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MLRC Media Law Resource Center MEDIALAWLETTER

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Mobile Technology Headlines

MLRC Digital Media Conference

Fourth Annual Legal Frontiers in Digital Media Conference at Stanford University

MLRC held its fourth annual Legal Frontier's in Digital Media conference at Stanford University on May 19 & 20, 2011. This year's conference, organized -- as always -- in cooperation with Stanford Law School Center for Internet and Society, kicked off with two panels focused on mobile technology, "The Wireless Ecosystem," moderated by Dan Waggoner, Davis Wright Tremaine, and "The App World," a discussion led by video game consultant and entrepreneur, Shawn Foust.

With the introduction of the iPhone just four years ago, and the recent explosion of the smartphone and app markets, the panels discussed the enormous change and legal challenges posed by what speaker and venture capitalist and partner in Founders Co-op, Chris DeVore, referred to as "business disruption" technology. DeVore noted that in three and a half years, Apple grew to control half of the profit pie, but that Android, based upon a free platform, was surging and would likely run away with the market worldwide -- "free is compelling."

Rajeev Chand of Rutberg & Company, took off from the premise that mobile, local and social will shape the future. Linda Norman of Microsoft noted that the emerging mobile device may well substitute for the PC in the future. Security and data privacy will be key legal issues going forward, while intellectual property will be front and center in the business models.

The uncertainty of the privacy and international law implications of mobile devices were major points of

discussion. When asked how to comply with divergent international privacy laws, Shawn Foust responded bluntly: "It's a trainwreck," and suggested that companies "comply where [they] have assets." Panelists noted the evolving nature of the definition of personal identifying information, as well as the difference on that score in Europe versus the United States. Notwithstanding the uncertainty of the law

within the international arena, Bart Volkmer, Wilson Sonsini, noted that U.S. courts would apply the DMCA and Section 230 immunities to mobile apps the same way they have to web-based content.

Kate Spelman of Cobalt LLP led a panel on the "Good and Bad Side of Content Regulation." During that panel, a lively debate ensued between Professor Eric Goldman of Santa Clara University School of Law and Dean Marks of Warner Brothers, Entertainment, on the proper role of regulation of the Internet in the context

of intellectual property protection, and what balance should be struck to protect free speech while encouraging creativity. Nicklas Lunblad of Google referred to a United Nations study of content regulation on the Internet from the perspective of democracies versus dictatorships.

Sophie Cohen of Cobalt LLP moderated a panel on search engine technology, which featured a tutorial from Google's Daniel Russell on the tricks and tips of search, and insights into the future of search from ProQuest's Timothy Babbitt (who discussed search curation) and Microsoft's Jon Zieger

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Paul Saffo, giving his presentation "Welcome to the Creator Economy." Also, pictured: David J. Blumberg of Blumberg Capital, far right, and Riaz Karamali, Sheppard Mullin, center.

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(who discussed personalization of search results). Simon J. Frankel, Covington & Burling, capped the discussion with an overview of the current state of DMCA protection for search providers.

David McCraw of the New York Times led a conversation about the media environment in the post-Wikileaks world, in which, according to panelist David Vigilante of CNN, “information is moving faster than what the law can keep up with.” Other panelists, including Jennifer Granick of Zwillinger Genetski and David Ogden of WillmerHale, provided analysis of the potential for application of the Espionage Act to some journalists, but noted the uncertain state of the law. Part of the discussion focused on the legal issues surrounding the establishment by the media of WikiLeaks-like electronic dropboxes in which members of the public can securely submit documents to the press. In particular, the panel felt that the Wall Street Journal’s implementation of this idea, “WSJ SafeHouse,” was so overburdened with legal disclaimers and caveats that it offered little comfort to would-be whistle-blowers.

Prior to the final panel, noted forecaster and Stanford University Professor, Paul Saffo, gave a presentation entitled, “Welcome to the Creator Economy.” Saffo described the potential implications of what he described as our “profound” shift from the consumption of mass media, such as television, in a “consumer economy,” to participation with personal media, such as the web, in a “creator economy.”

