

(Continued from page 45)

distinctions and theoretical decisions as to whether there is an imputation of fact which must be justified.

A broader approach will be taken on meaning and the article will be looked at as a whole and in context. Scientific controversies are less likely to be litigated in court. If the court accepts that the words complained of are comment, it is a relatively simple matter for the defendant to establish that the opinion was honestly held and it is an extremely difficult matter for the claimant to establish that the defense of fair comment is vitiated by proof of malice.

There have been a number of claims recently brought in England in relation to scientific matters. Professor Lacerda, Professor of Phonetics at Stockholm University found that his academic paper with the punchy title of *Charlatanry in Forensic Speech Science* was withdrawn in the face of threats of legal action by the Israeli company making the equipment in relation to which the professor was questioning the effectiveness of the voice risk analysis.

Dr Peter Wilmschurst has been locked in litigation with NMT Medical a Delaware company operating in Boston where criticisms were made to the research and efficacy of their device Starfly which related to holes in the heart and the alleviation of migraine. It is questionable whether in the light of the Singh case there will be so much enthusiasm for such claims in future.

Indeed, GE Healthcare has dropped its lawsuit against a Danish radiologist called Henrik Thomsen at Copenhagen University who had linked one of their drugs which was given to kidney patients to enhance MRI scans to a crippling side-effect. Thomson was triumphantly defended by Carter-Ruck in defendants conditional fee agreement.

The BCA has now dropped its foolish claim against Singh and will have to pay his costs. Singh may end up £20,000 out of pocket in regard to irrecoverable legal costs. The case was a triumph for his counsel Adrienne Page QC. The BCA can never in its wildest imaginings have anticipated what a determined and charismatic opponent Dr Singh would turn out to be. Additionally he has turned out to be a crucible for the reform of the libel laws.

David Hooper is a partner at Reynolds Porter Chamberlain in London. Simon Singh was represented by barristers Adrienne Page QC and William McCormick (instructed by Bryan Cave solicitors). Plaintiff was represented by Heather Rogers QC (instructed by Collyer Bristow solicitors).



MediaLawLetter Committee

Thomas M. Clyde (Chair)

Jon Epstein (Chair)

Dave Heller (Editor)

Robert D. Balin

Michael Berry

Katherine M. Bolger

Jay Ward Brown

Robert J. Dreps

Jon Epstein

Rachel E. Fugate

Michael A. Giudicessi

Charles J. Glasser

Richard M. Goehler

Karlene Goller

Shelley M. Hall

Russell T. Hickey

David Hooper

Leslie Machado

John Paterson

Deborah H. Patterson

Bruce S. Rosen

Indira Satyendra

David Tomlin

German Court Finds Jurisdiction Over New York Times in Libel Suit

The German Federal Court of Justice ruled in March that the German courts had jurisdiction over The New York Times, reversing a lower appellate court's decision in a long-running libel suit brought against the newspaper by a businessman who lives in Germany. *Boris Fuchsmann v. New York Times Company and Raymond Bonner*, VI ZR 23/09.

While the court acknowledged that a publisher should not be subject to suit just because a website is accessible in a certain jurisdiction, it found that jurisdiction in this case was proper because a German resident's personality rights were at issue in the suit and the subject matter of the article touched on Germany. The court found significant that the relevant passages involved a German resident and referred to a German law-enforcement investigation.

The court discussed at length the conflicting views of how jurisdiction should be determined in Internet cases. It pointed out that for traditional print libel cases, the courts looked at whether the publisher distributed the publication in the jurisdiction. But, the court concluded, distribution was not an appropriate test for web publications because they are not distributed by the publisher but instead accessed by readers.

The court then surveyed a variety of Internet jurisdiction cases. It noted, for instance, that in financial torts such as unfair competition German and European law looked at whether a website was targeted toward Germany. It rejected that test for libel cases, holding that a libel claim arose whenever third parties became aware of the content regardless of the defendant's intent. Even a single viewing of the website by a single individual could cause harm to another's reputation and give rise to a claim in the jurisdiction, according to the court.

The court also eschewed any test that turned on the number of hits after discussing a French decision that had taken that approach. The court reasoned that the number of hits is often difficult to determine and disclosure of data about the visitors may in fact violate German privacy laws.

Instead, the court said, the decisive factor was whether the content involved Germany to such a degree that it was fair to say that the conflict in rights at the center of the dispute – between the plaintiff's right to his reputation on one hand and the publisher's right to report the news on the other – occurred in Germany.

The libel case was filed in 2003 by Boris Fuchsmann, a Dusseldorf resident who claimed that he was libeled by a June 2001 story in which The Times said he had ties to Russian organized crime according to a secret FBI report. Fuchsmann, a partner of well-known New York businessman Ronald Lauder in certain European ventures, was mentioned only in passing in the article, which principally dealt with a U.S. investigation into Lauder's business dealings in the Ukraine.

