

MULRC Media
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MEDIA LAW LETTER

Reporting Developments Through May 25, 2010

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Third Annual Legal Frontiers in Digital Media Conference	

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NAA/NAB/MLRC Media Law Conference 2010

September 29 - October 1, 2010 | Chantilly, VA

[CLICK HERE TO DOWNLOAD SCHEDULE](#)

While there will be additions to the schedule, we wanted you to be able to get a good sense of what is coming up in September. We think it is an exceptionally rich program. Registration materials and information about hotel reservations should be made available in a few weeks.

MLRC Digital Conference A Success!



Steve Tapia (Microsoft) and James Chadwick (Sheppard Mullin) co-chaired the conference.

The third annual Legal Frontiers in Digital Media conference was held at Stanford on May 6 and 7, 2010. The conference was organized by MLRC in conjunction with Stanford University Law School's Center for Internet and Society, as well as the John S. Knight Journalism Fellowships at Stanford University.

Steve Tapia (Microsoft) and James Chadwick (Sheppard Mullin) served as chairs of the 2010 conference; Bruce Johnston (Davis Wright Tremaine) and Andy Mary (Microsoft) served as Chairs Emeritus. The conference's six panels focused on developments in digital media, and included a tutorial and discussion of the online advertising landscape, a discussion of changing ethics for journalists and bloggers, as well as panels on governmental policy developments, copyright issues, and more.

We thank the sponsors for their generous support: AXIS PRO, Bingham McCutchen LLP, Davis Wright Tremaine LLP, Dow Lohnes, Google, Greenberg Traurig, Holme Roberts & Owen LLP, Microsoft, Jackson Walker LLP, Levine Sullivan Koch & Schulz LLP, National Association of Broadcasters, Sheppard Mullin Richter & Hampton LLP, Skadden, Arps, Slate, Meagher & Flom LLP & Affiliates, and Wilmer Cutler Pickering Hale & Dorr LLP.

MLRC Upcoming Events

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



The fourth panel, “Government Policy Developments: What the Government May Do To You” featured (left to right): Daphne Keller (Google), Elizabeth Hammond (Nexstar Broadcasting), Sherrese Smith (FCC), Joe Waz (Comcast), and moderator Erin Dozier (NAB).



The fifth panel, “Do I Need Permission For That?: Copyright, Fair Use, the DMCA and New Open Licensing Models,” featured (left to right): Steve Tapia (Microsoft), Jonathan Donnellan (Hearst), Anthony Falzone (Stanford’s Center for Internet and Society and Fair Use Project) and moderator Kate Spelman (Cobalt LLP).



Our final panel, “Legal Frontiers in Blogging, Social Networks and the Internet” featured (left to right): Zahavah Levine (YouTube), Corynne McSherry (Electronic Frontier Foundation), Dan Cooper (MySpace), Ben Scheffner (NBC Universal, as well as the author of the blog “Copyright and Campaigns”), and moderator Ian Ballon (Greenberg Traurig).



Registrants listened intently to moderator Kate Spellman.

New Hampshire Supreme Court Enhances Newsgathering Privilege and Establishes Standard for Disclosure of Anonymous Speaker

By Jeremy D. Eggleton

On May 6, 2010, the New Hampshire Supreme Court issued its opinion in [*The Mortgage Specialists, Inc. v. Implode Explode Heavy Industries, Inc.*](#) The case, which raised a range of First Amendment, media and speech issues, involved the first-time application of the New Hampshire newsgathering privilege to the internet context, and established a number of important standards for dealing with requests to unmask confidential sources and anonymous speakers.

The case arose out of an article published on Implode-Explode Heavy Industries, Inc.'s website, www.ml-implode.com, about the Mortgage Specialists, Inc., a New Hampshire-based mortgage lender. www.ml-implode.com, also known as the "Mortgage Lender Implode-O-Meter," is an industry watchdog website started by computer scientist Aaron Krowne in 2006. Although Krowne created the "Implode-O-Meter" as a news aggregating website focused on the niche subject of the health of the mortgage industry, it did not take long for the Implode-O-Meter to gather a dedicated readership of industry insiders. With that readership, it began also to receive tips, confidential disclosures and insider information from whistleblowers that it wove into original news and published. In addition to publishing original news and aggregating news from other sources, the Implode-O-Meter also established a subjective rating system for lenders (evaluating lenders as "imploded", "ailing/watch" listed, or "non-imploded").

In August, 2008, the Implode-O-Meter published an article about a New Hampshire Banking Department administrative action against the Mortgage Specialists, in which it detailed the circumstances and details of a consent decree entered into by the Mortgage Specialists after an investigation by the Banking Department, including a six figure fine. As part of the article, the Implode-O-Meter linked to a pdf file containing a list of financial figures purported to relate to Mortgage Specialists' 2007 loan volume (the "2007 Loan Chart") that it had received from a confidential source. At the end of the article, the Implode-O-

-Meter invited public comment in an electronic comment section where readers could post anonymously. One reader posting under the name "Brianbattersby" wrote two comments that Mortgage Specialists later alleged to be defamatory.

Mortgage Specialists sued the Implode-O-Meter in New Hampshire Superior Court, seeking: (1) an injunction requiring the Implode-O-Meter to remove the 2007 Loan Chart and the Brianbattersby posts, and prohibiting the Implode-O-Meter from republishing either the 2007 Loan Chart or the Brianbattersby posts; (2) an order compelling the Implode-O-Meter to disclose the identity of the person who provided it with the 2007 Loan Chart; (3) an order compelling the Implode-O-Meter to produce any other documents obtained from the same source; (4) an order compelling the Implode-O-Meter to disclose the identity of Brianbattersby. After receiving notice of the suit, the Implode-O-Meter agreed to remove the 2007 Loan Chart while the issue was litigated, but reserved the right to republish it. After an *in camera* hearing, the trial court granted all four requests, noting that the requests were reasonable, and that, when apprised of the confidential nature of a document, a "legitimate" news publisher should remove it from its website when requested to do so and furnish the plaintiff with the source information as requested. The Implode-O-Meter appealed the entire ruling.

Newsgathering Privilege and the Internet

Mortgage Specialists argued at trial and on appeal that the Implode-O-Meter was a creature of the internet, not benefiting from the newsgathering privilege that extended to traditional media. The Court rejected this argument firmly, relying on the trial court's implicit finding that the Implode-O-Meter was a "legitimate publisher of information," but observing additionally that the protections due the press should be liberally to any author who serves an informative function and contributes to the flow of information to the

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public. Although not unexpected, the Court's finding that "the fact that Implode operates a website makes it no less a member of the press" is no less welcome for having been anticipated.

Disclosure of Sources and Documents

Noting that the trial court had failed to analyze Mortgage Specialists' disclosure requests under the state and federal constitutions, the New Hampshire Supreme Court reviewed the development of the constitutional newsgathering privilege under New Hampshire law. Although the Court had held that there existed such a privilege in civil proceedings when the press was a non-party, the privilege was qualified, and its extent continued to evolve, with the Court setting later standards for when the privilege can be overcome in a libel suit where the press was a defendant, and in a criminal suit where the press held information that might be of benefit to the defendant's case.

In this case, the Court analyzed the conditions under which the press can be required to disclose sources in a defamation action in which the press was a non-party. It should be noted, however, that the 2007 Loan Chart was never alleged to be defamatory. In fact, the 2007 Loan Chart was concededly truthful information, albeit allegedly confidential. The possible cause of action by Mortgage Specialists against the unknown source of the 2007 Loan Chart would more likely be breach of contract, for disclosure of trade secrets and confidential information. Nevertheless, the analysis applied by the Court in the context of a potential defamation action in which the press was a non-party would appear to apply to any potential claim against a press source.

The Court turned to the First Circuit case of *Bruno & Stillman v. Globe Newspaper Co.*, 633 F.2d 583 (1st Cir. 1980) for guidance, enunciating a balancing test that weighed the First Amendment rights of the news organization against the rights of a litigant seeking confidential information. The Court was careful to note that the First Amendment required particular sensitivity in conducting this balancing test, that trial courts undertaking the analysis should carefully detail their findings of fact and rationale, and that courts must be mindful of the implications of any ruling for the freedom of speech.

Although the reliance upon federal law was something of a departure for a Court with well-developed state case law

examining the extent of a newsgathering privilege founded principally in the state constitution, the emphasis that the Court placed on such press-friendly factors as "whether there is a need for confidentiality between the journalist and the source...and the importance of confidentiality to preserve the journalist's continued newsgathering effectiveness" reaffirmed the New Hampshire Constitution's commitment to the free press by placing a significant burden on the plaintiff who seeks to overcome the presumption that a newsgatherer's confidential source is protected from disclosure.

Standard for Unmasking Anonymous Posters

With this ruling, New Hampshire is the third state supreme court, after Maryland and Delaware, to adopt the influential standard set in *Dendrite International Inc. v. Doe No. 3*, 775 A.2d 756 (N.J. Super. Ct. App. Div. 2001) to guide trial courts as to when a plaintiff may validly unmask an anonymous poster on a non-party host's website. As it did with the question of confidential sources, the Court required a trial court to balance the First Amendment rights of the anonymous or pseudonymous speaker to speak anonymously with the right of the plaintiff to protect its rights and interests.

The Court eschewed the later developments of the *Dendrite* standard by Maryland and Delaware in favor of the original test, which required that a plaintiff (1) make reasonable efforts, including posting a message on the pertinent message board, to notify the anonymous speaker that they are subject to a subpoena and withhold action to afford the person a reasonable opportunity to serve opposition to the application for disclosure; (2) identify and set forth the exact statements constituting the purportedly actionable speech; (3) produce sufficient evidence supporting each element of its cause of action, on a prima facie basis. Finally, the trial court considering the plaintiff's request must weigh the strength of the plaintiff's prima facie case and the necessity for disclosure against the defendant's First Amendment right of anonymous speech.

Republication of the Loan Chart

The Court flatly vacated the trial court order prohibiting

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the Implode-O-Meter from republishing the 2007 Loan Chart as an impermissible prior restraint on speech. Mortgage Specialists had argued that the Implode-O-Meter's agreement to remove the document pending litigation meant that a subsequent prohibition on republication was not a "prior" restraint, because the document had already been published and removed. It had also argued that publication of the document violated a state banking statute that required documents turned over to the state Banking Department to be handled as confidential by the Banking Commissioner, as well as Mortgage Specialists' common law rights of privacy to its internal confidential information.

The Court rejected these arguments, enfolding republication of the 2007 Loan Chart within the well-established history of prior restraint jurisprudence and affirming the right of the press to publish a lawfully obtained document regardless of the nature of the document or the information in it. In doing so, the Court relied heavily on two factually similar cases out of the sixth circuit, *Proctor & Gamble Co. v. Bankers Trust Co.*, 78 F.3d 219 (6 th Cir. 1996), and *Ford Motor Co. v. Lane*, 67 F.Supp.2d 745, 749 (E.D. Mich. 1999), as well as a lengthy and well-known body of federal case law from *Near v. Minnesota* through the *Pentagon Papers Case* and, more recently, *Bartnicki v. Vopper*.

Conclusion

Although the Court remanded the case to the trial court for consideration of the confidential source and anonymous speaker disclosure requests under the newly enunciated standards, the tests set forth, the ringing affirmation of the right to publish the 2007 Loan Chart under the First Amendment, and the collective tenor of the Court's language all underscore the importance of this ruling for the press in New Hampshire. While a legitimately aggrieved plaintiff may still make his or her case, the Court has reemphasized the substantial role that the freedom of speech must play in determining whether such requests should be granted.

Jeremy D. Eggleton is an associate with Orr & Reno, P.A., in Concord, NH. He briefed and argued the case on behalf of Implode Explode Heavy Industries, Inc. Plaintiff was represented by Alexander J. Walker, Devine, Millimet & Branch, P.A., in Manchester, NH.



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Kansas Supreme Court Reverses Jury Award in BTK Case

Truth a Defense to the Tort of Outrage

By Bernie Rhodes, Blaine Kimrey and Bryan Clark

In its recent opinion in [*Valadez v. Emmis Communications, et al.*](#), the Kansas Supreme Court set aside what was originally a \$1.1 million jury verdict for a plaintiff who had brought claims for invasion of privacy, outrage, and defamation against a television station that had identified him as a suspected serial killer. 2010 WL 1728531, *1 (Kan. April 30, 2010).

In a decision that will hopefully resonate nationwide, the Court held that to recover under the tort of outrage (or as it is known in many states, intentional infliction of emotional distress), the plaintiff needed to demonstrate severe emotional stress beyond the stress caused by truthful reporting of information in order. The court also held that the portion of the verdict attributable to defamation was not a final judgment before the plaintiff's death and thus did not survive. The *Valadez* opinion is important for attorneys who defend media entities because it essentially establishes truth as a defense to outrage claims against media entities in Kansas, opening the door for similar arguments in courts nationwide.

Factual Background

In *Valadez*, a Wichita television station (KSN) reported on the arrest of a suspect in the infamous BTK serial killings. The individual who identified himself as BTK (Bind, Torture, Kill) was involved in a series at least eight homicides dating back to 1974. *Id.* On December 1, 2004, Wichita police received a confidential tip linking Richard Valadez with BTK. The police arrested Valadez on trespass and housing code violations and executed a warrant to search his residence.

KSN received information that someone had been arrested in connection with the BTK case, and on the morning of

December 2, 2004, the station began reporting that Valadez was arrested in connection with BTK. The station reported from his home, disclosed his address, identified Valadez by name, and interviewed various neighbors and townspeople to get their reactions. Although most of the reporting was accurate, the Court identified certain inaccuracies in KSN's reporting, such as reports that the police chief was involved in the arrest, that the bond amount was continuing to rise throughout the day, and that, even if Valadez was not BTK, "he has probably been arrested relating to a homicide." *Id.* at *2-*3.

On December 3, 2004, DNA testing results cleared Valadez of any criminal activities related to BTK, and several months later police arrested a man in connection with the BTK killings who eventually pled guilty to 10 counts of first-degree murder. On January 10, 2005, Valadez filed a lawsuit against KSN and other entities, asserting claims for invasion of privacy, outrageous conduct, and defamation.

On October 20, 2006, a jury returned a verdict in favor of the plaintiff, awarding \$800,000 for mental suffering, shame and humiliation, and \$300,000 for injury to reputation. Valadez died on November 27, 2006, and the court struck the reputation damage award, holding that the defamation action abated when Valadez died. The court also reduced the \$800,000 award to \$250,000 because of a statutory cap on noneconomic damages. Thereafter, defendants filed a timely notice of appeal and Valadez's estate cross-appealed.

No Damages to Support Outrage Claim

The Kansas Supreme Court overturned the damages awarded for outrage because it determined that the media's

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In a decision that will hopefully resonate nationwide, the Court held that to recover under the tort of outrage (or as it is known in many states, intentional infliction of emotional distress), the plaintiff needed to demonstrate severe emotional stress beyond the stress caused by truthful reporting of information in order.

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constitutional protection for reporting true information mandated a higher bar for Valadez's claim. *Id.* at *5. To prevail on an outrage claim under Kansas law, a plaintiff must prove: "(1) The conduct of the defendant was intentional or in reckless disregard of the plaintiff; (2) the conduct was extreme and outrageous; (3) there was a causal connection between the defendant's conduct and the plaintiff's mental distress; and (4) the plaintiff's mental distress was extreme and severe." *Id.* at *4. The issue here was whether the defendants' conduct and the plaintiff's distress rose to the level of "extreme and severe."