The final panel discussion, led by Riaz Karamali, Sheppard Mullin, featured analysis of future trends by venture capital specialists. The VCs – David Blumberg of

Blumberg Capital, Tim Draper of Draper Fisher Jurvetson and Howard Hartenbaum of August Capital, and joined by journalist Chris O’Brien of The San Jose Mercury News – made clear they are looking for game changing ventures. They noted that most start-ups are global from the day they open their doors and have to respond to a global marketplace. Chris O’Brien said that the Internet and the web were thought to be synonymous but the app culture has changed that analysis. Now it is the app versus the open web.

As infrastructure becomes cheaper, and more of a commodity, the value will be in the service overlay of a venture. The venture capital panelists seemingly took a dim view of regulation of the marketplace, and it was speculated that the technology changes, moving faster and faster, are moving the marketplace too fast for government to effectively institute regulation.

Among the other topics discussed were the rise of tablet computers, innovations in social media to market products, and recent IPO’s and acquisitions.

The audio tapes from the sessions will be posted on Stanford University iTunes, and likely on the MLRC website as well, within the month. MLRC will let its members know when the audiotapes are available.

This year’s conference was co-chaired by Steve Tapia, Corporate Counsel, DirectTV Regional Sports Networks, Andrew Bridges, Partner, Winston & Strawn, and Chair-Emeritus, James Chadwick, Partner, Sheppard Mullin.

Our sponsors were Axis Pro, GreenbergTraurig, Bingham, Jackson Walker LLP, CNA, Microsoft, Covington & Burling LLP, the National Association of Broadcasters, Davis Wright Tremaine LLP, Sheppard Mullin, Dow Lohnes, WilmerHale; and special thanks go out to Google, which sponsored the reception held at the Stanford Faculty Club.



David McCraw of the New York Times, right, and Jennifer Granick of Zwillinger Genetski, from the panel “Wikileaks: The Media, The Law, the World.”

MLRC London Conference 2011

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

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

CONFERENCE HIGHLIGHTS

Analysis of the New Libel Reform Bill
Navigating Prepublication Issues in the Digital World
Litigating Responsible Journalism and Privacy Claims
Taking Cases to Strasbourg
Newsgathering in the Post-Wikileaks World
Data Privacy and the Right to Be Forgotten
App Technologies, Mobile Computing and the Future of Media
New Media IP Law
Privacy Injunction Hearings

Pre-conference reception for delegates at Bloomberg News,
Sunday night September 18th

Reception and dinner at the Tate Modern,
Monday night September 19th

In-house counsel breakfast
at Guardian News & Media, September 21st

The Conference is approved by the Solicitors
Regulatory Authority for 12 hours of CLE Credit

[Location Map](#)

Hotel Information

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Divided Ninth Circuit En Banc Panel Allows Idea Submission Claim to Proceed

Implied Promise Not to Use Idea in Submitted Work Not Preempted by Copyright Act

By Louis P. Petrich

On May 4, 2011, in [Montz v. Pilgrim Films & Television, Inc.](#), No. 08-56954 (9th Cir. 5/4/11) (*en banc*), 2011 WL 1663119, an eleven-judge *en banc* panel of the Ninth Circuit Court of Appeal issued opinions which split 7-4 on whether a television producer's implied promise not to use ideas embedded in submitted works which fall within the subject matter of copyright are preempted by section 301(a) of the Copyright Act.

At stake were the following issues:

1. Whether a particular form of implied-in-fact contract claim – involving a promise not to use without a license – is preempted.
2. Whether some implied contracts may be preempted and thus are removable from state court to federal district courts under the “complete preemption doctrine.”

Background

As noted in a previous article, *MLRC MediaLawLetter*, December 2010, at 15-20, *Montz* involved an idea submission claim in the entertainment business. Plaintiffs Larry Montz, a parapsychologist and Daena Smoller, a publicist, alleged that they had conceived of a concept for a new reality television program featuring a team of “paranormal investigators,” who would be featured in hour-long episodes following the team in efforts to investigate and perhaps debunk reports of paranormal activity.