The Federal Court's ruling overturned a decision by the Dusseldorf Court of Appeal, which had affirmed the trial court's dismissal of the lawsuit on jurisdictional grounds. The Court of Appeals had ruled that Germany did not have jurisdiction over an online publication unless the publication was targeted to a German audience. That court had noted that the article was in English and intended for an American audience and that the part about Fuchsmann was incidental to the main thrust of the article, which dealt with a U.S. investigation of a U.S. businessman.

The Court of Appeals had also taken note of the fact that at the time of the publication The Times's European distributor had gone bankrupt. As a result, the evidence did not support Fuchsmann's contention that the newspaper was widely circulated in Germany in June 2001.

The Federal Court's decision sends the case back to the Court of Appeals for further proceedings. Unless The Times files an appeal with the German Constitutional Court – which hears only arguments asserting violations of constitutional rights – the case will ultimately proceed to fact-finding and a trial in a local Dusseldorf court.

Google AdWords Upheld in Europe, But the Battle Isn't Over Yet

By Niri Shan and Justine Wilkie

In September 2009, MLRC published an article that considered the American and European approaches to the legality of keyword advertising. See “Search Engine Keyword Advertisements: An International Checkerboard of Rulings,” MLRC Bulletin 2009:3. At that time, the position in Europe was unclear and European lawyers and trademark owners were awaiting a decision from the European Court of Justice (ECJ) on a case against Google’s AdWords program that had been referred to the ECJ by the French Cour de Cassation.

The ECJ is the highest court of the 27 member European Union and is empowered to hear references from national courts on matters of European Community law, such as trademark regulation.

On March 23, 2010, the ECJ gave its ruling in the *Google France* references (Cases C-236/08, C-237/08 and C-238/08), shortly followed by a ruling on a reference from the Austrian Supreme Court, *Bergspechte* Case C-278/08, also involving the Google AdWords program.

In summary, the ECJ held that Google does not infringe the trademarks in question by selling keywords to unauthorized advertisers or arranging their display as sponsored links, on the basis that Google itself is not making relevant use of those trademarks. However, the ECJ has not ruled out future challenges to Google AdWords (or other search engines’ keyword advertising programs) where the search results cause actual trademark confusion to Internet users.

Google France Cases

The facts of the three joined French references were as follows:

Louis Vuitton – Google France was held liable for trademark infringement because (a) the entering of Louis Vuitton’s trademarks into Google’s search engine triggered

advertisements for counterfeit Louis Vuitton products, and (b) Google offered advertisers the possibility of combining Louis Vuitton’s trademarks with words such as “replica” and “imitation.” This decision was upheld on appeal, before it was appealed to the Cour de Cassation, which subsequently referred questions to the ECJ.

Viaticum Luteciel – Google France was also held liable for trademark infringement when the entering of Viaticum and Luteciel’s trademarks (BDV, BOURSE DES VOLS and BOURSE DES VOYAGES) triggered advertisements offering similar or identical products, even though the products were not infringing themselves, as they bore the trademarks of Viaticum and Luteciel’s competitors. On

appeal, Google was also held to be an accessory to trademark infringement. Google then appealed to the Cour de Cassation, which again referred questions to the ECJ.

CNRRH – Google France, along with two advertisers, were held liable for trademark infringement in relation to the EUROCHALLENGES trademark in similar circumstances to the Viaticum Luteciel decision (i.e. where the keyword triggered advertisements for similar or identical products which did not bear the EUROCHALLENGES trademark, but instead bore the marks of CNRRH’s competitors). The decision was upheld and Google appealed to the Cour de Cassation, which again referred questions to the ECJ.

It is widely accepted that to constitute trademark infringement, four conditions must be satisfied, namely the use must be: 1) in the course of trade; 2) without the consent of the trademark owner; 3) in relation to goods and services; and 4) it must affect the functions of the trademark. See *Céline SARL v Celine SA* (Case C-17/06)

In respect of Google’s liability, while the ECJ held that Google was acting in the course of trade, it held that it does not, itself, use the trademarks. Instead, it permits its clients to use the trademarks and, as such, Google is not directly

(Continued on page 49)



(Continued from page 48)

liable for trademark infringement.

Advertisers, on the other hand, were found to satisfy the first three *Celine* conditions (use in the course of trade, without consent and in relation to goods and services). Accordingly, advertisers may be liable for trademark infringement where their use of the trademark as a keyword affects the functions of that trademark.

In this regard, the ECJ was of the view that the two relevant functions in such circumstances are the origin and advertising functions. In respect of the origin function, this could be affected if the advertisement does not enable the user, or enables them only with difficulty, to ascertain whether the advertised goods and services come from the trademark owner or a connected party (for example, where the advertisement is too vague). As regards the advertising function, the ECJ held that it is not adversely affected by keyword advertising as such, as the proprietor will still appear in the natural search results and the visibility of the proprietor is therefore guaranteed.

In its judgment, the ECJ also considered whether Google could rely upon the hosting defence contained in the E-Commerce Directive and held that Google is an information service provider for the purpose of that Directive. However, the ECJ held that it is for the national courts to decide whether Google is precluded from claiming the benefit of the hosting defence because it has knowledge of or control over the content of the advertising.