Acknowledging the freedoms of the First Amendment, the Court held that "conduct that would otherwise be extreme and outrageous may be privileged under the circumstances" and that "[t]he news media enjoy constitutional protection for reporting true information." *Id.* The Court did not deny that Valadez suffered emotional distress as a result of the defendants' broadcasts, but held that Valdez was required to distinguish between distress caused by truthful information and distress caused by defendants' inaccuracies. *Id.* at *5. "It is likely that Valadez would have suffered some emotional distress if the defendants had limited their broadcast to certain accurate information. . . . It was incumbent on Valadez to demonstrate that he suffered *severe* emotion distress *beyond* what he experienced as a result of the defendants' constitutionally protected activities." *Id.* (emphasis in original).

For example, the Court noted that Valadez likely would have suffered some degree of public embarrassment and emotional distress even if the station had reported only that "an anonymous tip had connected Valadez to BTK and that a large contingent of police had then moved in during the night to arrest Valadez and to execute a search warrant on his house." *Id.*

The Court ultimately concluded that Valadez failed to provide sufficient evidence of extreme injury. "The testimony [] does not attempt to separate the anxiety suffered from legitimate, constitutionally protected news reporting from any distress caused by the defendants' alleged unprivileged conduct." *Id.*

Despite its holding in *Valadez*, the Court did not absolve the news media from liability for outrage in all cases: "We do not hold that the media is beyond the scope of tortious outrage actions in all circumstances; we merely hold that under the facts of this case the plaintiff failed to prove an

injury severe enough to sustain his claim." *Id.* at *6. However, the Court's express protection of truthful reporting from the scope of outrage and intentional infliction of emotional distress claims appears to be the first of its kind and constitutes a major victory for the First Amendment in Kansas.

Defamation Claim Abated Upon Plaintiff's Death

The Court also overturned the \$300,000 verdict attributable to defamation, holding that claims for injury to the plaintiff's reputation abated upon his death. *Id.* at *8. After Valadez died in November 2006, the district court set aside the \$300,000 defamation verdict. Under Kansas law, invasion of privacy is an action that is personal in nature and must be brought by a living person.

The Court held that defamation is similar to invasion of privacy in that the claim is personal. "Under the Kansas statutory scheme, an action for damages for injury to reputation does not qualify to survive the death of the plaintiff when the death occurs before judgment becomes final." *Id.* at *7.

The Court held that the judgment in this case was not final because although it had been orally pronounced, it was not reduced to a written journal entry prior to the plaintiff's death. Thus, Valadez' estate could not recover damages for injury to his reputation.

Conclusion

In addition to clarifying the abatement issue, the *Valadez* decision undoubtedly strengthens First Amendment freedoms in Kansas, protecting media entities that report true and accurate information from liability for the tort of outrage. The truth has long been a defense to libel, but the Kansas Supreme Court has now extended that protection to outrage. Although *Valadez* appears to stand alone on this issue, it is an important addition to the arsenal of any lawyer defending media entities on claims for intentional infliction of emotional distress.

Bernie Rhodes is a partner in the Kansas City office of Lathrop & Gage and served as lead counsel for the defendants in Valadez v. Emmis Communications, et al. Mr. Kimrey is a partner in the Chicago office of Lathrop & Gage, and Mr. Clark is an associate in the Chicago office of Lathrop & Gage.

New Jersey Supreme Court Issues Sweeping Decision Bolstering Fair Report

Rejects Initial Pleading Exception to Privilege

By Bruce S. Rosen and Katie A. Hirce

The New Jersey Supreme Court has ended more than a year of suspense about whether it will allow an initial pleadings exception to the fair report privilege to stand, and ended almost 100 years of confusion about whether the fair report privilege is absolute, conditional or a hybrid by issuing a sweeping decision clarifying and strengthening the privilege.

In [Salzano v. North Jersey Media Group Inc.](#) (A78/79-08), the Court issued a 46-page, 6-0 ruling declining to adopt an initial pleadings exception, clearly encompassing all reporting of public events within the fair report privilege, and ending years of conflicting case law by declaring the privilege to be absolute once a report is deemed a “full fair and accurate” account. However, the court split on whether the use of the word “stealing” in the subject article—to describe a civil charge of fraudulent transfers misappropriation—was a fair report. As a result, the lower court decision that the article constituted a fair report was upheld by a procedural rule. Justice Virginia Long wrote for the majority and Chief Justice Stuart Rabner recused himself from the proceedings.

The May 11, 2010 decision reversed a 2008 Appellate Division ruling imposing the initial pleadings exception on a report about a bankruptcy trustee’s complaint against a recent college graduate, Thomas John Salzano. Salzano had allegedly received almost \$500,000 in cash and use of an American Express card from NorVergence, a Newark, N.J. company run by his father and uncle that was the target of a Federal Trade Commission inquiry, resulting in a \$181 million default judgment.

NJMG’s flagship publication, *The Record*, and its website northjersey.com, had been following the NorVergence action and published news stories about the bankruptcy filing. The bankruptcy complaint charged that Salzano “unlawfully diverted, converted and misappropriated” approximately \$470,000 from NorVergence “for [his] own personal benefit,” which included the purchase of a Glen Ridge

residence and charging personal expenses, for which he had “no intention of reimbursing” NorVergence, to a corporate charge card.

Salzano reacted to the news stories by filing a *pro se* complaint for defamation, invasion of privacy and infliction of emotional distress against NJMG alleging that references in headlines and in the body of the news stories, such as “Man accused of stealing \$500,000 for high living,” and “Argyle residence allegedly bought with stolen funds” were defamatory *per se* in that use of the words “stealing” and “stolen funds” imputed criminal conduct to him.

The suit was summarily dismissed by the trial court and Salzano appealed. The Appellate Division found that use of the word “stolen” carried “the same essential sting” as the allegations set forth in the bankruptcy complaint and ruled that the News Stories provided a “fair and accurate” description of the trustee’s allegations. Regardless, the court below refused to apply the fair report privilege because the bankruptcy complaint was an “initial pleading” against Salzano.

No New Jersey court had ever previously decided that the initial pleadings exception applied and the media had continued to report on initial filings, assuming they were within the privilege. The appellate panel based its decision on a misreading of dictum in *Costello v. Ocean County Observer*, 136 N.J. 594 (1994), wherein the Supreme Court’s discussed the initial pleading exception in purely theoretical terms but expressly declined to “resolve that thorny issue.” The Supreme Court issued a stay of the appellate court’s decision and granted certification to both NJMG and Salzano.

Supreme Court Decision

In its decision, the Court adopted all of NJMG’s arguments and recognized the “clear trend” away from the initial pleadings exception among jurisdictions and expressly indorsed the importance of press coverage on legal

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proceedings to the citizenry at large: “[m]embers of the public simply cannot attend every single court case and cannot oversee every single paper filing, although clearly entitled to do so. Thus, it is critical for the press to be able to report fairly and accurately on every aspect of the administration of justice, including the complaint and answer, without fear of having to defend a defamation case and without the inhibitory effect of such fear.”

It defies logic, the Court held, to prohibit the press from reporting on documents that are fully accessible to individuals visiting the court house. Such filings “are not sanitized nor are they filtered through a veracity lens” by those who view them within the courthouse walls. Thus, “interposing an artificial barrier between the citizen and a truthful and accurate report of what is actually occurring makes no sense.”

Other arguments in support of not imposing an initial pleadings exception suggested by NJMG and amici were also adopted by the Court. For example, New Jersey State statutes provide for sanctions remedies where frivolous lawsuits are concerned, undermining any argument that individuals might file frivolous, libelous complaints simply to catch press attention and effectuate defamatory articles. Additionally, “given the vicissitudes of the litigation process,” if an initial pleadings exception existed, coverage of some cases might be precluded for months or years.

Finally, Justice Long’s opinion bolstered the notion that journalists are not attorneys and are not required to report verbatim the nuances of a legal proceeding. Quoting case law from the District of Massachusetts and the First Circuit, the Justice noted that “technically precise language” is not needed where legal reporting is concerned, and that courts should apply “a common sense standard of expected lay interpretation of media reports of trials, rather than inquiring whether a report was strictly correct in defining legal charges and describing legal rulings.”

The court’s opinion on the privilege resolutely answered nagging questions raised over the years by inconsistent rulings regarding whether the privilege could be overcome by actual malice. Since a 1913 opinion declared the privilege absolute after it is determined to be full and fair, the state’s courts have alternatively suggested fair report is a conditional, absolute and hybrid privilege, sometimes

depending on whether it was a public meeting or filing.

The Court rejected this notion outright, holding “it is clear that so long as the publisher fully, fairly, and accurately reports the contents of a public proceeding, he has done what is necessary and is immune from a suit for defamation based on false statements made, not by him, but by the participants in the proceeding.”

Fair report, the Court reasserted “is intended to increase the flow of public information about what is truly happening in our public and quasi-public institutions, no more and no less.”

Justice Hoens filed a separate opinion concurring and dissenting in part, and was joined by Justices LaVecchia and Rivera-Soto. In a dissent that reads as a warning to sloppy reporters or those inclined to engage in “sensationalist journalism,” the three Justices disagreed that the subject news stories were fair and accurate, specifically objecting to the use of “steal” and its variations.

The majority’s reliance upon dictionary definitions of “steal” “actually misses the point, Justice Hoens wrote, because even the definitions quoted demonstrate that the ‘sting’ of that word choice is far harsher than the truth, and that choosing that value-laden word, in the end, created a news report that was both unfair and inaccurate.” Writing that someone has “stolen” carries “clearly pejorative implications of a criminal act.”

By way of these News Stories, Justice Hoens wrote, the newspaper failed to act as a “neutral filter” of information. Shortly before press time, Salzano filed a motion for reconsideration of the application of the fair report privilege to the news report.

The Court, echoing the Appellate Division, allowed the suit to continue based on a one-line passage in the news story not directly connected to the bankruptcy filing, containing a statement that Salzano was involved in a separate bankruptcy with his father.

Bruce S. Rosen and Kathleen A. Hirce of McCusker, Anselmi, Rosen & Carvelli, P.C., in Florham Park, N.J. along with NJMG General Counsel Jennifer A. Borg and Counsel Dina L. Sforza, represented North Jersey Media Group Inc. and its publications and individual defendants. Thomas J. Cafferty of Scarinci Hollenbeck, LLC in Secaucus, N.J. represented media amici curiae. Plaintiff Thomas J. Salzano of Glen Ridge, N.J. represented himself pro se.

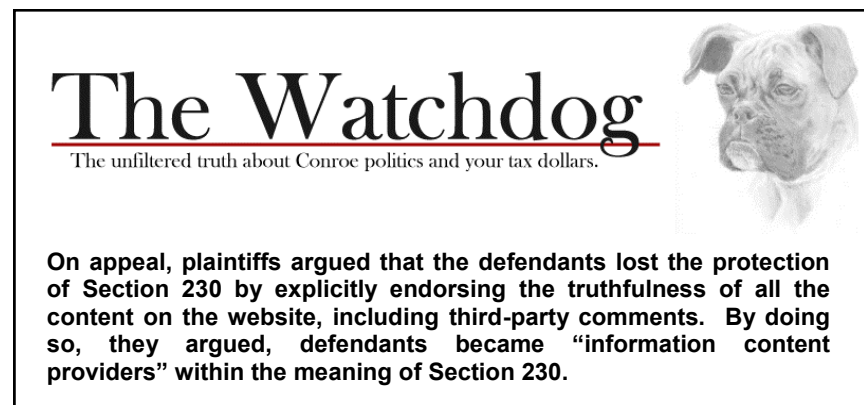
Website That Publishes “Unfiltered Truth” Not Liable For User Comments

Section 230 Bars Libel Claims; No Facts to Support Emotional Distress Claim

A Texas Court of Appeals panel unanimously affirmed summary judgment for the operators of a local news and politics website, holding they were protected by Section 230 of the Communications Decency Act for defamation claims based on third-party comments. *Milo v. Martin*, No. 09-09-00145 (Tex. App. April 29, 2010) (Gaultney, Kreger, and Horton, JJ.).

This seemingly routine Section 230 case, however, contained some interesting wrinkles. The plaintiffs seized on the website’s stated credo that it publishes only “the unfiltered truth” about local politics to argue that defendants had lost the protection of Section 230.

The plaintiffs also argued that failure to remove defamatory comments caused them severe emotional distress and that Section 230 immunity does not apply to claims for emotional distress.



Background

The defendants are the editors and publishers of “The Watchdog,” a local Texas website (and hard copy newsletter of the same name that was not at issue in the case). The [website](#) contained the following language on its front page:

THE WATCHDOG

*The unfiltered truth about Conroe
politics and your tax dollars.*

The Watchdog is a monthly publication by newsletter and website. It contains facts

believed to be totally accurate by sources with character and truthfulness as their primary attributes. Our agenda is the truth and nothing less. Our sources and any information obtained are absolutely confidential and will remain so.

The defendants were sued by a local community leader and a pastor over anonymous comments posted to the “Guest Book” section of the website. The comments referred to the pastor as a “pulpit pimp” who drove a \$90,000 Hummer; and said the community leader had “cut a deal” to get probation

after a drug arrest. The lawsuit was dismissed by the trial court in January 2009 on Section 230 grounds.

Section 230 Bars Libel Claims

On appeal, plaintiffs argued that the defendants lost the

protection of Section 230 by explicitly endorsing the truthfulness of all the content on the website, including third-party comments. By doing so, they argued, defendants became “information content providers” within the meaning of Section 230, citing e.g., *Fair Housing Council of San Fernando Valley v. Roommates.com*, 521 F.3d 1157, 1167-68 (9th Cir. 2008).

The Court of Appeal, however looked at the comments in context and concluded that reasonable readers would understand that “guest comments” were not necessarily the

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view of the website owners.

A reasonable person, viewing the website as a whole, would be unlikely to assume that The Watchdog had verified the accuracy of the posts found in that portion of its site. ... Given the existence of both favorable and unfavorable posts about The Watchdog's content, a reasonable reader of the site would not conclude that the posts within the "Guest Book" constituted views that were necessarily those that had been endorsed by The Watchdog.

Emotional Distress & Section 230

The court also considered whether Section 230 immunity applies to emotional distress claims. Plaintiffs claimed that the failure to remove the comments caused them severe emotional distress. The main opinion concluded that emotional distress claims were "arguably" outside the scope of Section 230.

The question, however, did not have to be answered because plaintiffs failed to allege sufficient facts to support the claim. The court found no evidence that defendants left the comments online to cause plaintiffs to be injured or that the "Guest Book" section on the website had been created in bad faith to injure the persons mentioned in the posts. In fact, the defendants did not remove the comments on advice on counsel.

Writing a separate concurrence Justice Gaultney went further, stating "While section 230 bars many causes of action, not every claim is barred.

Specifically, the Act does not bar an intentional tort claim grounded on a defendant's alleged malicious conduct." The judge went on to explain that "in my view, if a malicious website operator intentionally and unreasonably refuses to delete an anonymous third-party's obviously defamatory statement, a claim based on an intentional tort may be asserted in the appropriate circumstances against the operator under Texas law."

The judge, however, agreed that plaintiffs failed to produce sufficient evidence to support the claim.