They alleged that sometime during the period 1996 and 2003 they presented screenplays, videos and other program materials to representatives of NBC Universal and the Sci-Fi Channel “for the express purpose of offering to partner ... in the production, broadcast and distribution of the Concept.” The Complaint alleged that defendants made an implied promise “not to disclose, divulge or exploit the Plaintiffs’ ideas and concepts without the express consent of the

Plaintiffs” and to afford compensation and to attribute credit.

Although the submittees were allegedly not interested, NBC Universal later allegedly partnered with Craig Piligian and Pilgrim Films & Television, Inc. to produce a series on the Sci Fi Channel called “Ghost Hunters” which involved a team of investigators who study para-normal activity. Montz and Smoller sued claiming copyright infringement, breach of an implied-in-fact contract and breach of a confidence. Plaintiffs subsequently voluntarily dismissed the copyright claim

Defendants moved to dismiss under FRCP 12(b)(6) the state law claims for breach of an implied-in-fact contract and for breach of confidence on the grounds that both claims were preempted under section 301(a) of the Copyright Act.

Desny v. Wilder and Implied in Fact Contracts

Plaintiffs’ later motion for reconsideration expressly stated, and the district judge assumed, that plaintiffs were arguing that their claim of an implied in fact contract was founded on the landmark decision of the California Supreme Court in *Desny v. Wilder*, 46 Cal. 2d 715, 299 P.2d 257 (1956). *Desny* arose soon after California amended its Civil Code in 1947 so that “ideas” as distinct from *expression* were no longer to be treated as property under state law.

Thereafter, “ideas” could be protected, if at all, only by contract. *Desny* is commonly understood – and it so states – to hold that the facts before it gave rise to a triable issue whether a contract implied in fact gave *Desny* a cause of action against famous film director Billy Wilder. Wilder had directed the 1951 movie, “Ace in the Hole,” about a rapacious news reporter, played by Kirk Douglas, who exploits the plight of a man trapped by a cave in the desert to create a news circus.

Desny claimed that in 1949 he had phoned Wilder’s office at Paramount Studios and had spoken to Wilder’s

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Plaintiffs Larry Montz, a para-psychologist and Daena Smoller, a publicist, alleged that they had conceived of a concept for a new reality television program featuring a team of “paranormal investigators,” who would be featured in hour-long episodes following the team in efforts to investigate and perhaps debunk reports of paranormal activity.



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secretary for the purpose of proposing to sell an idea based on a well known news item about a man trapped in a cave. The California Supreme Court accepted as true for sake of argument Desny’s claim that he first offered to send the secretary a 65 page version of his proposed story, but the secretary told him that Wilder would not read it, that Wilder had readers summarize stories to 3 or 4 pages for his review.

Desny protested that he preferred to create his own summary which he would read to the secretary. He later recited his summary over the phone as the secretary took it down in shorthand. She said she would transmit the summary to Wilder. Desny supposedly told her “that defendants could use the story only if they paid him ‘the reasonable value of it’.” The secretary allegedly said that if Wilder used the story “naturally we will pay you for it.” 46 Cal. 2d at 727. The Supreme Court held that a secretary had authority to bind her boss to movie contracts and that a contract was thus formed, which could have been breached when Wilder made his movie – if he used Desny’s idea. The case was remanded for trial.

The *Desny* court could have analyzed the contract that was allegedly formed as an *express* contract, one formed by words. The Court explained that what distinguishes an express from an implied in fact contract is just the manner of conveying assent to the offer: an implied in fact contract is formed when the offeree engages in the conduct of accepting disclosure of the idea with knowledge of the conditions of use. It is as if the offeree upon learning that an idea will be pitched says: “I agree.” The issue is: what has the submittee agreed to?