BergSpechte

Two days after the ECJ gave its ruling on the Google France references, it gave a further ruling on keyword advertising in the BergSpechte reference from the Austrian Supreme Court.

Bergspechte owns the figurative mark below, which is registered in classes 25 (clothing) and 41 (education and entertainment). A competitor, trekking.at Reisen, purchased EDI KOBLMÜLLER and BERGSPECHTE as keywords and BergSpechte obtained an interim injunction from the Austrian courts. When the action reached the Austrian Supreme Court, it referred two questions to the ECJ asking (a) whether use of keyword advertising by an advertiser constitutes trademark infringement and (b) whether the location and labelling of the sponsored link affected the liability.

In respect of the first question, the ECJ followed its earlier judgment in Google France and held that liability depends on whether the use of the trademark as a keyword affects the functions of that trademark. However, the ECJ did not answer the second question regarding location and labelling of search results on the basis that it did not consider that an answer would be useful for resolving the underlying dispute.

The Future?

While the ECJ has held that Google does not infringe a trademark by selling keywords to unauthorised advertisers or arranging their display as sponsored links, the ECJ has left the door open for trademark owners to challenge Google AdWords (or other search engines' keyword advertising programs) in two main instances:

1) Challenges against unauthorised advertisers: Trademark owners will still be able to challenge unauthorised use of their trademarks as keywords where the text of the sponsored advertisement suggests that the advertiser is authorised by, or otherwise connected with, the brand owner, or is too vague for reasonably informed and attentive Internet users to determine whether there is such a connection.

This means that brand owners will need to monitor the text or appearance of sponsored advertisements and then take action, on a case by case basis, in Europe when the advertisements do not make it sufficiently clear that the advertiser is not connected with the brand owner.

2) Complaints to Google: There are also two other situations in which Google (and other search engines) could potentially be liable:

First, where a search engine plays a neutral (i.e. a merely technical, automatic and passive) role in the keyword selection and display process, it may still be held liable after the trademark owner has put it on notice of an unauthorised advertiser's infringement if it does not expeditiously remove or disable the infringing data.

If the search engine is notified of an alleged infringement by a trademark owner, it should remove the allegedly infringing data from the advert text expeditiously, although there is no current guidance as to what is 'expeditious'. If the unauthorised advertiser considers that the search engine's decision to remove the infringing data is unjustified, it could presumably appeal to the search engine and, potentially the appropriate courts. If the unauthorised advertiser prevailed

(Continued on page 50)

(Continued from page 49)

in such circumstances, it seems likely that the search engine would reinstate the data in question.

Second, if the search engine does not play a neutral role in the keyword selection and display process (e.g. potentially, where the search engine is involved in the selection of infringing keywords or the drafting of ad text), the ECJ appears to suggest in the Google France judgment that the search engine could potentially be liable for contributory infringement, subject to the relevant national laws.

While the ECJ held that the search engine does not itself use the trademark and is therefore not directly liable for trademark infringement, the Court recognized that the search engine “permits” use of the trademark. By recognizing this, the Court has paved the way for contributory infringement by the

search engine under national laws (if applicable) where an advertiser is found liable for direct trademark infringement.

European trademark lawyers and brand owners alike are now waiting to see if the ECJ’s rulings will cause Google to change their AdWords policies throughout Europe. As it stands, the UK and Ireland currently have different policies than the rest of Europe, but this will surely change now that the ECJ has finally ruled on this highly contentious issue. It will also be interesting to see the extent to which an influx of new litigation in relation to keyword advertising arises now that the law is slightly clearer on the liability of search engines and advertisers.

Niri Shan and Justine Wilkie are with Taylor Wessing LLP in London.

Media Issues On the Hill: Congress Considers Its Agenda For the Rest of the Year

By Kathleen A. Kirby and Shawn A. Bone

Congressional attention thus far this session has focused on major legislative initiatives outside of the media realm. With passage of healthcare reform now secured, however, Congress is taking stock of the backlog before it and the waning legislative calendar. Both the House and Senate will attempt to pass Wall Street regulatory reform in the coming months, and expectations are that Congress will push at least one additional job promotion bill before the August recess. That said, several significant media-related initiatives are pending, and many could be ripe for action before the 2010 midterm elections.

Free Flow of Information Act

The quest to enact into law a qualified federal reporter’s privilege continues. The House passed its version of the Free Flow of Information Act ([H.R. 985](#)) in March of last year, but the Senate has been slow to take up the measure. The Senate Judiciary Committee agreed upon an amended version in December ([S. 448](#)), but Senate floor action on the bill has been stalled. The bill’s proponents have been

engaged in discussion with several Senators, including Dianne Feinstein (D-CA) and Dick Durbin (D-IL), over the scope of the privilege, particularly, how to define a “journalist.”

The bill as reported out of committee broadly defines reporters as those who gather and disseminate news information, and so would presumably cover bloggers, student journalists, citizen journalists, and freelancers. Feinstein and Durbin had proposed an amendment, which was defeated, that would have more narrowly defined a journalist as someone who is paid by a known news entity or under contract to one. Several other Senators have raised questions about whether the bill does enough to permit a court to abrogate the qualified privilege to remedy unlawful disclosures of information, particularly those that may impact national security. Proponents of the bill are hopeful it will be brought to the Senate floor this year.