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Publisher Loses Misappropriation Case Over Book Cover

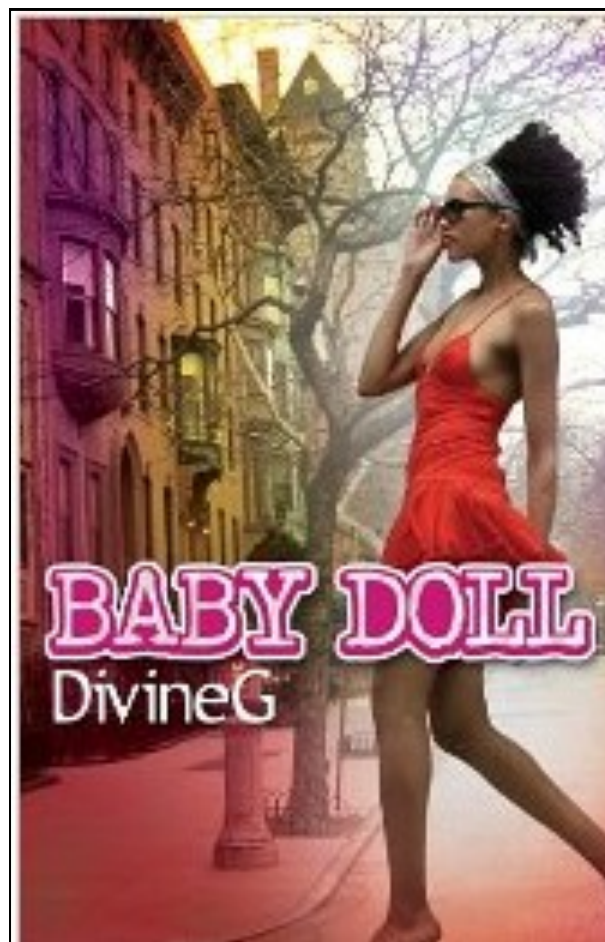
Use of Plaintiff's Photo on Novel Deemed "Commercial"

A New York trial court recently held a publisher liable for misappropriation for using a women's photograph to illustrate the cover of a novel. *Yasin v. Q-Boro Holdings, LLC and Urban Books, LLC*, No. 13259/09, 2010 NY Slip Op 50742U, 2010 N.Y. Misc. LEXIS 890 (N.Y. Sup. April 23, 2010) (Rothenberg, J.). The court found that the cover photo bore no relationship to the content of the fictional novel, and was therefore a commercial use in violation of New York's statutory misappropriation law. The court granted summary judgment to the plaintiff on liability and permanently enjoined the publisher from using the photograph on the book.

Background

The plaintiff, an aspiring singer and song writer, sued Q-Boro Holdings and imprint Urban Books under New York Civil Right's Law §§ 50-51 after she recognized her photograph on the cover of a novel published in 2008 entitled "Baby Doll." The defendant, a New York-based independent trade publisher, markets its books to an African American audience. The publisher's catalogue describes "Baby Doll" as the story of a "stunningly beautiful" women who is "a fighter by nature, and like most people in her neighborhood, her ultimate dream is to become rich."

The publisher bought the rights to the image from a photographer who had earlier taken photos of plaintiff to promote her entertainment career. The plaintiff did not sign a release allowing the photographer to use the photos, but the photographer apparently represented to the publisher that he had acquired the rights to use the photos.



The court noted that New York's privacy statute is strictly limited to commercial use of the name, portrait or picture of a living person and that it does not apply to the use of photographs to illustrate newsworthy events or matters of public interest – unless the image has no relationship to the article.

Advertising Purpose?

The court noted that New York's privacy statute is strictly limited to commercial use of the name, portrait or picture of

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a living person and that it does not apply to the use of photographs to illustrate newsworthy events or matters of public interest – unless the image has no real relationship to the article. See, e.g., *Messenger v. Gruner & Jahr Printing & Publ'g*, 727 N.E.2d 549, 706 N.Y.S.2d 52 (2000); *Finger v. Omni Publ'ns Int'l*, 566 N.E.2d 141, 564 N.Y.S.2d 1014 (1990).

With minimal factual analysis, the judge concluded that the use of plaintiff's photograph on the book cover fell outside the newsworthiness or public interest exception because "there is no relationship between [plaintiff's] picture and the subject matter contained in the book; which is admittedly a pure work of fiction that neither references Yasin by name or otherwise identifies her as a character in the book."

The judge also noted that under New York law the use of a person's image in a work of art is constitutionally protected from misappropriation claims. See, e.g., *Hoepker v. Kruger*, 200 F.Supp.2d 340 (2002) (collage of plaintiff's image shown in museum and contained on various items sold in gift shop). But the judge concluded that the photo of plaintiff was not "artwork." Thus the "image on the front cover of defendants' book is purely for marketing and trade purposes; solely as a means to attract customers and generate sales."

The court granted plaintiff's motion for a permanent injunction prohibiting the publisher from further selling, displaying, or using her image; and granted plaintiff summary judgment on the issue of liability.

Plaintiff was represented by Orrick, Herrington, Sutcliffe, New York. Defendant was represented by Chris Pappas & Associates, New York.

Comedian's Schtick About In-laws Not Defamatory

"In-laws" have been subjected to a long-running tradition of comedic abuse. So ubiquitous are these jokes, that in-laws rarely bother protesting their publication, discounting them as ultimately harmless or simply not worth fussing over. However the in-laws of a stand-up comic apparently felt differently when they filed a defamation lawsuit against their daughter-in-law in 2009.

The plaintiffs alleged that video clips and comments available on defendant's website and MySpace page falsely portrayed them as racists. Ultimately, defendant got the last laugh when the federal district court found the statements to be expressions of opinion rather than false allegations of fact, and granted the motion to dismiss the complaint in its entirety. [*Edelman, et al. v. Croonquist*](#), 2010 U.S. Dist. LEXIS 43399 (D. N.J. Apr. 30, 2010) (Cooper, J.).

Background

The defendant Sunda Croonquist is a Los Angeles-based stand-up comic who draws on her family background for

comedic inspiration. Her mother is African-American; her father, Swedish; and her husband and his family, Jewish. Her mother-in law, Ruth Zafrin, joined by her brother- and sister-in-law, Neil and Shelley Edelman, sued Croonquist for defamation, false light, intentional and negligent infliction of emotional distress, unjust enrichment and injunctive relief.

At issue were online video clips of her skits "Jewish Mother-in-Law" and "Jewish Friends" as well as related blog postings. In "Jewish Friends," defendant described her sister-in-law as a "Jewish broad" with a voice like "a cat in heat." In "Jewish Mother-in-law" she remarks "Have you ever met someone and in the first five seconds you say through your teeth 'I hate this bitch.'" Related blog postings stated that her mother-in-law treats her other grandchildren better "probably because they're white." Another posting denounced her sister-in-law for calling black people "colored" and stating "I'm sure the 'N' word passed through their chapped lips at one point."

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Choice of Law

Before tackling the substantive legal issues at hand, the court addressed the choice of law issue, though it had not been briefed by either party. With plaintiff Zafrin being a citizen of New York, the Edelmans, citizens of New Jersey, and Croonquist, a citizen of California, the court recognized that three different state laws could potentially govern the case. As a New Jersey federal district court sitting in diversity, New Jersey choice of law rules applied. However, the court concluded that engaging in the required government-interest analysis would be too fact-intensive at such an early stage in the case. Instead, it chose to analyze the plaintiffs' substantive claims under the laws of each of the three states in turn.



The defendant's statements about hating her mother-in-law and about her sister-in-law's voice were opinion and hyperbole "simply not defamatory in nature."

Jokes Alleging Racism Not Defamatory

In this case, the court decided that none of the statements cited by the plaintiffs were capable of a defamatory meaning under the legal standards of any of the three states. The defendant's statements about hating her mother-in-law and about her sister-in-law's voice were opinion and hyperbole "simply not defamatory in nature."

The accusations of racism presented a closer question. The court found that descriptions of plaintiffs as racists was closer to the type of statement that would subject them to ill will and ridicule among "right thinking persons," but in context the statements were non-actionable opinions based on disclosed facts.

The defendant's characterization, in context, appears personal to her and does not imply that the plaintiffs believe in the subjugation

of an entire race. Rather, the challenged statements assert that the defendant's in-laws have treated her poorly, and she believes it is on account of her ethnic background.

The views expressed in defendant's skits and comments were therefore "subjective" and thus "not sufficiently susceptible to being proved true or false to constitute defamation."

Once the court established that the plaintiffs' defamation claim failed as a matter of law, the false light, emotional distress and related claims were easily dispatched. False light is not recognized in New York and under New Jersey and California law statements of opinion are not actionable as false light. Similarly, the failed defamation claim could not form the basis of an emotional distress claim under any of the three state laws. The comedian's motion to dismiss the amended complaint was

thus granted in its entirety, giving her new material for her act.

Plaintiffs were represented by David B. Himelman, Himelman, Wertheim & Geller, LLC, Old Bridge, NJ. Defendant was represented by Abrams Fensterman LLP, New York.

Any developments other
MLRC members should know about?

Let us know.

Media Law Resource Center
520 Eight Avenue, North Tower
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Phone: (212) 337-0200
E-mail: medialaw@medialaw.org

Illinois Supreme Court Significantly Reduces Punitive Damages In Defamation Per Se Judgment, Rejecting Evidence Of Defendant's Malicious Intent

By Debbie L. Berman and Wade A. Thomson

In a non-media case involving private individuals, the Illinois Supreme Court affirmed remittitur of a \$2 million punitive damages award down to \$81,600, holding that plaintiff had not shown that defendant had acted with sufficient malice to justify any punitive damages. [*Slovinski v. Elliot*](#), No. 107146 (April 15, 2010). The ruling is significant in that it can be used by libel defendants to help establish a high-bar for punitive damages, even in cases involving private matters.

Background

Plaintiff was chief financial officer for Cherry Communications, Inc. (Cherry), a telecommunications company. In 1995, plaintiff completed financial statements for Cherry, which he maintained demonstrated that the overall financial situation of Cherry was worsening. (Cherry filed for bankruptcy in 1997.) Cherry terminated plaintiff's employment in May 2006. In summer 2006, WorldCom (one of Cherry's suppliers) met with Cherry's CEO, James Elliot. Plaintiff alleged that during that meeting, when WorldCom asked about the Cherry's financial statements, Elliot made several false statements about plaintiff, including that plaintiff had not completed the financial statements, that he "was not doing his job" and "spent his time chasing pussy all day." Plaintiff sued Elliot for defamation *per se*.

\$1 Million Punitive Damages

After defendant failed repeatedly to answer discovery requests, the trial court entered default judgment and held a hearing on damages. Both plaintiff and his wife testified about how defendant's statements had damaged plaintiff's reputation in the telecommunications industry and resulted in a reduction in salary and various forms of emotional stress. Plaintiff also said he had to have a "very difficult conversation" with his wife about the defamatory statements.

Plaintiff admitted, however, that his firing was unrelated to defendant's defamatory remarks. The jury awarded plaintiff \$81,600 for emotional distress and \$2 million in punitive damages. The circuit court granted defendant's motion seeking remittitur of the punitive damages award and reduced the award to \$1 million.

Appellate Court Reduces Punitives

The appellate court upheld the default judgment but entered a remittitur further reducing the punitive damages to \$81,600, finding no basis for the higher award. The plaintiff appealed to the Illinois Supreme Court where the Illinois Trial Lawyers Association also filed an *amicus curiae* brief in support of the plaintiff.

No Evidence of Premeditated Scheme

The Supreme Court began its analysis by setting the standard for punitive damages in Illinois: "tortious conduct [which] evinces a high degree of moral culpability, that is [] a tort committed with fraud, actual malice, deliberate violence or oppression, or when the defendant acts willfully, or with such gross negligence as to indicate a wanton disregard of the rights of others." Moreover, the Court, citing the Restatement (Second) of Torts § 908(2), noted that in determining whether punitive damages are appropriate, the trier of fact can consider "the character of the defendant's act, the nature and extent of harm to the plaintiff that defendant caused or intended to cause and the wealth of defendant."

In applying these standards, the Court focused on the closing arguments of plaintiff's counsel, wherein he painted a picture of premeditated defendant driving to the WorldCom meeting, planning what he would say about the plaintiff and how the story of the plaintiff chasing women would appeal to the men in the room. The Court, however, noted that there was no evidence of premeditation and that the plaintiff had

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admitted during the trial that defendant's statements had nothing to do with plaintiff's firing. Plaintiff also argued that defendant had made the defamatory statements as part of the defendant's scheme to stave off bankruptcy of Cherry. But the Court noted that plaintiff was not involved with Cherry after being fired in May 1996 and thus there was no real evidence to support plaintiff's theory.

The Court also noted that the defendant only made these statements once and that the scope of the publication was limited to the people at the meeting. Further, there was no evidence that plaintiff had to visit a doctor or therapist or alter his daily activities as a result of the defamatory statements. Accordingly, the Court concluded that the evidence only showed that, at most, defendant's defamatory statements were made with reckless disregard for plaintiff's rights. "This places defendant's conduct on the low end of the scale for punitive damages, far below those cases involving a defendant's deliberate attempt to harm another person." As such, the Court found no basis in the record to support punitive damages, and reduced the award to \$81,600.

Take Aways

As outlined in the Court's opinion, libel defendants facing

liability should focus on differentiating plaintiff's arguments concerning defendant's malicious intent from the actual evidence, and should seek out alternative bona fide explanations for defendant's actions.

The Court also held that even in cases of defamation *per se*, the malicious conduct necessary to support an award of punitive damages may not be presumed but must be proved by competent evidence. While this holding is understated in the opinion, it maybe significant in that it arguably clarifies that there can be no *implied* punitive damages for "private matter" libel cases. *Cf. Imperial Apparel, Ltd. v. Cosmo's Designer Direct, Inc.*, 227 Ill2d. 381, 882 N.E.2d 1011 (2008) ("Where the cause of action is based on defamatory statements concerning a matter of public concern, punitive damages may not be imposed absent a showing of actual malice. Where the defamatory statements involve a purely private matter, by contrast, an award of punitive damages is not dependent upon actual malice being established."). Hopefully this will be clarified in the next Illinois Supreme Court opinion on this issue but in the meantime defense counsel should consider making the argument.

Debbie L. Berman is a partner in the Chicago office of Jenner & Block LLP and co-chair of the firm's Media and First Amendment Practice Group. Wade A. Thomson is an associate in the Chicago office and a member of the group.

California Supreme Court Narrowly Construes 'Commercial Speech' Exemption to Anti-SLAPP Statute

By Thomas R. Burke and Rochelle L. Wilcox

The California Supreme Court issued its decision in [*Simpson Strong-Tie Co. v. Gore*](#) on May 17, 2010, narrowly construing the so-called "commercial speech" exemption to California's anti-SLAPP statute, Code of Civil Procedure Section 425.17(c). In a unanimous opinion, the Court affirmed the decisions of the trial court and court of appeal, holding that the exemption did not apply to a Notice published by attorney Pierce Gore, who was seeking clients for a possible class action lawsuit, and that Gore was therefore entitled to invoke the anti-SLAPP statute to protect his free speech rights in publishing the Notice.

The Court explained that Section 425.17(c)'s "content" requirement, which sets out a multipart test for application of the exemption, applies both to statements or conduct that

occur in soliciting business and also to statements or conduct that occur while a product or service is being delivered.

The Court also made clear that the exemption is triggered *only* if the statement or conduct giving rise to the claim *itself* satisfies the statute, and not merely if it is accompanied by a statement or conduct that satisfies the statute.

Thus, beyond lawyer advertising, the Supreme Court's decision confirms that California's anti-SLAPP statute remains available to protect the exercise of free speech in many commercial settings.

Proceedings Below

Simpson Strong-Tie Co. sued Pierce Gore, a plaintiffs' class

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action attorney, over a legal advertisement Gore published in a local newspaper to locate potential plaintiffs for a class action lawsuit he intended to file. The ad stated that if a consumer's deck was built with galvanized screws manufactured by Simpson or two other manufacturers, the consumer "may have certain legal rights and be entitled to monetary compensation, and repair or replacement of your deck. Please call if you would like an attorney to investigate whether you have a potential claim." Simpson promptly sued Gore for libel, trade libel, false advertising and unfair business practices.

Gore filed a Special Motion to Strike under California's anti-SLAPP statute, Code of Civil Procedure Section 425.16, a powerful procedural tool available to defendants who are sued for the exercise of free speech or petitioning activities. In response, Simpson did not contest that the anti-SLAPP statute applied by its plain terms. Instead, it argued that an exemption from the anti-SLAPP statute for a subset of "commercial speech," Code of Civil Procedure Section 415.17(c), applied to Simpson's claims.