For example, if only copyrightable material – a script or a treatment is submitted – a submittee could reasonably expect

that only a use that constitutes copyright infringement gives rise to a duty to pay. In their experience, they hear or read similar ideas every week in the regular course of their business. Most submittees would not expect that they would be haled into court to prove the source of their “ideas” if years later they happened to use ideas somewhat similar to mere “ideas” embedded in plaintiff’s script or treatment. Unlike the facts in most implied contract claims, Mr. Desny stated in advance what use would trigger a duty to pay – not use of mere ideas, but rather the use of “the story.” *Desny* thus built a legal doctrine on a unique set of facts.

At the time of *Desny*, the 1909 Copyright Act did not protect writings (with rare exceptions) unless they were published with a copyright notice affixed. The *Desny* court even held that notes taken by Wilder’s secretary provided a basis for a common law copyright claim under California law. The 1909 Act did not have an express preemption provision and state courts could impose liability for common law infringement or plagiarism if the work was yet unpublished.

Subsequent decisions assumed that *Desny* stood for the proposition that he had sold his idea to Wilder, on the condition subsequent that he would get paid the reasonable value for that idea, if and only if Wilder used Desny’s “ideas.”

Landsberg v. Scrabble (1986)

Several years later, the Ninth Circuit reviewed a finding by a U.S. District Judge in *Landsberg v. Scrabble Crossword Game Players, Inc.*, 802 F.2d 1193 (9th Cir. 1986). The case arose from facts occurring before 1978 and *thus no express*

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preemption issue was raised or discussed. Landsberg had convinced the trial court that he had been in “prolonged negotiations” to sell Scrabble an idea for a book on Scrabble strategy.

Scrabble finally rejected his idea but later published its own Scrabble strategy book. The district judge in a bench trial concluded that an implied in fact contract had been formed and breached. But, the court did not award Landsberg just the reasonable value of his idea. He was awarded the “total profits” of Scrabble and Scrabble’s publisher. As the Ninth Circuit stated in affirming:

If the implied contract between Landsberg and S & R provided merely for the payment of the reasonable value by S & R for the use of Landsberg’s manuscript, then the grant of the total profits of S & R and Crown Publishers would exceed the amount Landsberg would have received in the absence of breach. He would be entitled only to the market value of S & R’s use of the manuscript. *Landsberg argues that the contract was not for the use of his manuscript, but for S & R’s refraining from using it without his permission. He argues in effect that the contract requires both compensation and permission to use his manuscript.* The district court’s findings are consistent with this understanding of the contract terms. The court found that “based upon S & R’s conduct, Plaintiff reasonably believed that S & R would not use or copy his manuscript, or any portion thereof, without his consent and without payment to him of an acceptable sum.” Landsberg was therefore entitled under the terms of the implied contract to more than the fair value of S & R’s use. *He was entitled to deny S & R permission to use it at all, and to exploit his work through another means.* Because S & R’s breach resulted in Landsberg’s losing the opportunity to market his work as he saw fit, the profits from S & R’s exploitation of it are both the best measure of his losses due to the breach, and are consistent with [Cal. Civil Code] § 3358’s limitation. To read the contract as requiring anything less than both compensation and permission would be to sanction a forced exchange.

802 F.2d at 1198 (emphasis added.)

After the preemption provisions of section 301(a) of the 1976 Copyright Act went into effect in 1978, several courts held an alleged promise by a defendant not to use material within the subject matter of copyright was equivalent to a promise not to infringe and thus was preempted. Although this writer and other attorneys in California were successful in getting District Judges to adopt this view, the Ninth Circuit disposed of appeals raising this issue on other grounds.

Grosso v. Miramax (2004)

The Ninth Circuit rendered its first reported decision concerning possible preemption of an implied in fact contract claim in *Grosso v. Miramax Film Corp.*, 383 F.3d 965 (9th Cir. 2004). Grosso alleged that he had submitted a script through third parties to Miramax and the writers and producer of the movie “Rounders.” The initial complaint for breach of an implied in fact contract was filed in state court and removed to the federal district court in Los Angeles on the ground that the so-called state law claim was preempted. Under the doctrine of complete preemption, it was a candidate for removal. In federal court, Grosso amended his complaint to add the copyright infringement claim, alleging that defendants had infringed his copyright and breached an implied in fact contract for the use of the ideas embedded in that copyrighted script.