Libel Tourism

The Senate Judiciary Committee held a hearing in March

(Continued on page 51)

(Continued from page 50)

concerning legislation designed to limit so-called “libel tourism,” a form of forum shopping in which plaintiffs choose to file libel suits in jurisdictions thought more likely to produce a favorable result. England is often the country of choice, given its plaintiff-friendly defamation laws. The question of a federal response to libel tourism has been under debate for nearly two years following attempts by foreign plaintiffs to enforce foreign libel judgments (often obtained through a default) against U.S. defendants in domestic courts, most notably in the case of author Rachel Ehrenfeld. The House passed a bill that would prohibit recognition and enforcement of foreign defamation judgments introduced by Rep. Steve Cohen (D-TN) last year (H.R. 2765), but the effort has become mired in the Senate, as questions of constitutionality and efficacy are debated by the Senate Judiciary Committee.

The House bill takes a limited approach to the recognition of foreign defamation judgments. H.R. 2765 would prohibit a domestic court from enforcing such a judgment unless the U.S. court determines (1) that the judgment being enforced comports with the First Amendment; and (2) that the exercise of jurisdiction over the U.S. defendant by the foreign tribunal complied with constitutional due process. A domestic defendant would be entitled to seek attorney’s fees and costs from the foreign plaintiff if the defendant prevails in the enforcement action.

A Senate proposal introduced by Senator Arlen Specter (S. 449) would go further than the House bill by allowing a U.S. defamation defendant to seek a proactive judgment that a foreign libel judgment violates the First Amendment (and is

thus null and void in the U.S.), even if the plaintiff has not brought an action in a domestic court to enforce that judgment. Jurisdiction would be premised on the fact that the foreign plaintiff had a domestic defendant served with the defamation suit, and the domestic defendant would be permitted to seek damages.

The Senate Judiciary Committee held a hearing in February, at which MLRC stalwarts Bruce Brown and Kurt Wimmer testified in support of protections, noting that libel tourism laws do exist in some states, but they are not uniform, and the need for federal legislation is real. Committee members expressed concern that Senator Specter’s legislation would violate fundamental notions of constitutional due

process, though they were sympathetic to witnesses’ claims that there is a threat posed to the First Amendment just by virtue of the existence of the foreign libel judgment, whether or not a plaintiff actually seeks to enforce that judgment in U.S. courts.

Future activity on a libel tourism bill this year largely will depend



Congressional attention thus far this session has focused on major legislative initiatives outside of the media realm. With passage of healthcare reform now secured, however, Congress is taking stock of the backlog.

on how the Senate Judiciary Committee resolves its constitutional concerns about the Specter approach. The Committee Members present at the hearing, with limited exception, were comfortable with the House bill, but also sought something slightly more robust to quash these foreign libel actions. The lone holdouts noted that no U.S. court had enforced one of these foreign actions to date, and suggested that courts would use their inherent power to declare such actions against the public policy of the U.S. and the several states. The Committee is poised to move on to consideration

(Continued on page 52)

(Continued from page 51)

of legislation, though recent history suggests that its consideration may take longer than the remaining legislative days this session.

Federal Anti-SLAPP Legislation

Representative Steve Cohen has introduced legislation (H.R. 4364) that would provide defendants with certain federal legal protections from strategic lawsuits against public participation (SLAPPs). A SLAPP, of course, is a lawsuit that is intended to censor, intimidate and silence critics by burdening with the cost of a legal defense until they abandon their criticism or opposition. The plaintiff typically is not concerned with ultimately prevailing in the litigation, but rather with forcing the defendant, including through mounting legal costs, to abandon its opposition.

Various states have statutes or court precedent that protects defendants from these SLAPP suits. Federal protection, though, has long been absent. Modeled on the California law, Congressman Cohen's bill would establish absolute civil immunity for any act of petitioning the government made "without knowledge of falsity or reckless disregard of falsity." A defendant may seek dismissal of a SLAPP suit filed in federal court provided that the defendant can make a *prima facie* showing that the activity at issue in the case was an act in furtherance of the constitutional right of petition or free speech.

To overcome the presumption of immunity, the plaintiff would have to demonstrate that the underlying claim is both legally sufficient and supported by a *prima facie* showing of facts to sustain a favorable judgment. If the plaintiff claims that the activity at issue was done with knowledge of falsity or reckless disregard of falsity, he or she must prove that claim by clear and convincing evidence. A defendant who is denied SLAPP protection by the court would be permitted to appeal that decision immediately.

Under this legislation as written, defendants subject to SLAPP lawsuits in *state* court would be able to remove the case to *federal* court based upon its characterization as a SLAPP lawsuit and seek dismissal of the case in the same manner. Federal court jurisdiction over the state case would be premised on the existence of federal immunity from SLAPP lawsuits. Certain types of commercial speech would not be subject to immunity under this provision.