Section 425.17(c) exempts from the anti-SLAPP statute's protection statements or conduct by a seller of goods or services made to a prospective or actual buyer of those goods or services, if "[t]he statement or conduct consists of representations of fact about that person's or a business competitor's business operations, goods, or services, that is made for the purpose of obtaining approval for, promoting, or securing sales or leases of, or commercial transactions in, the person's goods or services, or the statement or conduct was made in the course of delivering the person's goods or services."

The trial court rejected Simpson's argument, finding that the exemption did not apply—and the protections of the anti-SLAPP statute were unavailable to Gore—because the Notice made no statement about Gore or a business competitor, and granted Gore's anti-SLAPP motion after determining that Simpson was not likely to prevail on any of its claims.

The court of appeal affirmed the trial court's decision in a published opinion. In addressing the "commercial speech" exemption, the court first disagreed with a prior court of appeal decision that had placed the burden of establishing the exemption on the party who filed the anti-SLAPP motion. Invoking well-established law holding that a party that invokes an exemption bears the burden of proof and persuasion as to that exemption, the court concluded that

Simpson bore the burden.

The court next held that the promotion part of the exemption did not apply because although the Notice was "made for the purpose of ... promoting ... [Gore's] services," Simpson's claims did not arise from a representation of fact about Gore or a business competitor. Finally, the court held that the delivery part of the exemption did not apply because Gore was not delivering his services, but instead was seeking business from prospective clients. The court then rejected Simpson's arguments on the merits, and affirmed the trial court's dismissal.

Supreme Court Decision

Simpson petitioned for review on a variety of grounds, challenging both procedural matters and the decision on the merits. The Supreme Court granted review on two narrow questions regarding the scope of Section 425.17(c): "(1) Which party bears the burden of persuasion with respect to the applicability of the anti-SLAPP exemptions set forth in Code of Civil Procedure section 425.17, subdivision (c)?" (2) "Does Code of Civil Procedure section 425.17, subdivision (c), exempt from anti-SLAPP protection an advertisement by a lawyer soliciting clients for a contemplated lawsuit?"

In a decision authored by Associate Justice Marvin Baxter on behalf of the full Court, the Court affirmed the lower courts' decisions in full. The Court first held that, like other exemptions, the "commercial speech" exemption "should be narrowly construed." Next, it concluded that, consistent with well-established California law, the party invoking the exemption bears the burdens of proof and persuasion as to that exemption, disapproving a court of appeal decision that had held to the contrary. The Court then turned to the substance of the "commercial speech" exemption.

Simpson argued that the Legislature created a "content exemption," triggering the exemption for attempts to sell a product if the three elements enunciated in the statute are satisfied, and a "delivery exemption," exempting all statements or conduct that occur in the course of delivering a product. The Court held that while Simpson's construction of the statutory language was "plausible," it would be contrary to the legislative history and lead to absurd results.

Section 425.17 was enacted in 2003 to enhance the anti-SLAPP statute by ensuring that participation in matters of public significance is not chilled through abuse of that statute.

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As the Court explained, the Legislature carefully constructed the Section 425.17(c) exemption, establishing three specific criteria for the statute to apply. Yet, because Simpson also urged an extremely broad interpretation of the “delivery prong” (which would extend even to advertisements made in the normal course of business) Simpson’s interpretation would effectively jettison those three elements, leading to absurd results.

The Court also rejected Simpson’s attempt to narrow the exemption to avoid those absurdities, holding that the plain language used by the Legislature provided the appropriate narrow test. Next, the Court rejected Simpson’s claim that the statements at issue “arise from ... representations of fact about [Gore’s] ... business operations, goods, or services,” finding that because the alleged defamatory statements are about Simpson—not one of Gore’s competitors—they fall “squarely outside section 425.17(c)’s exemption for commercial speech.”

Simpson argued that Gore made statements about himself, by inferring that he had investigated Simpson’s screws and found them defective and promising to investigate to determine if a potential client has a claim. The Court rejected this argument because Simpson’s claims did not arise from these statements, but instead from the alleged defamatory implication about Simpson’s screws. Given the court’s obligation to construe the statute narrowly, applying the court’s earlier ruling in *Club Members for an Honest Election v. Sierra Club* (2008) 45 Cal.4th 309, 312, 316, it refused “to allow plaintiffs to evade the limitations of the statutory text by mere wordplay.”

Finally, the Court rejected Simpson’s argument that it sufficed if the statement giving rise to the claim accompanied statements that satisfied the statutory criteria, finding that such an approach was contrary to the language of the statute and the legislative history. In addition, the Court noted that Simpson’s interpretation would exempt from the anti-SLAPP statute’s protection core political speech by a business if the business also mentioned its products in the same publication.

Conclusion

The California Supreme Court once again has narrowly interpreted the Section 425.17 exemptions from the anti-SLAPP statute to ensure the ongoing vitality of the anti-SLAPP statute itself. In the face of an increasing number of

trial courts that have relied on this exemption to deny an anti-SLAPP motion, which in turn bars immediate appellate review, the Supreme Court’s opinion will be welcome relief. Now, defendants who have been forced to defend against application of the Section 425.17(c) exemption to protect their rights have a supreme court decision interpreting the exemption narrowly.

Thomas R. Burke, Davis Wright Tremaine (San Francisco), represented Gore in the trial court. He and Rochelle Wilcox, Davis Wright Tremaine (Sacramento), represented Gore in the court of appeal and the California Supreme Court. Plaintiff was represented by Jon B. Eisenberg, Eisenberg and Hancock, San Francisco.

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A Tale of Two Issues: ‘Public Figure’ and ‘Public Concern’ Decided in Bifurcated Massachusetts Trial

By Joseph D. Steinfield and Jeffrey J. Pyle

Under Massachusetts law, the question of whether a plaintiff in a defamation case is a public figure is for the court “in the first instance.” If there are facts in dispute, however, the question is for the finder of fact. Whether the speech at issue is of “public concern” has always been treated as a question of law – in Massachusetts and, as far as we have been able to tell, everywhere else. Until late April, when both questions were tried and decided by a Massachusetts Superior Court judge. The case is *Global NAPS, Inc. v. Verizon New England Inc.*, Mass. Superior Court (Suffolk County) Civil Action 03-0412. How this came about requires a bit of background information.

Dial-Up Calls and the Word “Scam”

In December of 2002, the Massachusetts Department of Telecommunications and Energy (“DTE”) issued two rulings having to do with “Intercarrier Compensation.” That term refers to the situation where two competing telephone companies are involved in a single call. Specifically, these rulings dealt with “dial-up” calls to internet service providers. Verizon, whose telephone customers made the dial-up calls, was one of the companies; Global NAPS, a competitive local exchange carrier whose business consisted of completing calls to ISP’s, was the other. If the calls were deemed “local” (because the number called was part of the caller’s telephone exchange area), then under federal law Verizon would be obligated to pay “reciprocal compensation” to Global. If, on the other hand, such calls were “long-distance,” then Verizon would not have to pay such compensation, and Global would have to pay “access charges” to Verizon for completing the calls.

The stakes before the regulatory agency were huge. Calls consuming millions, ultimately billions, of minutes can run into the tens of millions of dollars, with a serious impact on consumers and the telecommunications industry. Regulatory agencies – the FCC and state public utilities commissions – and courts across the country had weighed in on the issue. The *Boston Globe* and other media, including the trade press, had been covering the subject for years, routinely soliciting and publishing comments from Verizon,

Global, and other telephone companies.

The DTE’s December 2002 rulings were in Verizon’s favor. The DTE ruled that Verizon did not have to pay reciprocal compensation to Global and, further, that Global had to pay access charges to Verizon. The use of a “virtual” local telephone number, a “VNXX” so called, could not mask the true nature of the call. The DTE ruled that geographic reality governs, and that simply causing a call to “appear” local doesn’t make it so. Global, in the words of a *Boston Globe* headline on January 3, 2003, “came up empty.”

Globe reporter Peter Howe called Verizon and Global for comment and wrote an article for the paper’s Business Section containing the following paragraph:

Jack Conroy, Verizon’s Massachusetts regulatory affairs chief, said the DTE ruling shut down ‘a scam’ he said Global NAPS very cleverly developed in the late 1990s. Using so-called virtual phone numbers throughout the state that did not require Global to install any switching equipment, Conroy said, Global got Verizon to pay for most of the cost of handling calls to its Internet service provider customers while claiming Verizon owed it additional reciprocal compensation payments as well.

Global requested that Verizon issue a retraction. Verizon declined to do so, whereupon Global sued Verizon (though not the *Globe*) for defamation, thereby starting what turned out to be seven years of litigation. (The DTE proceedings were also the subject of years of federal litigation, a subject to which we will return.)

Motion Practice

In Massachusetts state practice, lawsuits are assigned to a “session” (meaning a courtroom), not to a judge. And most superior court judges “rotate,” generally every three months, meaning that more than one judge’s fingerprints are on most cases. In this case at least five separate judges played important roles – not to mention three appellate judges and

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three more trial judges who, at Global's insistence, recused themselves.

The first of those five judges (Hinkle, J.) denied Verizon's anti-SLAPP motion and its 12(b)(6) motion arguing that "scam," as used, was non-defamatory. Verizon took an interlocutory appeal of the anti-SLAPP ruling and lost.. *Global NAPS, Inc. v. Verizon New England, Inc.*, 63 Mass.App.Ct. 600 (2005).

Discovery went forward, but Global refused to provide any of its financial information. Verizon moved to compel, at which point Global managed to avoid financial disclosure by waiving its right to recover economic damages. Judge number 2 (Kottmyer, J.) said she would deny the motion if Global stipulated that it had not lost any customers or business or suffered "any harm in the marketplace" as a result of the article. Global did so but continued to insist that it had sustained harm to its reputation and that it intended to present that issue to a jury.

Verizon moved for summary judgment, arguing once again that the article was non-defamatory. *McCabe v. Rattiner*, 814 F.2d 839 (1st Cir. 1987), seemed to offer strong support. In that case, the First Circuit held that "scam" was a word of such indefinite meaning that it could not be defamatory. The Superior Court judge (number 3, Giles, J.) distinguished the case on its facts and said that here a jury could go either way, rendering the question unsuitable for summary judgment.

Verizon's summary judgment motion also sought rulings that plaintiff was a limited purpose public figure and that the speech in question was of public concern. On these issues, Judge Giles ruled – in a one-sentence footnote – that these questions raised "genuine issues of material fact." She did not say whether they were for the court or for the jury. When a single justice of the Appeals Court rejected Verizon's petition for an interlocutory appeal on the status and speech questions, Verizon and its counsel started to face up to the fact that the case was not going to go away. As it turned out they were wrong, as will be explained below.

Bifurcation

Verizon was now faced with a jury trial not only on the basic defamation claim, but also on the issues relegated to the footnote in the summary judgment opinion. Rather than face the impenetrable thicket of trying the case all at once, Verizon moved to bifurcate the trial in order to address the

public figure and public concern issues first. Superior Court Judge number 3 (Holtz, J.) agreed that the case should go to the jury under a single set of instructions, rather than an incomprehensible "either-or," "on the one hand and on the other hand" explanation of defamation law. Soon after making that sensible ruling, that judge disqualified herself at Global's insistence.

The case was scheduled for trial last September, at which point judge number 4 (Kaplan, J.) entered an order that both issues should be tried to the court, meaning that Phase I of the bifurcated trial would be "jury waived," to use Massachusetts parlance. Global then moved for a continuance – on the first day of trial – because its "star witness" (whom Global later removed from its witness list) had to return to Florida to attend to a family problem. The judge granted the motion.

Trial, Phase I

In late April, at long last, the case came on for trial before Judge Elizabeth Fahey, (number 5), an experienced trial judge who acknowledged that this was her first defamation case. Witnesses testified, documents were offered in evidence, and Global objected to virtually everything, including newspaper articles published over the period 1999 to 2003. Most of the articles were about reciprocal compensation, the issue ultimately decided by the DTE in late 2002 and reported in Howe's article. Many of them quoted Global's president. With the exception of two late 2002 articles, the judge excluded the articles as "not relevant." Thus dozens of articles ended up in the "marked for identification" dustbin, despite ample case authority supporting the admission of such evidence. Judge Fahey rejected Verizon's argument that the shelf life of a public controversy is not limited to a few months. In other words, the judge established an admissibility strike zone of about the same diameter as the ball.

The judge did relent on her relevance rulings by admitting testimony from a Congressional hearing in 2000 where the subject of intercarrier compensation and dial-up calls was debated. As luck would have it, Congressman Dingell described the ISPs' claims of entitlement to reciprocal compensation for completing dial-up calls as a "scam." Of course he did so on privileged ground.

After three days of trial, the judge dictated her rulings from the bench. She ruled that Global had injected itself into a public controversy in an effort to affect the outcome, and

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that Verizon's quote was "germane" to the controversy. Accordingly, she held, Global is a limited purpose public figure. So far so good. However, she then turned to the "nature, form and content" of what Conroy said and ruled that the speech at issue was *not* speech of public concern. Thus this case produced the remarkable outcome of a *public* controversy involving *private* speech – a result that Verizon tried to explain was not possible. The judge responded that she was influenced by Conroy's "motive." Verizon pointed out that he had not testified in Phase I. Nonetheless, the judge stuck to her guns on the belief that she could divine motive by considering the word he used – "scam" – and by the fact that Conroy's role was to advance Verizon's competitive interests.

Motions in Limine

The following day, with both parties smarting from the judge's rulings, counsel argued motions in limine and objections to exhibits pertaining to Phase II of the case. Verizon moved to exclude any evidence of Verizon's refusal to apologize and "retract" its statement. Such evidence, Verizon argued, is not relevant to actual malice, which concerns the speaker's state of mind at the time of publication, not at some later point. The motion distinguished cases that have admitted evidence of failure to retract on the basis that those involve situations where the falsity of a statement was brought to the speaker's attention. The judge allowed the motion, without explanation. Presumably she concluded that in light of her public figure finding, the retraction demand would shed no light on actual malice.

While this lawsuit was going on, Global had bigger headaches. Southern New England Telephone (SNET) sued in Connecticut, and Verizon sued in Massachusetts – both federal cases seeking to recover unpaid access fees for dial-up calls. In the SNET case the judge entered judgment in 2008 against Global of \$6 million and that same year Massachusetts federal judge Rya Zobel entered judgment against Global for more than \$57 million. Both judges did so on findings that Global had intentionally destroyed evidence, lied to the court, and committed various other improprieties.

Verizon argued that the jury in Phase II of the "scam" case should be permitted to know about these federal rulings, the theory being that they are relevant to the issue of Global's

reputation. The judge noted that the federal cases came several years after the *Globe* article, but she made no ruling, other than to prohibit reference to the federal cases during opening statements.

A *Deus ex Machina* Ending

When the hearing on motions and exhibits ended on Thursday, April 29, impanelment for Phase II was scheduled for the following Monday. However, that Thursday afternoon, the First Circuit upheld Verizon's \$57 million judgment, affirming the findings that Global and its principals had committed willful discovery misconduct. *Global NAPS, Inc. v. Verizon New England, Inc.*, __ F.3d __, 2010 WL 1713240 (Apr. 29, 2010). Verizon appeared before Judge Zobel the next day, *ex parte*, seeking appointment of a receiver to take over Global's business (including that of several affiliated companies).

Meanwhile, that same Friday, Global asked the state court to "postpone" Phase II, "in light of the ruling of the First Circuit." The weekend intervened, and on Monday, May 3, Judge Zobel granted the motion for a temporary receiver, an order she made permanent following a show cause hearing two days later. As of this writing, the defamation case has been rescheduled for November 15, 2010. Trial, then or at any other time, is doubtful.