The district court granted a motion for summary judgment dismissing the copyright claim for lack of substantial similarity of protected expression, and the Ninth Circuit affirmed on that ground. However, the Court of Appeals, in an opinion by Circuit Judge Mary M. Schroeder, reversed the order dismissing the contract claim on preemption grounds on a FRCP 12(b)(6) motion. The Court concluded that the amended complaint adequately pled a *Desny v. Wilder* type claim because it alleged that “the idea was submitted by Plaintiff to Defendants with the understanding and expectation, fully and clearly understood by Defendants that Plaintiffs would be reasonably compensated for its use by Defendants.” 383 F.3d at 967.

On remand to the district court, there being no existing federal claim, the district court remanded the case to state court, where defendants were granted summary judgment on the ground that no contract at all was formed. The judgment

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was affirmed in an unreported decision. 2007 WL 2585053 (Cal. App. 2d Dist. 2007).

Ninth Circuit's Three Judge Panel Decision in *Montz*

Against this background, the *Montz* district court concluded that *an implied promise not to use material within the subject matter of copyright was preempted*, granting the FRCP 12(b)(6) motion. It dismissed the breach of confidence claim as well. Both claims were dismissed without leave to amend.

The initial three-judge panel that heard *Montz v. Pilgrim* in the Ninth Circuit affirmed, 606 F.3d 1153 (9th Cir. 6/3/10) (vacated by Order granting *en banc* hearing) applying the two-prong test for preemption set out in section 301(a) of the Copyright Act: (1) determining whether the materials submitted by plaintiff fell within the subject matter of copyright, and (2) determining whether the state law claim was equivalent to a claim seeking relief for infringement of one of the exclusive rights under section 106 of the Copyright Act: to reproduce or copy, to create derivative works, to distribute or sell copies, to perform (exhibit or broadcast) publicly, or to display publicly.

The district court had ruled that the claim regarding screenplays, videos and other tangible media came within the "subject matter of copyright" and the Plaintiffs did "not challenge this ruling on appeal." 606 F.3d at 1157. Circuit panels in the Second, Fourth and Seventh Circuits had already held that ideas embedded within materials that fell within the subject matter of copyright, for example, treatments, scripts, outlines, were all within the subject matter of copyright for preemption purposes.

Regarding the claim for breach for an implied-in-fact contract, the court held that the second prong was satisfied because the nature of the contract claim was for breach of a *promise not to use* plaintiffs' materials unless and until a license had been negotiated. The court found that such an implied contract is equivalent to a claim for copyright infringement as every infringer uses copyrighted material without first obtaining a license. The court held that the

confidence claim was pleaded in a manner making it equivalent to the breach of contract claim and thus preempted. The panel also ruled that the district court properly dismissed without leave because plaintiffs could allege a *Desny v. Wilder* contract for sale theory – and thus rely on *Grosso v. Miramax* – only by re-pleading inconsistently with their initial complaint.

***Montz v. Pilgrim* – Before the En Banc Panel**

On September 30, 2010, the Ninth Circuit issued an order granting an *en banc* hearing. Three separate amicus briefs were filed in support of preemption. See MLRC MediaLawLetter, Dec. 2010, at 18-19.

Defendants' brief in support of affirmance by the *en banc* court argued that most case authorities applying the "equivalency" test for copyright preemption to implied contract claims before the decision in *Grosso v. Miramax* had held that the claims should be preempted. It urged that *Grosso* was therefore incorrectly decided and should be disapproved. It argued that the continued existence of *Grosso* undermines the policies of the Copyright Act (a) by permitting "copyright-like" protection of *ideas* contained in a work of authorship merely by alleging an unauthorized use and labeling the claim "breach of implied-in-contract," and (b) by blurring the lines between state and federal law by allowing amorphous state-law claims for breach of implied contract to override copyright law without requiring express indicia of the parties' intent to enter into contractual obligations.