Sunshine in the Courtroom

Congress continues to debate what restrictions, if any, courts should be allowed to place on live broadcasts of courtroom proceedings. The Senate Judiciary Committee is considering three pieces of legislation on sunshine in the courtroom, as follows:

- S. 657, the Sunshine in the Courtroom Act, that would set rules for discretionary broadcasts of proceedings in Federal District Courts and Federal Courts of Appeal;
- S. 446, that would direct the Supreme Court to permit the televising of its proceedings; and

S. Res. 339, that would to express the sense of the Senate in support of permitting the televising of Supreme Court proceedings.

Both bills (S. 657 and S. 446) contain provisions that permit federal courts to close proceedings and limit live broadcast if the broadcast would violate the due process rights of one of the parties. House companions have been introduced to both measures (H.R. 3054 for S. 657 and H.R. 429 for S. 446). No companion House resolution has been introduced.

FOIA Reform

Congress adopted fairly extensive reforms to the Freedom of Information Act in December 2007, therefore the present Congress has not shown much interest in additional work on the FOIA process. A couple of bills of note, however, have been introduced in the House and Senate. Senator Patrick Leahy, Chairman of the Senate Judiciary Committee, recently introduced a measure (S. 3111) that would form a government commission to study FOIA delays. In particular, the Commission would be tasked to present a report to Congress covering: (1) methods that will help reduce FOIA processing delays; (2) methods to ensure the efficient and equitable administration of FOIA throughout the Federal Government; and (3) an examination of whether the system for charging fees and granting waivers of fees needs to be reformed in order to reduce delays in processing requests. The bill has been referred to the Senate Judiciary Committee, where no further action has taken place.

(Continued on page 53)

(Continued from page 52)

Senator Joseph Lieberman and Representative Mike Conaway have introduced several bills ([S.1100](#), [S. 1260](#), [S.1285](#), [H.R.2712](#), [H.R.2875](#), and [H.R. 3015](#)) that would create FOIA exceptions for certain photographs related to detainees captured by the military between September 11, 2001, and January 22, 2009. The Secretary of Defense would have to certify that disclosure of such photographs would endanger U.S. citizens or members of the Armed Forces or U.S. government employees deployed outside the United States. Any certification would be valid for 3 years and could be renewed. A certified photograph could not be obtained through a FOIA request, but could be subject to voluntary disclosure by the Department of Defense.

Satellite Television Localism and Extension Act (STELA)

For over a year, Congress has been considering legislation that would renew certain copyright and Communications Act provisions that regulate how direct broadcast satellite (DBS) companies, like DirecTV and Dish Network, may retransmit local broadcast stations. The current laws, passed in 2004 as part of the Satellite Home Viewer Extension and Reauthorization Act (SHVERA), were set to expire in December of last year, but have been extended several times through stop-gap measures. The current statutes are due to expire on May 31, 2010.

Both the House and Senate have largely agreed upon the package of changes to SHVERA that would renew the underlying code provisions until December 2014. That new act, known as STELA, is part of a larger package of measures that would extend key provisions in the statutes that govern unemployment benefits, COBRA, and other domestic programs. The Senate passed its package of “extenders” in March ([H.R. 4213](#), with a Senate amendment), but the package has been held up in the House since.

Although highly technical, the provisions addressed by STELA largely regulate the relationship between DBS and broadcast television. The new act reforms several rules regarding how television stations are compensated for carriage of certain television signals, whether local multicast television channels that carry network television programs are carried by DBS, and how a DBS provider determines what broadcast signals a subscriber receives through their satellite

dish. STELA also directs the Copyright Royalty Board to conduct a study regarding whether the copyright elements of STELA should be phased out during the next renewal cycle, which would remove the statutory copyright license for DBS carriage of broadcast programming and replace it with free-market license negotiations.

Finally, STELA directs the FCC to study the current Nielsen designated market area (DMA) system and the impact of that system on the ability of certain consumers, located in cross-state DMAs, to receive news, weather, and sports programming from their home state.

Spectrum Inventory

Both the House and Senate Commerce Committees have been considering legislation for several months to require the FCC and NTIA to conduct spectrum inventories to ascertain precisely how public and private users utilize current spectrum allocations. Both Committees have considered and recommended passage of such legislation ([H.R. 3125](#) and [S. 649](#)), and the House passed its version of the spectrum inventory on April 14.

Though they differ in a few respects, both bills would create an online spectrum inventory that includes public information on how the government and the private sector use their spectrum allocations.

The House also adopted a companion bill, [H.R. 3019](#), that is meant to streamline the process whereby government agencies vacate spectrum bands that will be auctioned to private users by the FCC. All three bills are meant to respond to private sector claims, particularly from wireless broadband companies, that the nation is facing a looming spectrum crisis in its attempts to speed broadband deployment to unserved and underserved areas throughout the nation.

Among the proposals in the National Broadband Plan released with much fanfare by the FCC, for example, is a proposal to reclaim a certain amount of spectrum from television broadcasters and to auction it for broadband applications (see below).