Unanswered Questions

In addition to the question of whether "scam" was defamatory in the context in which it was used in this case, and the correctness of the judge's evidentiary rulings, the abrupt suspension, and likely end, of the case left a host of questions unanswered. One issue of particular interest to the media bar is whether a public figure corporation should be permitted to litigate a libel claim where it has sustained no economic loss and is seeking recovery only for alleged harm to its reputation. Another is whether it is legally possible to hold that speech is not of public concern where the court has held that the publication in question deals with a public controversy. The answers will have to wait for another day.

Joseph D. Steinfield and Jeffrey J. Pyle, of Prince, Lobel, Glosky & Tye LLP in Boston, represent Verizon New England, Inc. in the Massachusetts defamation case. Jeffrey C. Melick, in house counsel for Global NAPs, is its trial counsel.

Georgia Passes Law to Prevent Release of Graphic Crime Scene Photos

Public Records Request from Hustler Prompts Fury

By Tom Clyde

Driven by unsubstantiated fears that graphic crime scene photos would be published in *Hustler* and sweep across the internet, the Georgia General Assembly hurriedly passed legislation in April to curtail public access to crime scene images contained in law enforcement files.

One version of the legislation would have struck a painful blow to mainstream crime reporting in Georgia, but the final version of the bill passed by the General Assembly was ultimately crafted narrowly enough to do little damage to First Amendment interests.

Nonetheless, the bill is a sign of the continuing trend among state legislatures to limit the public's access to certain government records – whether they be graphic photos or emotional 911 calls – that if released on the internet would be distressing to family or friends of deceased citizens.

A Public Records Request from *Hustler* Prompts a Fury

With a gubernatorial election looming, the 2010 legislative session in Georgia was expected to be a quiet one in which state legislators would focus on little other than painful budget cuts. However, in the midst of the session, a freelance reporter for *Hustler* provided a spark that prompted a First Amendment firestorm.

Reporter Fred Rosen, an author of several true crime books, asked to see the Georgia Bureau of Investigation's closed investigative file on the murder of Meredith Emerson, including crime scene photos.

Emerson, a 24-year-old University of Georgia graduate, was abducted on January 1, 2008, while hiking with her dog Ella in the North Georgia mountains. Her disappearance had

prompted a high-profile manhunt.

It was later determined that Gary Michael Hilton had assaulted Emerson, raped her, and then cut off her head as law enforcement closed in on him. Prosecutors agreed not to seek the death penalty against Hilton if he took investigators to her remains. Hilton, now serving life in prison, is awaiting trial for decapitating another woman prior to the Emerson murder.

The Georgia Bureau of Investigation balked at Rosen's request, raising concerns that the photos would be published

in *Hustler* or released on the internet. When *Hustler* did not immediately mollify these concerns, GBI sought and obtained a temporary injunction in state court authorizing it to refuse to release the crime scene photos based on an existing provision in Georgia law that allows state agencies to withhold records where disclosure would constitute an invasion of privacy.

Notwithstanding the injunction, which *Hustler* had not even bothered to oppose, the Georgia General Assembly jumped into action.

Newly elected House Speaker David Ralston threw his weight behind what

started as reasonably narrow legislation that would prevent public disclosure of photographs in law enforcement custody that would show "dismemberment" or "decapitation" of a crime victim. Speaker Ralston announced the bill would be titled the Meredith Emerson Privacy Act, and he would attempt to move it quickly through the legislature. Then the circus began.

Other legislators proposed various amendments to the bill, each expanding the bill's scope beyond its original mission. One amendment would have prevented the release of any

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In the final analysis, the narrow scope of both bills do only minimal damage to access to public records in Georgia, but they are emblematic of a continuing trend to try to enact laws based on concerns about privacy when graphic government records can be distributed electronically around the world in moments.

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“photographs, video recordings, or audio recording” of any crime victim in a “bruised” or “broken” state. With that addition, the bill threatened public access to 911 calls, police dashboard video, and virtually any crime scene photos.

Eventually, other legislators tacked on amendments to curtail public access to 911 calls where the caller was in “distress” -- a particularly troubling legislative measure given that access to these calls had recently revealed a pattern of poor performance by various fire and ambulance services in the Atlanta metropolitan area.

National Trend to Limit Access to “Distressing” Records

The direction that the General Assembly initially took the Emerson Privacy Act is consistent with a trend developing among state legislatures. There is increasing concern that records contained in police files – particularly photos, video and audio – can end up doing significant emotional harm if they become an internet sensation.

This concern is prompted, at least in part, by controversies like those involving the Nikki Catsouras crash photos. Catsouras was an 18-year-old California resident killed in a gruesome automobile accident after losing control of her father’s Porsche 911 Carrera at over 100 mph. Two California Highway Patrol officers subsequently released graphic crime scene photos of the accident, which have become an internet spectacle featured on hundreds of web sites. The family’s lawsuit against the officers was initially dismissed, but was recently reinstated by California’s Fourth District Court of Appeal. *See Catsouras v. Dept. of Cal. Highway Patrol, Cal. Ct. App., 4th App Dist., Div. 3, Nos. G039916, G040330 (Jan. 29, 2010).*

Regardless of whether one believes that it is good public policy to try to craft statewide laws to address the potential “distress” of individual family members (full disclosure: this author thinks he is a more careful driver as a result of seeing the Catsouras photos), it is part of growing legislative trend.

In Florida, a bill to restrict access to 911 calls was pushed temporarily by the House Speaker in response to an anguished father upset at hearing the 911 call connected to the death of his son, who had been involved in a night of drinking games and prescription drugs.

After hearing the 911 call replayed on Orlando area TV news, the father said, “there is no reason to exploit someone

that way.” After making significant legislative headway, the 911 bill was eventually dropped in response to an outcry from Florida First Amendment advocates. Similarly, a separate crime scene photo bill died in committee.

Bills to restrict access to 911 calls also failed in Ohio and Wisconsin. However, in Alabama, a bill exempting 911 calls passed the legislature and was signed by Governor Bob Riley on April 27, 2010. Under the new law, recordings of 911 calls are exempt from release in Alabama unless a court orders their disclosure after finding the public’s interest outweighs privacy interests. Alabama is now the fifth state where access to 911 recordings is forbidden without court approval.

General Assembly Makes a Last Minute Fix

Late on the evening of the last day of the legislative session, the expansive amendments to the Emerson Privacy Bill were largely eliminated.

Speaker Ralston, who had been swept into office on promises of a more open and accessible legislature, appeared to re-exert control over a legislative process that had gone astray.

The final Emerson bill exempts only crime scene photographs and video which depict “a deceased person in a state of dismemberment, decapitation, or similar mutilation.” Moreover, such photos or video can be viewed, but not copied, by members of the press. See House Bill 1322 at www.legis.ga.gov.

Similarly, a bill restricting access to 911 recordings passed, but it was narrowed down to recordings of the “personal suffering leading up to the death of a victim of a natural disaster.” See House Bill 1321 at www.legis.ga.gov.

The Emerson Privacy Act was signed into law by Governor Sonny Perdue on May 20, 2010. The 911 bill awaits his signature.

In the final analysis, the narrow scope of both bills do only minimal damage to access to public records in Georgia, but they are emblematic of a continuing trend to try to enact laws based on concerns about privacy when graphic government records can be distributed electronically around the world in moments.

Tom Clyde of Dow Lohnes PLLC in Atlanta worked with the Georgia First Amendment Foundation in connection with the Meredith Emerson Privacy Act.

Gizmodo Seach Warrant Affidavit Unsealed

Journalist's House Searched, Computers Seized After Report on iPhone Prototype

By Roger Myers

The court clerk had just started handing out copies of the previously sealed affidavit in support of the warrant to search the home and seize the computers of journalist Jason Chen. After thumbing through a page or two, my colleague, Katherine Keating, suddenly exclaimed "Steven Jobs!" Then she paused and looked up with a smile, and the journalists crowded into the horseshoe-shaped clerk's office all laughed at the joke, as none of us thought Jobs' name would actually appear in the affidavit.

But as we read on, we soon realized Katherine was as prescient as she was funny. There was Jobs, whose email exchange with the editor of Gizmodo became part of the evidence Apple had presented to members of the Rapid Enforcement Allied Computer Team (REACT) in the San Francisco Bay Area, and on which REACT had relied in seeking and obtaining the warrant to search Chen's home four days after he had posted the story on Gizmodo.com about the lost Apple iPhone 4G prototype that his media company had paid \$5,000 to acquire from the person who found it in a bar after it was left by an Apple employee out on the town.

There, too, in the affidavit were Apple's director of Information Security, its General Counsel and its outside counsel, who met with REACT officers "regarding the theft of [the] unreleased Apple iPhone 4G."

The affidavit relies on information presented by these Apple representatives and their outside counsel at O'Melveny

& Myers in asserting that the phone had been stolen, that a journalist posting pictures of the prototype on the Gizmodo website had committed a crime, and that evidence of these and other crimes justified the search of journalist Chen's house and the seizure of his computers, cell phone and cameras, photographs and records, even though the phone had been returned to Apple.

The one thing that we did not see in the affidavit was any sign of the confidential informant that the District Attorney's office had claimed justified its continued sealing.

Over-REACTION?

There are a number of places where this story could start, but for purposes of the media who wound up moving to unseal the search warrant affidavit and related records, it probably started on April 26, when Gizmodo.com posted a story reporting that, at 9:45 p.m. the night before, Chen had returned

home to find that REACT officers had broken down the front door to his house in Fremont (a city between Oakland and San Jose) and seized four computers and two servers pursuant to a warrant – which Gizmodo posted to its site – that expressly said a night search was not authorized.

News of the search immediately sent the media in California, and their counsel, into something of a tizzy. Questions were raised about whether the search violated the federal Privacy Protection Act, in 42 U.S.C. § 2000aa, and a

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Screenshot from Gizmodo's video.

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similar state law, in California Penal Code § 1524(g), both of which limit the ability of law enforcement to obtain and execute search warrants on journalists.

True, Gizmodo had, a week earlier, posted a story about the previously unreleased iPhone 4G prototype, illustrated by video and numerous still photos of the phone, which had caused some of us to re-check the definitions of trade secret and conversion under state law. And, true, the federal Privacy Protection Act contains an exemption if law enforcement believes the journalist has committed a crime, and state law only asserts that no warrant shall issue for any items protected by the state shield law.

But the federal Act also contains an exception to the exemption if the crime “consists of the receipt, possession, communication, or withholding of such materials.” And at least some of the materials the warrant expressly allowed to be searched for and seized included Chen’s video and photographs of the iPhone and his “research,” which seemingly constitutes unpublished information protected by the California shield law because it was obtained by Chen in the course of gathering and processing information for dissemination to the public in a medium of communication. See *O’Grady v. Superior Court*, 139 Cal. App. 4th 1423 (2006) (finding bloggers who reported on Apple’s “secret plans to release a device” for creating digital music on computers were protected by California’s shield law and quashing Apple’s subpoenas seeking to identify their sources).

All of which got some journalists (and their counsel) wondering whether the San Mateo Superior Court judge who signed the warrant had been informed that the court was authorizing the search of a journalists’ home – effectively, his newsroom, since Chen works out of his house even though he is on staff with Gawker Media, which owns Gizmodo – and whether he had been informed about such niceties as the federal Privacy Protection Act and the Penal Code § 1524(g).

Search Warrant Records Sealed

One of the first journalists who tried to answer those questions was Jessica Guynn, a technology reporter for the Los Angeles Times.

Under California law, a search warrant affidavit remains

sealed for 10 days. After the warrant is executed and the 10-day waiting period ends, the warrant “shall be open to the public as a judicial record.” Penal Code § 1534.

During the week of April 26, Guynn attempted to get a copy of the affidavit on which the issuance of the search warrant was based, as well as the return to the warrant. As of April 29, the affidavit had not been put into the court’s file. On Friday, April 30, Guynn was informed that the affidavit and return had been sealed (even though the information on the return – primarily, the list of items seized from Chen’s home – duplicated what was in the search warrant inventory that REACT had given Chen and that he had posted for all to see on Gizmodo.com). The clerk’s office informed Guynn that it was not allowed to give her a copy of the sealing order or even tell her the search warrant number. All the clerk’s office would provide was the name of the judge who sealed the records, Judge Clifford Cretan.

Internet, Print Media Coalition Move to Unseal

The Times then contacted the First Amendment Coalition, based in Marin, and the following Wednesday, May 5, an ex parte application to unseal the search warrant records was filed on behalf of a coalition of media that included the Associated Press, Bloomberg News, CNET News (now a part of CBS Interactive), the [Los Angeles Times](#), Wired.com, the California Newspaper Publishers Association and FAC.

The application was filed ex parte with the presiding justice because Judge Cretan, who ordered the affidavit sealed, was presiding over a criminal trial and his chambers informed the press that he would only hear the motion on normal notice, which would postpone a hearing until late May. The ex parte hearing was set for Thursday, May 6, before Presiding Judge Stephen Hall.

The basis for the motion was familiar. Under § 1534, the affidavit and other search warrant records had become public judicial records 10 days after the warrant had been issued, which meant they could not be sealed unless the constitutionally mandated procedural and substantive tests for sealing judicial records had been met, and the procedural prerequisites had clearly not been met and the substantive ones could not be. Although those requirements had first

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been articulated by the Supreme Court in connection with access to court hearings in criminal cases, the California Supreme Court had extended those requirements to court records in criminal and civil cases, *NBC Subsidiary (KNBC-TV) v. Superior Court*, 20 Cal. 4th 1178 (1999), and they were subsequently codified, in essence, as California Rules of Court 2.550 and 2.551. \

Both the attorneys for Chen and the attorney for the person who sold Gizmodo the phone, 21-year-old student Brian Hogan, indicated they would not appear to oppose unsealing, although the attorney for Hogan filed a one-paragraph pleading asking for the opportunity to review the affidavit and other sealed records before taking a position on the merits of unsealing.

The District Attorney's office said it would appear to oppose the application on the ground that it thought the proper procedure for deciding the issue was set out in Penal Code § 1536.5, which allows the officer who provided the affidavit to testify in camera, before the judge that issued the warrant (which also turned out to be Judge Cretan), to determine whether records seized under a search warrant should be returned.

Believing the District Attorney's office was a bit unclear on the concept, we were prepared to explain to the presiding judge why an application to unseal judicial records related to a search warrant was different than the procedure for returning material seized under a warrant. But we never got the chance.

Matter Sent Back to Sealing Judge

Like many superior courts in California, San Mateo County still treats ex parte applications the old-fashioned way. They are presented to the presiding judge's clerk, who takes them back to the judge in chambers, who may or may not take the bench and hear from counsel before ruling.

In due course, the clerk came out and handed us the court's minute order, which sent the matter back to the judge who had issued the warrant, Judge Cretan. The order appeared to be based in part on an Opposition it said had been filed by the District Attorney's Office, but which had not been served on the press. The press then asked to confer with the judge to have an opportunity to address an Opposition it

had not been previously allowed to see, and to flesh out the reasons – outlined in the application – why ex parte consideration was warranted. Through his clerk, the presiding judge conveyed he had not read or relied on the Opposition in deciding to send the case back to Judge Cretan, even though that was the relief the District Attorney's office had sought.

The ex parte application did, however, have one salutary effect. After the presiding judge sent the matter back to Judge Cretan, his chambers said he would hear it the following week.

In the interim, the Chief Deputy District Attorney Stephen Wagstaffe – who is running unopposed to replace the retiring DA – had informed the press and its attorneys that he understood that REACT's primary concern was that two individuals identified in the affidavit did not know that they were of interest to REACT's investigation. This seemed dubious, as it had been reported that Hogan had two friends who helped him shop the iPhone to various media outlets. One of them had already been identified in news reports and, since Hogan had been questioned in his home by REACT, it seemed inconceivable either of them did not know that REACT was aware of them and investigating their role in the sale of the iPhone.