Plaintiffs responded with a Supplemental brief which argued that defendants had misunderstood the nature of an implied-in-fact contract. Relying on the statement in *Desny* that an implied-in-fact contract differs from an express contract only in that assent was provided by conduct rather than by words, it argued that *Grosso* and the recent decision in *Benay v. Warner Bros. Entertainment, Inc.*, 607 F.3d 620 (9th Cir. 2010) correctly held that implied-in-fact contract claims under *Desny* are not preempted. Finally, it argued that the breach of confidence claim should not be preempted by copyright law.

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Judge Schroeder equates the use of copyrighted material with the use of ideas in a way that insinuates that the mere use of ideas triggers an obligation to pay for their use.

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On December 16, 2010, an eleven-judge panel of the Court of Appeals, with Chief Judge Alex Kozinski presiding, heard argument in the Pasadena branch of the circuit court. The Court's website contains audio and video recordings of the one-hour hearing.

The Ninth Circuit has so many active members that it employs an 11-person mini-*en banc* process, Ninth Circuit Rule 35-3, consisting of 10 active members selected by random draw plus the Chief Judge, in this case, Alex Kozinski. The *Montz* panel included members who had participated in the three-judge *Montz* panel – Diarmuid O'Scannlain and Richard Tallman – and in the three-judge panel that decided the earlier preemption decision, *Grosso v. Miramax Film Corp.*, Mary Schroeder. Additional members of the *en banc* panel were Circuit Judges Stephen Reinhardt, Sidney Thomas, Kim McLane Wardlaw, Ronald Gould, Richard Paez, Carlos Bea and N. Randy Smith.

The En Banc Majority Opinion

Circuit Judge Mary M. Schroeder, the author of the opinion in *Grosso v. Miramax Film Corp.*, authored the majority opinion for the *Montz en banc* court. Her opinion in *Grosso v. Miramax Film Corp.*, 383 F.3d 965 (9th Cir. 2004) held that *Desny* type implied-in-fact contract claims were not preempted because they include an “extra element,” a promise to pay for use.

The *Montz* Majority Opinion begins:

In Hollywood, writers commonly submit copyrighted scripts to producers with the understanding that if the script is used, the producer must compensate the writer for the use of the copyrighted material. But what happens when the producer uses the idea or concept embodied in the script, but doesn't pay? The Supreme Court of California, in 1956, answered this question by recognizing an implied contractual right to compensation when a writer submits material to a

producer with the understanding that the writer will be paid if the producer uses the concept. *Desny v. Wilder*, 299 P.2d 257 (Cal. 1956). Slip Op. at 5917.

This statement is wrong factually and legally. *Desny* assumes that once an implied contract is formed, a submittee may use *ideas* and pay later. No one in Hollywood or elsewhere thinks one may use *copyrighted material* (in the absence of fair use) without first acquiring a license which states the compensation for use. Moreover, *Desny* did not purport to imply a duty to pay just because an idea was used. *Desny* acknowledged that “ideas” are not property, but “free as the air.” No duty arises merely from use. *Desny*, 46 Cal.2d at 731. *Desny* purported only to enforce an agreement to pay where plaintiff conditioned disclosure of an idea or concept for a reciprocal promise to pay for use and the circumstances evidenced an acceptance of the disclosure by defendant with knowledge of the conditions.

Thus, Judge Schroeder equates the use of copyrighted material with the use of ideas in a way that insinuates that the mere use of ideas triggers an obligation to pay for their use. She does not explain why a producer receiving a copyrighted script would be deemed to have agreed to pay for every idea in it.