Performance Rights

The House and Senate Judiciary Committees are

(Continued on page 54)

(Continued from page 53)

continuing to push legislation that would require terrestrial radio companies to pay copyright royalties to performers for broadcasting their work. Current copyright law requires stations to pay copyright fees to songwriters when their music is broadcast, but radio has never had to pay a fee to the actual performer. This statutory arrangement differs from satellite radio and webcasts, which are required to pay fees to both the songwriters and the performers.

Senator Patrick Leahy (D-VT) and Representative John Conyers (D-MI), the Chairmen of the Senate and House Judiciary Committees respectively, have introduced bills that would remove this statutory prohibition on the payment of performance royalties by radio (S. 379 and H.R. 848). Both bills have been passed out of the relevant Judiciary Committee, and await floor action in the House and Senate. The bills differ in their particulars, but in general they require performance royalty payments by terrestrial radio and set up certain flat fees that can be paid by small radio stations (as measured by gross revenue). The bills also provide exceptions from the new royalty for certain incidental uses of the music.

Competing resolutions have been introduced in the House and Senate that express support for the current system of royalty payments and oppose any move by Congress to impose new royalties on terrestrial radio. The House resolution (H. Con. Res. 49) was sponsored by Representative Gene Green (D-TX), and the Senate resolution (S. Con. Res. 14) was introduced by Senator Blanche Lincoln (D-AR). The House resolution has the support of 259 cosponsors.

Possible Areas For Future Legislation

In mid-March, the FCC submitted to Congress its long-awaited National Broadband Plan, outlining steps to make broadband ubiquitous in the nation by 2020. That Plan has been met with both praise and consternation since its release, with both the House and Senate Commerce Committees embarking on a series of hearings to explore several of its proposals.

We anticipate legislative measures to be introduced in areas such as net neutrality (rules that would mandate that internet service providers treat any website or application equally) and universal service reform (presently, providers of

telecommunications services must contribute to a subsidy program designed to ensure that everyone has access to advanced telecommunications services) once the Committees complete fact-finding hearings on the Plan, perhaps this summer.

The FCC also has begun a proceeding on reforming the retransmission consent system that governs the negotiations between television broadcasters and cable companies for carriage of broadcast stations on cable systems. Currently, broadcasters are free to remove their signal from a cable system when their current retransmission consent agreement has lapsed, which has led to consumers losing a broadcast channel in a couple of limited circumstances (like WABC-TV's signal being pulled from Cablevision's New York cable system just prior to the Oscars this Spring).

Proponents of retransmission consent reform argue that consumers should not be harmed by the failure of a broadcaster and a cable system to come to a retransmission consent agreement, and have sought reforms to the Commission's rules to allow interim carriage of a television station and mandatory arbitration to resolve a contractual impasse.

Opponents of reform argue that such changes are unnecessary in a world where the vast majority of retransmission consent negotiations are successful and result in no harm to consumers, and suggest that the reforms will tilt what is a free-market negotiation in the favor of the cable system.

While largely an Executive Branch issue at this point, several Members of Congress, in response to constituent concerns, have expressed keen interest in the retransmission consent disputes. Senator John Kerry (D-MA), Chairman of the Communications Subcommittee of the Senate Commerce Committee, has been active in imploring the FCC to protect consumers from losing broadcast stations in the middle of retransmission consent negotiations, and the Senator has suggested that he will offer responsive legislation sometime this year.

That legislation may also address questions surrounding disputes between cable systems and independent cable programmers, such as the clash between Food Network and Cablevision in January.

Kathleen A. Kirby and Shawn A. Bone are lawyers with Wiley Rein LLP in Washington, D.C.

New Jersey Supreme Court Issues Employee Email Privacy Ruling

Legitimate Expectation of Privacy in Employee's Emails to Attorney

By Kathleen Hirce

In a decision evaluating the reasonable expectation of privacy held by a plaintiff litigating claims against her former employer, New Jersey's Supreme Court last month held that an employee's emails to her attorney—sent via a personal Yahoo! account, but on a company-owned laptop—were privileged attorney-client communications and should have been promptly forwarded to plaintiff's counsel upon their discovery. *Stengart v. Loving Care Agency, Inc.*, No. A-16-09 (March 30, 2010) (Rabner, C.J.).

Noting that the case presented “novel questions” about privacy and confidentiality, the Court affirmed and modified the Appellate Division decision, additionally finding the defense attorneys in violation of New Jersey's professional conduct rule 4.4(b) due to their failure to immediately relay the emails to plaintiff and to their review and use of the communications in the case. The Court remanded the matter for a determination of whether disqualification of Loving Care's law firm would be necessary.

Background

Plaintiff Marina Stengart sent the emails at issue from her company laptop, on which she was able to connect to the Internet using employer Loving Care's server. She wrote to her attorney regarding her job, using a personal, password-protected Yahoo! account. Stengart did not, the Court noted, save her username or password to the company laptop. Stengart subsequently left her position and filed an employment discrimination suit against Loving Care. During the course of discovery, Loving Care's attorneys uncovered from the laptop “cache” snapshots of Stengart's Yahoo! account visits, which revealed the plaintiff's communications with her lawyer.