It was therefore not terribly surprising when the District Attorney's office informed the press that it would not consider release of the affidavit with the names of the two individuals redacted (assuming there really was a need to keep that information confidential) because REACT wanted the entire affidavit and other records to remain sealed.

Judge Reverses Himself, No Basis for Sealing

After additional briefing, the motion to unseal was heard first thing Friday morning, May 14. At the hearing, the DA's office began by arguing that the motion was premature because, in its view, only the defendant in a criminal case could move to unseal the records and, since no one had been charged, the motion could not (and perhaps could never) be considered.

This argument was based on cases discussing when a defendant was entitled to a copy of the search warrant affidavit in order to challenge the constitutionality of the

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search over claims that the affidavit should remain sealed to protect a confidential informant from retaliation. As the press noted, however, the fact that the defense had moved in those cases to unseal did not justify the long leap to the conclusion that only the defense could move to unseal, and Rule of Court 2.551 itself authorized a “party or member of the public [to] move, apply, or petition ... to unseal a record.”

The DA’s office then played what it considered its trump card. Deputy District Attorney Chris argued that the procedures and substantive test for sealing set out in Rules 2.550 and 2.551 did not apply because the Advisory Committee Comment said these “rules do not apply to records that courts must keep confidential by law,” such as “search warrant affidavits sealed under *People v. Hobbs*,” 7 Cal. 4th 948 (1994) and Evidence Code § 1041. Feasel contended that the affidavit had been sealed under *Hobbs* and therefore was not even a judicial record to which a right of access attached under Rule 2.550 or subject to a motion to unseal under Rule 2.551.

The problem with this argument, as the press pointed out, is that *Hobbs* allowed sealing only to protect a confidential informant from retaliation, and then only to the extent necessary to protect “the identity of the informant,” with “the resulting ‘edited affidavit furnished to the defendant.’” 7 Cal. 4th at 962-63.

In this case, none of the reporting about the case or law enforcements comments to the press had suggested there was a confidential information and certainly Apple could not be considered a confidential informant. And, even if there had been one, nothing suggested that any informant had to fear physical retaliation from Chen or Hogan and it was the [DA’s](#) burden to show that “‘disclosure is against the public interest because there is a necessity for preserving the confidentiality of his identity that outweighs the necessity for disclosure in the interest of justice.’” *Id.* at 960 (quoting § 1041).

In this case, the press urged, the public interest in disclosure was particularly high because of serious questions had been raised about the propriety of searching and seizing items from a journalist and were currently matters of considerable public debate.

For these reasons, it seemed implausible the affidavit had been properly sealed under *Hobbs* and that, even if it had, the

only information subject to sealing under *Hobbs* was the identity of an informant that there was a proven need to keep confidential. As to everything else, at least, the Rules of Court (and their constitutional unpinning) applied and required unsealing.

Judge Cretan took a brief recess from the bench to read *Hobbs*. Upon retaking the bench, he ruled that *Hobbs* did not apply, that the records were therefore subject to unsealing under Rule 2.551.

The judge also said that he had originally sealed the affidavit because the investigation had then only begun but that circumstances had changed, including the extensive amount of reporting about the search itself, and that he saw no basis for keeping any portion under seal.

Judge Cretan then ordered the clerk’s office to release the sealed records by 2 p.m. that day.

Affidavit Didn’t Identify Subject as Journalist

As it happened, it only took the clerk’s office until about 11 to provide copies of the unsealed affidavit, sealing order and related records.

The substance of those records immediately became home page news on the Internet (and front page news the next day in certain print media). In addition to noting what the affidavit said about the significant role Apple played in seeking to criminalize a journalist’s reporting about its prototype 4G iPhone – and the reasons it gave REACT for doing so – the reports also noted the significance of what the affidavit did not say.

Specifically, the affidavit did not identify Chen as a journalist, nor inform the court about the federal Privacy Protection Act or Penal Code § 1524(g). Although it noted that the digital images and video Chen created of the prototype iPhone “were subsequently published on the Internet based magazine Gizmodo.com,” the affidavit does not inform the court that Chen worked for or was in any way connected to Gizmodo or that Gizmodo’s review of the iPhone was bylined “by Jason Chen.”

Roger Meyers and Katherine Keating represented the press coalition in this case. Mr. Myers is co-chair of the IP, Technology & Media Law group at Holme Roberts & Owen LLP, and Ms. Keating is a senior associate in that group. Both are resident in HRO’s San Francisco office.

Case-by-Case Privilege for Confidential Sources, Supreme Court of Canada Rules

By Brian MacLeod Rogers

The Supreme Court of Canada has ruled against an appeal brought by the National Post newspaper and journalist Andrew McIntosh to set aside a search warrant and assistance order on the ground that a confidential source could be revealed. [*R v. National Post*](#), 2010 SCC 16.

This was the first time the Court has had to deal directly with protecting journalists' confidential sources. While the Court accepted that protecting such sources was an essential element of newsgathering that came within freedom of expression, it held the common law case-by-case privilege was sufficient and rejected any constitutional test – even when police are seeking evidence from the newsroom that could disclose a confidential source.

The good news is that common law protection against disclosing sources has been clarified and strengthened, with explicit recognition of the importance of confidential sources for investigative reporting. Recognizing that “transparency and accountability of government are issues of enormous public importance,” the Court made it clear that the public interest in protecting sources can outweigh other competing public interests, even criminal investigations. A clear line has also been drawn between obtaining physical evidence of crime and journalists seeking to protect sources while testifying in Court.

Facts of Case

The case stems from a search warrant obtained by the Royal Canadian Mounted Police in July 2002. It required the newspaper's editor to turn over an original envelope and document that had been provided to its reporter, McIntosh, in the midst of his coverage of an ongoing controversy. Known popularly as “Shawinigate,” the controversy centered on then

Prime Minister Jean Chretien and his efforts to secure financial backing for a business in his Quebec electoral district through the federal Business Development Bank of Canada (“BDBC”).

There was an allegation, never proven, that Chretien could indirectly benefit from such a loan because his family's company was owed money by the business. McIntosh had been the principal journalist exposing the controversy and received, anonymously, a brown envelope containing what appeared to be a BDBC document that listed a company linked to Chretien as a creditor of the business.

Both BDBC and Chretien challenged the document, saying it was a forgery, and a police investigation was launched. Shortly after receiving it, McIntosh learned the document had been provided by one of his reliable confidential sources, who asked him to destroy the envelope and document in case the police could learn his identity from them. Instead, McIntosh decided to keep them in a “safe place” outside the newsroom. That is what led to the search warrant and assistance order that were promptly challenged by the Post and McIntosh, backed by media interveners, The Globe & Mail and Canadian Broadcasting

Corp., and evidence from 15 journalists and editors on the importance of confidential sources.

The initial attack succeeded in achieving a precedent-setting ruling that protection for confidential sources came within freedom of expression under the *Canadian Charter of Rights and Freedoms*. However, the Ontario Court of Appeal reversed. While recognizing the importance of protecting confidential sources, the Court held the warrant involved actual evidence of an alleged crime – forgery and uttering a forged document – that was “grave and heinous” since it amounted to an attempt to undermine the authority of a

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sitting Prime Minister. The Post and McIntosh then appealed to the Supreme Court of Canada.

SCC Ruling

Justice Ian Binnie for the Court ruled that the existing common law approach of a case-by-case privilege, after taking into account the importance of such sources to free expression, was sufficient to safeguard the interests and concerns involved when a journalist may be compelled to reveal a confidential source. “Journalistic privilege is very context specific,” the Court held, and a detailed inquiry into all of the circumstances is always necessary – with the onus on the journalist to overcome the presumption that disclosure is required. This makes it difficult, if not impossible, to predict at the time a commitment is made to a source whether privilege will ultimately be available.

There is no doubt that the particular circumstances of the case had a significant impact. As the Court noted, “this is not the usual case of journalists seeking to avoid testifying about their secret sources. This is a physical evidence case. It involves what is reasonably believed to be a forged document. Forgery is a serious crime.” (para. 3) The public interest in effective law enforcement was directly at issue. There is good reason to believe that the careful and respectful approach set out by the Ontario Court of Appeal in the Ken Peters case (*St. Elizabeth Home Society v. Hamilton* (2008) ONCA 182), which recognized the *Charter* value of free expression involved, will continue to apply where journalists face contempt of court for failing to identify a confidential source when testifying. It was specifically cited favourably by Binnie J. (para. 30)

This distinction could be important for another appeal to the Supreme Court of Canada brought by The Globe & Mail and Daniel Leblanc and still pending. (SCC no. 33114) It arose over attempts in a Quebec civil case brought by the Canadian government against the ad agency, Groupe Polygone, to compel Leblanc to reveal a key confidential source, nicknamed “Ma Chouette,” that he relied on for his coverage of the Sponsorship Scandal – another controversy involving the Chretien government. The appeal was argued October 21, 2009, and had been expected to be released at the same time as the National Post case.

Unfortunately, as with earlier search warrant cases involving the media (*CBC v. Lessard*, [1991] 3 S.C.R. 421;

CBC v. New Brunswick, [1991] 3 S.C.R. 459), the Court has failed to recognize that constitutional protection for free expression, which encompasses newsgathering, should have direct application when the state wishes to obtain evidence from the newsroom – even when confidential sources are at risk of being exposed. Nevertheless, there may be situations where “the public interest in protecting the secret source from disclosure outweighs other competing public interests – including criminal investigations”. (para. 34)

The Court did not accept the Crown’s argument that the existence of any crime should vitiate the privilege and recognized that, for example, the *Pentagon Papers* case represented an instance where publication, despite the fact that an offence had been committed, was in the greater public interest. Further:

When investigative reporting strikes at those in power, it would not be unexpected that those in power including the police may wish to strike back. There may be circumstances where the criminal investigation appears to be contrived to silence improperly the secret source, and in such cases the Court may decline to order protection, ... [citing the example of Ottawa Citizen reporter Juliet O’Neill, whose home was raided by RCMP under a search warrant that was successfully challenged]. (para. 62)

Importance of Journalists’ Sources

There are a number of observations of Justice Binnie that are most helpful and recognize the importance of sources for effective newsgathering and freedom of expression:

It is well established that freedom of expression protects readers and listeners as well as writers and speakers. It is in the context of the public right to knowledge about matters of public interest that the legal position of the confidential source or whistle-blower must be located. ... The public also has an interest of being informed about matters of importance that may only see the light of day through the co-operation of sources who will not speak except on condition of confidentiality. Benotto J. [the initial judge] accepted the evidence that many important controversies were

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unearthed only because of secret sources (often internal whistle-blowers) [referring to seven major Canadian controversies such as the tainted tuna scandal, secret commissions paid by Airbus Industrie and wrongdoing by members of the RCMP Security Service in 1977]. (para. 28)

The media perspective was forcefully put in a 2005 editorial in the *New York Times*:

In such [whistle-blowing] cases, press secretaries and public relationships people are paid not to give out the whole story. Instead, inside sources trust reporters to protect their identities so they can reveal more than the official line. Without that agreement and that trust between reporter and source, the real news simply dries up, and the whole truth steadily recedes behind a wall of image-mongering, denial and even outright lies. (para. 29)

In *Lessard* and *New Brunswick* the Court accepted that freedom to publish the news necessarily involved a freedom to gather the news. We should likewise recognize in this case the further step that an important element in the newsgathering function (especially in the area of investigative journalism) is the ability of the media to make use of confidential sources. The Appellants and their expert witnesses make a convincing case that unless the media can offer anonymity in situations where sources would otherwise dry-up, freedom of expression in debate on matters of public interest would be badly compromised. Important stories will be left untold and the transparency and accountability of our public institutions will be lessened to the public detriment. (para. 33)

Viewed in this light, the law should and does accept that in some situations the public interest in protecting the secret source from disclosure outweighs other competing public interests – including criminal investigations. In those circumstances the courts will recognize an immunity against disclosure of sources to whom confidentiality has been promised. (para. 34)

The role of investigative journalism has expanded over the years to help fill what has been described as a democratic deficit in the transparency and the accountability of our public institutions. The need to shine the light of public scrutiny on the dark corners of some private institutions as well is illustrated by Benotto J.'s reference to corporate delinquencies in the list reproduced above at para. 28. (para. 55)

Case-by-Case Privilege

In keeping with other common law courts, the Court rejected any “class privilege” for journalists’ confidential sources, quoting from *Branzburg v. Hayes*, 408 U.S. 665 (1972), and citing four reasons. In particular, “the immense variety and degrees of professionalism” of those claiming to be journalists meant each such claim had to be evaluated on its own terms. As well, it was not clear whether the privilege belonged to the journalist or the source or in what circumstances any immunity might be lost. As a result, the Court pointed to shield legislation in other jurisdictions, such as U.S. states, England, Australia and New Zealand, as offering the best avenue for introducing any broader privilege. This will give further impetus to introducing such legislation in Canada.

The Court therefore rejected any “constitutional immunity” against disclosure of confidential sources and instead favoured a case-by-case privilege based on an analysis of “Wigmore criteria” (named after U.S. law professor, John Henry Wigmore) that are generally applied to claims for confidentiality at common law. The person seeking the privilege has the onus of proving that all four criteria have been met, and this means that journalists can never be sure when they make a commitment to source just

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what might be ordered disclosed.

The first two require an explicit commitment of confidentiality that is essential to the relationship involved (journalist/source). The third criterion requires that the relationship is one deserving society's protection and encouragement. Here the Court made a distinction between a "blogger" and someone who is clearly a professional journalist: "In general the relationship between professional journalists and their secret sources is a relationship that ought to be "sedulously" fostered." (para. 57)

The fourth Wigmore criterion is the critical one, requiring a court to balance and weigh the different rights and interests involved, including the seriousness of the offence and probative value of the evidence involved. Here, the Court rejected the media's position that the onus should shift to the Crown on this issue once the first three criteria have been established. Instead, the onus remains on the journalist to overcome the law's general presumption that all evidence is compellable and admissible.

In summary, at the fourth stage, the court will weigh up the evidence on both sides (supplemented by judicial notice, common sense, good judgment and appropriate regard for the "special position of the media"). The public interest in free expression will *always* weigh heavily in the balance. While confidential sources are not constitutionally protected, their role is closely aligned with the role of "the freedom of the press and other media of communication", and will be valued accordingly but, to repeat, at the end of the analysis the risk of non-persuasion rests at all four steps on the claimant of the privilege. (para. 64)

Physical Evidence of Crime

The Court went on to point out "there is a significant difference between testimonial immunity against compelled disclosure of secret sources and the suppression by the media of relevant physical evidence." (para. 65) Journalists have "no blanket right to suppress physical evidence of a crime," and their acceptance of sources' claims of innocence won't end the matter:

It is the Courts, however, and not individual journalists or media outlets, that must ultimately determine whether the public interest requires disclosure. Mr. McIntosh's belief in the good faith of his source cannot prevent the courts from reaching a different conclusion. (para. 77)

The bottom line is that no journalist can give a source a total assurance of confidentiality. All such arrangements necessarily carry an element of risk that the source's identity will eventually be revealed. In the end, the extent of the risk will only become apparent when all the circumstances in existence at the time of the claim for privilege is asserted are known and can be weighed up in the balance. What this means, amongst other things, is that a source who uses anonymity to put information into the public domain maliciously may not in the end avoid a measure of accountability. (para. 69)

This approach raises a question whether a journalist should preserve original documents or other evidence that could reveal a confidential source, particularly where a criminal investigation might ensue. In Canada, largely because of the importance of proving truth as a defence of defamation proceedings, the usual practice has been to retain everything that could assist in a future defence. The Court's ruling should at least generate serious debate over whether such an approach still has merit.