In rejecting Loving Care's arguments that the emails were not privileged and properly discoverable, the Court emphasized that the existence of a reasonable expectation of privacy varies on a case by case basis. Other jurisdictions

faced with similar analyses have examined factors such as whether an employee used a company email address to communicate with an attorney, the physical location of the computer used, and whether a company had a clear policy banning personal emails.

The circumstances of Stengart's communications with her attorney indicated both that she reasonably expected that they would be private, and that she did not waive or disrupt their privileged nature.

Stengart's use of the password-protected Yahoo! account and decision not to save the password on the laptop constituted reasonable steps to ascertain the confidentiality of her communications with her attorney. Further, while Loving Care did have an email policy, it was ambiguous — allowing for “occasional personal use” but failing to address personal accounts, yet reserving the right to review and access any usage by an employee at any time. The policy did not serve to warn Stengart that her Yahoo! emails might be saved and viewed by Loving Care.

Underscoring the strength of the attorney-client privilege, the Court also noted that a more clear-cut policy banning all personal emails would not provide access to emails protected by the attorney-client privilege in any event: “employers have no need or basis to read the specific contents of personal, privileged, attorney-client communications in order to enforce corporate policy.”

Finally, while it found that Loving Care's attorneys did not act with bad faith in retrieving, reading and using (in, at least, the responses to interrogatories) the Yahoo! emails, the Court did find an ethics violation in Loving Care's failure to isolate the attorney-client communications and either notify plaintiff's attorney or request permission to read the documents from the trial court.

Kathleen Hirce is an associate at McCusker, Anselmi, Rosen & Carvelli, P.C. in Florham Park, N.J. Defendants were represented by Peter G. Verniero, Sills Cummis & Gross P.C., NJ. Plaintiff was represented by Peter J. Frazza, Budd Lerner P.C., NJ.

Ethics Corner: The Perils of Being Merely a Mouthpiece for Your Client

By Andrew Shute

This article examines a recent decision of an Australian State court arising from a conflict between a lawyer's duties to the court and duties to the client.

A number of decisions over the last few years in Australian courts have looked at the issue of independence of lawyers. The majority of those cases have, however, been in the context of deciding whether or not advice provided by in-house corporate or government lawyers is properly the subject of attorney-client privilege. In this respect, the cases recognise that the lawyer must be professionally independent or “detached.”

A decision of the Supreme Court of Queensland (an Australian State court) delivered on March 15, 2010 provides a timely reminder to external lawyers of their obligation to remain professionally independent.

In Perpetual Trustee Company Limited v Cowley & Anor [2010] QSC 65 Justice Atkinson of the Supreme Court ordered that the defendants’ lawyer and his firm pay the legal costs incurred by the plaintiff after he realised, or should have realised, that documents provided to him by his clients had been falsified. In addition, the Judge referred the lawyer’s conduct to the profession’s disciplinary body.

Power to Award Costs Against Lawyer for a Party

Queensland courts have the power to award costs in all cases before them. However this case was more unusual, although not unprecedented, in that the plaintiff sought costs from the defendants’ lawyer and his firm.

Justice Atkinson referred to previous decisions and identified the following two jurisdictional bases for ordering a lawyer to pay the other party’s costs:

- ◆ To indemnify or compensate the party who has suffered because of the lawyer’s behaviour.
- ◆ The court’s supervisory jurisdiction over lawyers whose primary duty is owed to the court.

Applicable Ethical Obligations

Her Honour considered a number of authorities, and relevant subordinate legislation dealing with the duties of lawyers, and summarised the relevant principles. Of present note are the following:

- ◆ Parties are entitled to have their claims commenced, continued or defended by a lawyer even if the lawyer has formed the view that their client’s case has little or no prospect of success.
- ◆ However, a lawyer may not unreasonably commence, continue or defend an action that has no chance of success.
- ◆ The lawyer’s behaviour will be unreasonable if it involves a serious dereliction of duty (such as an abuse of process of the court, obstructing or defeating the administration of justice, or making an allegation of fraud without a proper factual basis).
- ◆ A lawyer for one party may be ordered to pay another party’s costs if that party incurs the costs because of the other party’s lawyer’s delay, misconduct or negligence.
- ◆ A lawyer may be ordered to pay the other party’s costs if the litigation is unreasonably commenced, continued or defended because of a lawyer’s serious failure to give reasonable attention to the relevant law and the facts where, if such attention had been given, it would have been apparent that there was no worthwhile cause of action or possible defence.
- ◆ A lawyer is expected by courts to act with integrity and honesty and, except where it conflicts with those duties, in the interests of their clients.
- ◆ A lawyer may not intentionally mislead the court.
- ◆ If a lawyer becomes aware that he or she has unintentionally misled the court, the lawyer must

(Continued on page 57)

(Continued from page 56)

inform the court and correct the misinformation as soon as reasonably practicable. If the lawyer fails to do so and thereby causes costs to be incurred by the other party to the litigation, the lawyer may be ordered to pay the costs so incurred.

The judge then considered how the above principles applied to the facts in this case.