Notice of Applications for Warrants

The Court goes on to examine other conditions that are required for search warrants and the like issued against the media, even in the absence of any privilege. In keeping with its 1991 decisions in *CBC v. Lessard* and *CBC v. New Brunswick*, these must take into account the media's "special position" and be careful to avoid a disruption of its work. While not requiring prior notice of an application for a warrant to be provided to the media, the Court makes it clear

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that an issuing judge has discretion to require notice, suggesting that he/she “may well conclude that it is desirable to proceed on notice to the media organization rather than *ex parte*.” (para. 83) In any event, even where notice isn’t given, ample opportunity must be given to the media to challenge the validity of the warrant, as was done in the *National Post* case itself.

Dissent of Justice Abella

In her dissent, Justice Rosalie Abella held that such notice should presumptively be given unless the purpose of the warrant would be defeated and was joined by Justice Louis LeBel on that issue. She would have gone further and set aside the warrant against the *National Post* on the facts of the case. She accepted the same Wigmore test as Justice Binnie, but took a different view of both the importance of the source, on the one hand, and the lack of significance of the evidence, on the other. She also pointed to the RCMP’s failure to pursue alternative avenues before turning to the search warrant to obtain evidence about the alleged crime.

Conclusion

In the end, the particular facts of this case made it difficult for the Court to accept that journalists, rather than

courts, should determine when sources should be protected and whether evidence was critical to a criminal investigation. Certainly, no one expected the Court to adopt anything but a case-by-case privilege. At least, it clearly acknowledged that confidential sources are important for free expression and that this will be an important element to consider when applying the Wigmore test.

This represents a “soft” approach of applying *Charter* values and certainly does not go as far as the media would have liked in establishing constitutional protection. Nonetheless, there is much good news in the decision that will be useful in future cases. We will have to wait for the “other shoe” to drop when the SCC’s decision in *Globe and Mail v. Canada* is released, which may be in a few months.

Brian MacLeod Rogers and Iain MacKinnon were counsel for the Media Coalition which intervened at the Supreme Court of Canada.

Appellants National Post and Andrew McIntosh were represented by Marlys Edwardh, John Norris and Jessica Orkin. Peter Jacobsen and Tae Mee Park acted for intervenor Bell Globe Media Inc. Daniel Henry acted for intervenor Canadian Broadcasting Corp. Tim Dickson for the intervenor B.C. Civil Liberties Association, and Jamie Cameron and Matthew Milne-Smith for intervenor Canadian Civil Liberties Association. Robert Hubbard and Susan Magotiaux were counsel for the respondent Attorney General of Ontario.



Upcoming Events

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

Second Circuit Alters Copyright Injunction Standard: Circuit Finds ‘Catcher in the Rye’ Sequel to be ‘A Phoney’

By Toby Butterfield and Lisa Digernes

The Second Circuit in its recent decision in the *Salinger* case vacated and remanded the District Court’s (J. Batts) decision to grant the plaintiffs a preliminary injunction based on alleged copyright infringement. [Salinger v. Colting](#), No. 09-2878-cv (April 30, 2010).

The Second Circuit found that the District Court failed to comply with the equitable standard test set forth by the Supreme Court in the patent case [Ebay, Inc. v. MercExchange, L.L.C.](#), 547 U.S. 388 (2006) and that this test is also applicable to equitable relief sought in copyright infringement cases.

Background

J.D. Salinger (individually and as a trustee through the Salinger Literary Trust), sued the Swedish author Fredrik Colting, the publisher Windupbird Publishing and the distributors Nicotext A.B. and ABP, Inc. in the Southern District of New York for copyright infringement and common law unfair competition.

Plaintiffs claim that Colting’s novel “60 Years Later: Coming Through the Rye” (“60 Years”) is an unauthorized derivative work of Salinger’s novel “The Catcher in the Rye” (“The Catcher”) and that Colting’s character “Mr. C” infringes on Salinger’s character Holden Caulfield. Colting had already published “60Years” in Sweden and in England, but Salinger filed the case in the Southern District prior to publication of the book in the US. J.D. Salinger died pending the appeal.

Colting’s novel “60 Years” tells the story of Holden Caulfield (referred to as Mr. C) as a 76-year old. Defendants had originally marketed “60 Years” as a sequel to “The Catcher,” although during the lawsuit Colting contended that the novel did not intend to be a sequel, but an examination of Holden, the relationship between Salinger and his work and the life of Salinger. In “60 Years,” Salinger appears in the novel.

The District Court found that Salinger holds a valid copyright to the novel and that the character Holden Caulfield is sufficiently delineated to merit a separate copyright, and that there is substantial similarity between his work and Colting’s “60 Years” and the character Mr. C so that they constitute copyright infringement. The District Court further found that Colting’s fair use defense would likely fail, and issued the preliminary injunction. *See* 641 F.Supp.2d 250 (S.D.N.Y. 2009).

New Standard for Preliminary Injunction

The District Court applied the test that irreparable harm may be presumed when a plaintiff establishes a prima facie case of copyright infringement, noting only in a footnote that *Ebay* is not controlling in the “*absence of Second Circuit precedent applying it in the copyright context.*” The Second Circuit, however, noted that there is a split at the district courts level as to *eBay*’s reach, and that the Second Circuit had not directly addressed the scope of the Supreme Court’s decision. Slip Op. p. 14. The Second Circuit noted that the Supreme Court expressly relied on copyright cases in reaching its conclusion, and concluded that the decision “strongly indicates that the traditional principles of equity it employed are the presumptive standard for injunctions in any context.” *Id.* p. 5.

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According to the Second Circuit, after *eBay*, courts cannot presume irreparable harm. A plaintiff must therefore show, based on the facts, that failure to issue an injunction would actually cause irreparable harm. Even though there is a “historic tendency” to issue preliminary injunction in copyright cases, the Second Circuit noted that the courts must keep up with rapid changes in the technological area, and as a result, “legal damages” can be “sufficient to compensate for the infringement.” *Id.* p. 21 (quoting Justice Roberts in the *eBay* decision).

Analysis and Conclusion

The Second Circuit has therefore joined numerous other Circuits in deciding that the Supreme Court’s decision in *eBay* also applies to preliminary injunctions based on alleged copyright infringement. The Circuit’s ruling makes plain its view that on the facts of the instant case an injunction must issue, but that the record created by the lower court was inadequate to comply with the Supreme Court’s standard.

Specifically, “a District Court must undertake the following inquiry: the Court must actually consider the injury plaintiff will suffer if he or she loses on the preliminary injunction that ultimately prevails on the merits, paying particular attention to whether the ‘remedies available at law, such as monetary damages, are inadequate to compensate for that injury.’” In the context of irreparable harm, the Second Circuit referred specifically to Salinger’s well known withdrawal from public life, noting that “a copyright holder might also have a First Amendment interest in *not* speaking.” Ultimately, however, the Court simply concluded that “courts must not simply presume irreparable harm” and must perform the analysis described above.

The Second Circuit also considered the public interest, recited the considerable First Amendment protection for “the market place of ideas.” The Court noted that every injunction issued before a final adjudication risks enjoining protected free speech. Perhaps heralding that in this new standard for injunctions, courts must decide whether there is “a colorable fair use defense.” The Second Circuit ruled that where there is no such colorable defense, the First Amendment values are virtually non-existent, leaving the path open for a court to issue an injunction. The Second Circuit invites such a conclusion, relying upon the lower court’s conclusions about the credibility of the defendant to rule that “defendants are not likely to prevail in their fair use defense.”

The Court left open two issues: First, whether the fair use factor can favor a defendant “even when the defendant and his work lack a transformative *purpose*.” This is heartening: the Second Circuit has previously shown what is in this writer’s view an unhealthy willingness to simply accept the statements of an alleged infringer as to whether he intended to copy the underlying work or whether he intended to comment upon or remake the work. *See Blanch v. Koons*, 467 F.3d 244 (2d Cir. 2006), *affirming*, 396 F.Supp.2d 476 (S.D.N.Y. 2005).

Second, the Court also left undecided whether Salinger owns a valid copyright in the character Holden Caulfield. The Court had carefully repeated the lower court’s conclusion that the character is “sufficiently delineated so that a claim for infringement will lie.” Slip Op. p. 7 (quoting the district court’s conclusion that “Holden Caulfield is quite delineated by word. It is a portrait by words ...”). While Holden Caulfield and *The Catcher* are iconic, the character only appears in one book. The Second Circuit therefore has declined to take this chance to state whether they follow 9th Circuit precedent on when a character from one book may be sufficiently clearly delineated to constitute a separable copyrightable element

Toby Butterfield is a partner and Lisa Digernes an associate at Cowan, DeBaets, Abrahams & Sheppard LLP in New York. Plaintiffs-Appellees were represented by Marcia Beth Paul, Davis Wright Tremaine LLP. Defendants-Appellants were represented by Edward H. Rosenthal, Frankfurt Kurnit Klein & Selz P.C.

Fifth Circuit Affirms Defense Verdict in Keyword Advertising Trial

Jury Found No Likelihood of Confusion to Sustain Trademark Claim

The Fifth Circuit this month affirmed a jury verdict in favor of the defendant in a keyword advertising case. [*College Network, Inc. v. Moore Educ. Publishers, Inc.*](#), No. 09-50596, 2010 WL 1923763 (5th Cir. May 12, 2010) (King, Wiener, Dennis, JJ.) (per curiam). In what appears to be the first case to have gone to a jury on the issue of confusion, the jury found no infringement stemming from the search results triggered by plaintiffs mark.

The plaintiff, The College Network (TCN), and defendant, Moore Educational Publishers (MEP), are competitors who publish and sell study guides for nursing students. MEP purchased the phrase “The College Network” from Google and Yahoo as a search-engine keyword to trigger its own sponsored-links. TCN sued MEP for violation of the Lanham Act, alleging the advertising caused consumer confusion. MEP brought defamation and tortious interference counter-claims, alleging that plaintiff had told its sales staff to tell customers MEP was “going out of business.”

The case went to trial in January 2009. The jury rejected plaintiff’s trademark claim and found in favor of the defendant on its counterclaims. On post trial motions, TCN argued that it had established confusion as a matter of law; and MEP argued, apparently for the first time, that keyword advertising does not amount to “use in commerce” under the Lanham Act. The trial court agreed with MEP that there was no use in commerce.

The bulk of the Fifth Circuit’s decision involves review of the defamation judgment. The court affirmed a damage award to MEP and its principal of approximately \$700,000. The primary issue on appeal was whether the defamation claim was time barred.

The Texas statute of limitations for defamation is one year and MEP brought its counterclaims nearly two years after the statements were made. The trial court, however, ruled that

the discovery rule could apply and it allowed the jury to determine when the defamatory statement was reasonably discoverable. The Fifth Circuit affirmed that the defamation claim was not time barred; and that there was sufficient evidence to support the damage award for harm to reputation and lost business (though the court reduced an award of punitive damages).

The trademark issue received less analysis. The court noted that it did not have to review the trial court’s decision on “use in commerce” because there was sufficient evidence

to support the jury’s finding of no confusion under Fifth Circuit law. Likelihood of confusion in the Circuit is determined under a “nonexhaustive” list of factors, including: 1) the type of trademark; 2) mark similarity; 3) product similarity; 4) outlet and purchaser identity; 5) advertising media identity; 6)

defendant’s intent; 7) actual confusion; and 8) care exercised by potential purchasers. *See Xtreme Lashes, LLC v. Xtended Beauty, Inc.*, 576 F.3d 221, 227 (5th Cir. 2009).

The court specifically rejected plaintiff’s request that it apply the Ninth Circuit’s decision in *Perfumbay.com Inc. v. eBay, Inc.*, 506 F.3d 1165, 1173 (9th Cir. 2007) (looking at similarity of the marks, relatedness of the goods and services, and the parties’ simultaneous use of the internet as a marketing channel). The Fifth Circuit panel reasoned that the Circuit had never adopted this standard, and found that since TCN had failed to request an instruction based on the decision it had waived the right to ask for it to be applied on appeal.

The evidence on confusion was referenced only in a footnote. In that footnote, the court observed that the “jury was permitted to view the keyword search process and visually compare the companies’ websites;” that defendant provided “extensive documentary evidence” on the issue; and, finally, that TCN’s own expert testified as to lack of actual confusion.

The court observed that the “jury was permitted to view the keyword search process and visually compare the companies’ websites. . .”

Florida Statute Prohibiting Disclosure of Police Officer Information Unconstitutional

Plaintiff Was Arrested for Posting to Ratemycop.com

A federal court in Florida struck down as facially unconstitutional a state statute making it a misdemeanor to publish with wrongful intent the address and phone number of a law enforcement officer. [*Brayshaw v. City of Tallahassee*](#), 2010 WL 1740832 (N.D. Fla. Apr. 30, 2010). The court held that the statute was both under and over-inclusive and not narrowly tailored to serve the state's interest in police officer safety.

Background

The plaintiff Robert Brayshaw was arrested for posting personal information about a Tallahassee police officer to the website ratemycop.com. The website contains a searchable database of user postings about police officers and departments around the country. The plaintiff had filed several official complaints against Tallahassee Officer Annette Garrett and also posted several critical opinions about her on ratemycop.com. The posting at issue in the case read as follows:

Annette Pickett Garrett, 47 years old, 7 kids, Single, Divorced Anthony Edward "Tony" Drzewiecki, 38 yo, Home:1929 Queenswood Drive, Tallahassee, Florida 32303-7123, Home Est. \$167,500. Built in 1973, 1669 square feet. Cingular Cell-Phone: (850) 228-4567, E-Mail Address: AGARRETIOO@Comcast.net.

The information about Garrett was both truthful and

publicly available on various government and private websites. After the Tallahassee Police Department discovered the posting, it subpoenaed records from Ratemycop.com and identified plaintiff. He was arrested and charged with violating Fla. Stat. § 843.17, which had been adopted by the City of Tallahassee and integrated into its city code as Section 12-1. The statute provides as follows:

"Any person who shall maliciously, with intent to obstruct the due execution of the law or with the intent to intimidate, hinder, or interrupt any law enforcement officer in the legal performance of his or her duties, publish or disseminate the residence address or telephone number of any law enforcement officer while designating the officer as such, without authorization of the agency which employs the officer, shall be guilty of a misdemeanor of the first degree..."

The charge was eventually dismissed with prejudice for failure to comply with the state's speedy trial requirements. Afterwards, Brayshaw brought a Section 1983 [action](#) against state and local officials seeking declaratory and injunctive relief and money damages.

Protected Speech Analysis

As a preliminary matter, the court noted that Brayshaw had standing to challenge the constitutionality of the statute because his fear that the challenged law would be enforced against him again for similar conduct was "well-founded,"

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RateMyCop is a searchable database of user postings about police officers and departments around the country.

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given his prior arrest and prosecution.

On the merits, the state argued that the intent requirement of the statute (requiring malice and intent to intimidate on the part of the speaker) meant that it applied only to unprotected speech, such as “true threats,” “fighting words,” and incitement to imminent lawless action. The court disagreed, reasoning that even personal information published with the intent to intimidate would not qualify as a “true threat.”

To qualify as a “true threat,” the publication would have to constitute a “threat or serious expression of intent to commit an unlawful act of violence.” Brayshaw made no threat of violence in connection with his posting and the information disclosed did not have a “long and pernicious history as a signal of impending violence,” like cross-burning, which the Supreme Court held could be a true threat in *Virginia v. Black*, 538 U.S. 343 (2003). Likewise, the speech prohibited by § 843.17 did not fall into the unprotected category of “fighting words,” or incitement to imminent lawless action.

Taking a different approach, the defendants also argued that plaintiff’s posting was not protected because it was not a media publication and did not concern a matter of public significance. The court replied that individuals are guaranteed the same rights as the media under the First Amendment, and explained that police accountability, which is an important political and public interest, is furthered through the publication of their contact information. For example, it facilitates the service of process, research into the criminal history of officers, and the organization of lawful pickets. Therefore, since the statutorily proscribed speech did

not fall into any of the categories traditionally excluded from First Amendment protection, and the defendants offered no valid alternate theories for the constitutionality of its prohibition, the court concluded that the speech was entitled to protection.