Application to Set Aside Plaintiff's Judgment

The plaintiff, Perpetual Trustee Company Limited, had initiated proceedings to recover an unpaid debt secured by a mortgage over the property of the defendants (the Cowleys). The plaintiff obtained a default judgment against the Cowleys as a result of their failure to file a defence. It then proceeded to take steps to enforce the judgment.

Shortly afterwards, Mrs Cowley approached a law firm and instructed that the Cowleys were not in arrears. She provided bank statements in support of that assertion.

On July 3, 2010 the Cowleys filed an application to set aside the default judgment. In support of the application Mrs Cowley annexed bank statements to an affidavit. The Cowley's lawyer, Mr McClelland, also swore an affidavit in support of his clients' application. Importantly in the context of this case, he referred to the bank statements annexed to Mrs Cowley's affidavit and swore that "all of those repayments have been made."

The defendants succeeded in setting aside the default judgment.

Subsequent Events

Following requests from the plaintiff, the defendants provided Mr McClelland with tracing results and correspondence from their bank which were then passed on to the plaintiff's lawyers. The defendants also provided their lawyer with stamped copies of bank statements. Mr McClelland subsequently swore that he "did not perform any accounting work whatsoever on those statements and they appear[ed] on their face to be legitimate." Justice Atkinson recognised that even a cursory examination of the statements, and a comparison with the statements annexed to Mrs Cowley's affidavit, would have raised real doubts as to their authenticity. At the same time the plaintiff's lawyers

provided copies of traces they had carried out and raised concerns that the defendants had deliberately failed to disclose all relevant information to the court.

On September 7, 2009 the plaintiff's lawyer took Mr McClelland through financial statements obtained by the plaintiff from the defendants' financial institutions (through non-party discovery) and provided other records which showed that the statements and the tracing results provided by the defendants were falsified.

Her Honour held that by this time at the latest any reasonable lawyer in the position of Mr McClelland must have realised that his clients had not told him the truth and that the statements they had provided were falsified. Instead, after taking instructions from his clients he concluded that there had been identity theft by persons unknown. The judge suggested that this conduct tended to show a loss of professional objectivity.

Further, Her Honour held that Mr McClelland had "failed to undertake the steps required of him to correct the misleading statement he had made to the court...His failures meant that the plaintiff incurred further costs."

On September 22, 2009 the plaintiff filed an application with the court to have the orders obtained by the defendants set aside or, in the alternative, for summary judgment. That same day Mr McClelland accompanied Mrs Cowley to the bank and obtained statements which he noted were "totally different" from the ones she had provided earlier. Mrs Cowley was unable to explain the differences, but told him that she had not altered them.

A week later Mr McClelland withdrew from representing the defendants. He later stated that this was because they had filed a petition for bankruptcy; not because of their actions in misleading the court.

On October 5, 2009 the defendants became bankrupt. Consequently the plaintiff amended its application to seek costs from the defendants' lawyer and his firm.

The Judge's Findings

Justice Atkinson acknowledged that Mr McClelland had "robustly represented his clients as was his duty to them." However the judge also stated that a lawyer is "not merely a passionate and gullible mouthpiece for his or her client. A

(Continued on page 58)

(Continued from page 57)

[lawyer's] primary duty is to the court."

Her Honour held that where it appeared that Mr McClelland's client had sworn an affidavit which was false and exhibited documents which had been falsified, he was obliged to advise his client that the court should be informed of the lie or falsification and request authority so to inform the court.

In that situation a lawyer must refuse to take any further part in the case unless the client authorises the lawyer to inform the court of the lie or falsification, and must promptly inform the court of the lie or falsification upon the client authorising the lawyer to do so. Clearly this did not occur.

However Mr McClelland also came under another duty because of his positive, and misleading, statement to the court in his affidavit that the repayments had been made. The judge stated that as soon as he realised, or should have realised, that the statement was misleading he was under an obligation to the court to take all necessary steps to correct the statement as soon as possible.

Justice Atkinson ordered Mr McClelland and his firm to pay the plaintiff's costs on an indemnity basis (which can

approach, but is not necessarily equal to, full costs recovery) from September 7, 2009 because of his "obstinate and egregious refusal to comply with his duties to the court."

He was also referred to the Legal Services Commissioner for further investigation and any disciplinary action that appears warranted.

The status of that reference is presently unknown.

Conclusion

Lawyers owe it to themselves and to their clients to remain familiar with, and to ensure they uphold, their professional obligations. They are often faced with demanding clients, perhaps even more so in the present economic climate.

While clients are entitled to be robustly represented, lawyers must not lose sight of the fact that they owe overriding duties to the court and to the administration of justice.

Andrew Shute is a Senior Associate at Minter Ellison in Australia.

MLRC Upcoming Events

MLRC/Stanford Digital Media Conference

May 6-7, 2010 | Stanford University
Palo Alto, CA

For more information, [click here](#).

NAA/NAB/MLRC Media Law Conference 2010

September 29-October 1 | Chantilly, VA
For more information, [click here](#).

MLRC Annual Dinner

November 10 | New York, NY

DCS Annual Meeting

November 11 | New York, NY