Facial Constitutionality

Citing to *Smith v. Daily Mail Publishing*, 443 U.S. 97 (1979) and *Florida Star v. B.J.F.*, 491 U.S. 524 (1989), the court noted that “state action to punish the publication of truthful information seldom can satisfy constitutional standards” and any restriction would have to be narrowly tailored to a state interest “of the highest order.” While the state interest in police officer safety was highly important, the statute was not narrowly tailored to serve that interest.

The statute does not require that there be a “true threat” against the officer, and is therefore both under- and over-inclusive. It proscribes speech that is not a true threat, and also fails to limit the dissemination of information to those who truly wish to harm or intimidate police officers, as well as those who solicit the information for those purposes. Because of this, the court found the law as written unconstitutional on its face.

The court also pointed out that in addition to the foregoing, § 843.17 is a content-based restriction on speech, and therefore subject to a strict-scrutiny analysis. Since this test also requires that a law be narrowly tailored to a government interest, it would fail under that analysis as well.

Plaintiff was represented by the American Civil Liberties Union Foundation of Florida.

Ethics Corner: How A Properly Drafted Engagement Letter Can Save You

By Sam Fifer, Wendy Enerson and Yinka Owolabi

Would you tell a client that a handshake is sufficient to memorialize an agreement? Probably not. Lawyers recognize the importance of defining a legal relationship in writing because even the best-intentioned people can have misunderstandings and failures to communicate. Yet, it is not uncommon for a busy practitioner to forget the necessity of documenting the terms of an engagement in writing,

especially in instances where a client requires immediate legal assistance. Such failure to document the terms of an engagement can substantially increase a lawyer’s exposure to malpractice claims, motions to disqualify and fee disputes.

This Article discusses the essential terms of an engagement letter. At a minimum, the letter must identify the client, fees to be charged, scope of the engagement, and any

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limitations on the lawyer's representation. Serious consideration should also be given to include an advance conflict waiver, especially when the representation is undertaken by a large firm with multiple practices and/or offices. The Article also discusses the benefits of formally documenting the conclusion of the engagement.

Effective Use of Engagement Letters

Engagement letters should be customized to fit each individual engagement. Ideally, an engagement letter should be executed at the onset of the attorney-client relationship. The letter is not meant to replace verbal discussion of the engagement, but rather should memorialize the terms of the relationship and reflect each party's understanding as to what has been agreed. The engagement letter should be signed by the client, as evidence that the client accepts the fees to be charged, the terms of the relationship, as well as any limitations on the scope of the attorney's representation.

Identification of the Client

The engagement letter should expressly identify who the attorney represents, and who the attorney does not represent. The latter is especially important when representing a corporate client. The engagement letter should identify whether the representation is solely limited to the corporation or whether the attorney is also representing the corporation's officers, directors, employees and/or affiliates. Absent a clear statement identifying the client being represented, an attorney may be subjected to a motion to disqualify by a party he never intended to represent. Such was the case in *Avocent Redmond Corp. v. Rose Elecs., Inc.*, where a firm undertook representation of a corporate entity in a transactional matter but broadly drafted the engagement letter to encompass the corporation's "affiliates."¹ Because Black's Law Dictionary defined "affiliate" as a "subsidiary, parent, or sibling corporation," the court found that the firm was barred from representing a party adverse to the corporation's "sibling" in a litigation matter.² The court explained: "Had [the firm] wanted to limit the scope of its representation, it could have done so by expressly limiting the OSA affiliates that it was agreeing to represent rather than broadly agreeing to represent all of them. . . . The law firm and client, in the initial engagement letter, could always agree to treat some or

all members of the corporate family as a single entity, or as separate entities."³

Scope of Engagement

One of the most important functions of the engagement letter is to properly define the scope of the attorney's engagement. Lawyers should exercise caution in defining the scope too broadly (i.e. "all corporate matters"), and always consider a limited scope representation. The Model Rules of Professional Conduct expressly contemplate reasonable limitations on the scope of a lawyer's representation. Model Rule 1.2(c) provides that "[a] lawyer may limit the scope of representation if the limitation is reasonable under the circumstances and the client gives informed consent."⁴ The lawyer must explain the "material risks" associated with the limited scope representation, as well as any "reasonably available alternatives" to permit the client to make an informed decision regarding the representation.⁵

In limited scope representation, the potential for misunderstandings and malpractice exposure increases when the agreement is not documented in a writing signed by both the attorney and the client, or the language is not specific enough to expressly disclaim that a particular subject matter is within the scope of the engagement. When the client and attorney disagree over whether the attorney has performed as agreed, the competence of an attorney's representation may be at issue.⁶

To manage client expectations, limited scope representations should always be in writing. *Lerner v. Laufer* is instructive on this point.⁷ In *Lerner*, the lawyer was retained to review a mediated property settlement agreement in connection with a divorce action. Under the agreement, the client was to receive \$500,000.00, monthly alimony and 15% of the stock that she and her husband had acquired during the marriage.⁸ The attorney agreed to review the settlement with the written understanding that he would not conduct discovery, review income tax returns, or recommend whether the settlement should be accepted.⁹

To memorialize this agreement, the attorney had the client read and sign a two-page letter which limited the scope of his representation, identified services he would not perform, and noted that he "was not in a position to advise . . . whether or not the agreement [was] fair or equitable and whether or not [the client] should execute the Agreement as prepared."¹⁰ The divorce was granted and the property settlement

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agreement was incorporated in the final judgment. Shortly thereafter, the client discovered that her ex-husband was planning an initial public offering of a company that she had been an active participant in, at a value of \$100,000,000.¹¹ In response, she commenced a malpractice action against the attorney for failure to perform discovery and investigate the merits of the agreement. The Superior Court of New Jersey declined to hold the attorney liable for malpractice, noting that due to the limited scope of representation in the engagement letter, the attorney had not breached the standard of care.¹²

Likewise, a recent New York decision highlights the importance of narrowly defining the scope of the lawyer's engagement. In *AmBase Corp. v. Davis Polk & Wardwell*, the plaintiff filed a legal malpractice suit against its former attorney who successfully represented the plaintiff in a tax proceeding before the Internal Revenue Service.¹³ The plaintiff claimed that even though it prevailed in the underlying matter, the attorney failed to advise plaintiff that it was not primarily liable for the subject taxes. The Court of Appeals of New York affirmed dismissal of the plaintiff's claim because the retainer agreement expressly limited the scope of the engagement. The court explained: "the plain language of the retainer agreement indicates that Davis Polk was retained to litigate the amount of tax liability and not to determine whether the tax liability could be allocated to another entity. Thus, the issue whether plaintiff was primarily or secondarily liable for the subject tax liability was outside the scope of its representation."¹⁴ Had the engagement letter not narrowly defined the scope of the lawyer's representation, the lawyer might have been subject to malpractice liability.

A broadly defined scope of engagement may, on the other hand, inure to the client's benefit. Such was the case in *Sandra T.E., et al. v. South Berwyn School District 100*.¹⁵ There, a law firm was retained by a school board to investigate criminal conduct.¹⁶ The firm interviewed employees and witnesses, and prepared notes and memoranda in connection with their investigation. The firm was subpoenaed to turn over these documents, on the theory that the firm was retained to provide investigative services, not legal services.¹⁷ Relying on the attorney-client privilege and the work product doctrine, the firm refused to produce the documents. The Seventh Circuit Court of Appeals reversed the district court's decision ordering production. Key to the Court of Appeals' decision was the language of the

engagement letter which expressly provided that in addition to the investigation, the firm would "provide *legal services* in connection with the specific representation (emphasis supplied)."¹⁸ Since the notes and memoranda related to the rendition of legal services, the documents were fully protected. The law firm might not have been able to protect this otherwise privileged material, if it had not taken the step of clearly defining the scope of its representation in an engagement letter.

Consent to Conflicts of Interest

Essential to the attorney-client relationship is the attorney's duty of loyalty.¹⁹ This duty can at times be at odds with the attorney's responsibilities and duties owed to another client.²⁰ Taking time to identify the client allows an attorney to uncover possible conflicts of interest and obtain conflict of interest waivers. When ethical issues are apparent at the outset of a representation, such as actual or potential conflicts of interest, those issues should be addressed in the engagement letter.

The consequence of failing to properly address a conflict of interest can result in the loss of one or more clients, an ethics grievance, or disqualification. One recent example is *Blanks v. Seyfarth Shaw, LLP*,²¹ where the court held that a law firm was disqualified from representing a law firm, while at the same time representing one of the firm's former partners in the same malpractice action. The partner retained Gibson Dunn to represent him in "post-trial and appellate matters" following a jury verdict against Seyfarth and the partner. The damage award against the partner was reversed and the case was remanded back to the trial court for further proceedings. Seyfarth requested Gibson Dunn represent it in the trial court. Gibson Dunn sought a conflict waiver from the partner who never responded. Gibson Dunn concluded that it no longer represented the partner since the engagement letter limited the representation to the appeal and undertook the representation of Seyfarth. The partner moved to disqualify Gibson Dunn from representing Seyfarth. The court granted the motion, noting: "It seems to me that there is a real clear and obvious conflict going on here. . . [w]e've had a trial that one side is hit for 15 million in punitives and the other was not."²² Gibson Dunn's failure to include a conflict waiver in its engagement letter resulted in its disqualification.

In contrast, the conflict waiver was sufficient to withstand attack and prevent disqualification in *General Cigar*

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*Holdings, Inc. vs. Altadis, S.A.*²³ There, Altadis moved to disqualify plaintiff's counsel due to an alleged conflict of interest based on counsel's joint representation of Altadis and other cigar companies in an unrelated matter pending before the Supreme Court of the United States.²⁴ Plaintiff's counsel had sent an engagement letter containing a waiver to each of the cigar companies involved in the Supreme Court litigation which stated:

Our firm has in the past and will continue to represent clients listed on the attached Exhibit A . . . in matters not substantially related to this engagement. Accordingly, each Client agrees to waive any objection, based upon this engagement, to any current or future representation by the firm of any Exhibit A Clients, its respective parent, subsidiaries and affiliates in any matter not substantially related to this representation. Of course, we will not accept any representation that is adverse to you in this matter.²⁵

The companies agreed to this waiver. Consequently, the court denied the motion to disqualify because Altadis's predecessor consented to the firm's representation of General Cigar and the matters were not substantially related.²⁶

Including a conflicts waiver is especially important in undertaking representation of an amicus group. Often times, firms will file briefs on behalf of amicus groups to advance the interests of one of its other clients. For example, a lawyer may agree to represent a group of insurance companies in an action that may create favorable precedent to its long-standing insurance carrier client. Prior to undertaking that representation, the firm should obtain an advance conflict waiver to prevent being disqualified from representing its long-standing client in current or future matters.

The effectiveness of prospective waivers has varied based on the facts of the conflict. Some courts will only enforce prospective waivers when the potential conflict materializes as described. That was the case in *GSI Commerce Solutions, Inc. v. BabyCenter, L.L.C.*²⁷ BabyCenter refused to proceed with an arbitration proceeding against GSI Commerce Solutions, Inc. ("GSI"), so long as GSI was represented by Blank Rome LLP, a law firm which also represented

BabyCenter's corporate parent, Johnson & Johnson. The United States District Court for the Southern District of New York held that the relationship between the subsidiary and its parent corporation was sufficiently close to deem them a single entity for conflict of interest purposes.²⁸ The engagement letter contained limited prospective waivers. However, since the waivers were not relevant to counsel's simultaneous representation, they failed to provide the unequivocal express waiver necessary to prevent the law firm's disqualification.²⁹

Formal Termination of the Engagement

An attorney-client relationship can conclude for several reasons, whether as a result of client termination, firm withdrawal, or simply due to completion of the matter. While the Model Rules do not require an attorney to document an engagement's termination, lawyers should consider sending their clients written disengagement letters at the completion of each engagement.

Blanks v. Seyfarth Shaw, LLP,³⁰ discussed above, illustrates the importance of being clear in terminating a representation. Gibson Dunn may have saved its representation of Seyfarth had it formally terminated its relationship with the former Seyfarth partner and filed a motion to withdraw.³¹

The court's decision in *Metropolitan Life Ins. Co. v. Guardian Life Ins. Co. of Am.*, also illustrates the need for formal termination of a representation. Guardian Life Insurance Company ("Guardian Life") approached law firm Winston & Strawn LLP ("Winston") to represent it in an arbitration proceeding against Metropolitan Life Insurance Company ("MetLife").³² A conflicts investigation turned up three possible conflicts. A Winston partner had counseled MetLife in making agricultural loans to various borrowers and their affiliates. Another partner had advised MetLife on five employee benefit matters. Lastly, another partner had represented a general partner of a partnership in which MetLife was a limited partner.³³ The employee benefits partner sought a waiver of the conflict of interest from MetLife, which was refused. Upon further investigation, Winston determined that it had completed all projects for MetLife, although it had not formally terminated the representation.³⁴ The firm concluded that MetLife was a former client and undertook Guardian's representation.

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The court determined that this type of sporadic representation with no clear termination created a continuing attorney-client relationship, even though there was no current active project.³⁵ Yet, the court's inquiry did not stop there. Although it found that Winston had violated the conflict of interest rules, the court denied the motion to disqualify because MetLife failed to show that it would suffer harm if Winston represented Guardian in the case. Not all judges are

so forgiving. A disengagement letter should be sent at the conclusion of every matter, even if the attorney or firm intends to continue representing the client on other issues, so as to document the end of the attorney-client relationship and maximize the attorney's ability to take on future engagements.

Sam Fifer and Wendy Enerson are partners, and Yinka Owolabi an associate, at Sonnenschein Nath & Rosenthal LLP in Chicago.

Notes

1. 491 F. Supp. 2d 1000 (W.D. Wash. 2007).
2. *Id.* at 1004-05.
3. *Id.* at 1004 n.2.
4. ABA Model Rule 1.2(c).
5. ABA Model Rules 1.0(e) and 1.4(b).
6. Attorneys have a duty to provide competent representation. "Competent representation requires the legal knowledge, skill, thoroughness and preparation [reasonably](#) necessary for the representation." ABA Model Rule 1.1.
7. 359 N.J. Super. 201, 819 A.2d 471 (N.J. Super. Ct. App. Div. 2003).
8. *Id.* at 473.
9. *Id.* at 475-76.
10. *Id.* at 482.
11. *Id.* at 476.
12. *Id.* at 485.
13. 8 N.Y.3d 428, 866 N.E.2d 1033 (N.Y. 2007).
14. *Id.* at 1037.
15. 600 F.3d 612 (7th Cir. 2010).
16. *Id.* at 616.
17. *Id.*
18. *Id.* at 619.
19. ABA Model Rule 1.7, cmt. 1.
20. *Id.*
21. No. BC308355 (Cal. Super. Ct. March 18, 2010).
22. *Id.* at *35.
23. 144 F. Supp. 2d 1334 (S.D. Fla. 2001).
24. *Id.*
25. *Id.* at 1336.
26. *Id.* at 1340.
27. 644 F. Supp. 2d 333 (S.D. N.Y. 2009).
28. *Id.* at 336.
29. *Id.* at 338.
30. No. BC308355 (Cal. Super. Ct. March 18, 2010).
31. *Id.* at *35.
32. 2009 WL 1439717, *1 (N.D. Ill. 2009).
33. *Id.*
34. *Id.* at *2.
35. *Id.* at *4 ("[W]ithout a formal termination of the parties' relationship, MetLife reasonably could have considered itself a current client of Winston at the time Winston approached Winston to represent it in this case.").
36. *Id.* at *5 ("In its prior representation of MetLife, Winston did not have access to any confidential information that it could use in the case.").