She notes that her *Grosso v. Miramax* decision held that such implied in fact contract claims were

not preempted by the copyright law because “the contractual claim requires that there be an *expectation on both sides* that the use of *the idea* requires compensation, and that such bilateral understanding of payment constitutes an additional element” that avoids preemption. *Id.* at 5917 (emphasis added.) She does not explain how the “expectation” arises in the absence of any discussion or what on obligation is triggered only by the use of “the idea” as distinguished from the use of “any idea.”

Then, repeating a mistake she made in *Grosso*, she writes that “we had also recognized a claim for breach of contract *that was not preempted* where the plaintiff establishes he had

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The Majority comes dangerously close to transmogrifying “ideas” into property when it states: “Since an idea cannot be copyrighted, a concept for a film or television show cannot be protected by a copyright 17 U.S.C. § 102. But the concept can still be stolen if the studio violates an implied contract to pay the writer for using it.”

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a reasonable expectation of payment for use,” citing *Landsberg v. Scrabble Crossword Game Players, Inc.*, 802 F.2d 1193, 1196-97 (9th Cir. 1986).” *Id.* at 5917-19 (emphasis added.) This is an important assertion, because as noted above, the *Landsberg* Court held that *Landsberg*’s claim was distinguishable from *Desny* because the *Landsberg* claim involved a promise not to use at all until a license was negotiated, with the result that copyright-like remedies were allowed. If this were true, one would wonder why the defendants in *Montz* even tried to claim preemption on the ground that a promise not to use was different than a *Desny* type claim – unless one understands that no preemption issue was argued or decided in *Landsberg* for the good and sufficient reason that the claim in *Landsberg* arose several years before the January 1, 1978 effective date of section 301 (a). *Landsberg v. Scrabble Crossword Game Players, Inc.*, 736 F.2d 485, 487, 490-91 (9th Cir. 1984) (“a cause of action arising from ‘undertakings commenced before January 1, 1978’”).

But according to the Majority Opinion’s telling, the Complaint in *Montz* was not about an alleged promise not to use, but rather a promise to partner: This allows the Majority to transform *Montz* into a claim for a promise to pay money under a partnership. “We see no meaningful difference between the conditioning of use on payment in *Grosso* and conditioning use in this case on the granting of a partnership interest in the proceeds of the production.” *Sl. Op.* at 5918. In the Majority’s view, *Desny* stands for the proposition that “given the industry norms,” *Desny* pled the breach of an implied contract to pay for use of his idea. *Id.* at 5922.

In applying the copyright preemption test to *Montz*, the Court adopted the prevailing view that the first prong of the preemption test is satisfied as to ideas fixed in a tangible medium expression, even if ideas themselves are not protected by copyright. *Id.* at 5923. Thus, the only issue was whether the second prong of the test is satisfied: whether the state law claim asserts rights qualitatively similar to rights protected by copyright. *Id.*

The Majority attempts to distinguish the effect of implied contract claims from copyright claims by asserting that *Desny* claims “are not preempted because they flow from agreements and understandings different from the monopoly protection of copyright law,” and that such a contract “is of such a personal nature that it is effective only between the contracting parties.” *Id.* at 5924. Of course, on a 12(b)(6)

motion, no evidence existed in the record to support this assertion. It also flies in the face of reality: writers who want to pitch ideas tend to pitch them to every studio and production company that plaintiff thinks might be interested in that subject. See e.g., *Spinello v. Amblin Entert.*, 29 Cal.App.3d 1390, 1394, 34 Cal.Rptr. 2d 695 (Ct. App. 1994) (“Spinello submitted copies of the same script to about seventy other studios and producers”).

Although *Grosso* was a case removed to federal court on “complete preemption” grounds, the *Grosso* decision omitted to mention that procedural history or the considerable body of preemption and removal decisions in the federal district courts in California. The *Montz* Majority acknowledges that one of the stakes regarding preemption is that a finding of preemption allows removal of such cases to federal court under the doctrine of complete preemption. *Sl. Op.* at 5924-25.

Finally, the Majority concludes that implementation of federal copyright preemption policy must be sublimated to the Majority’s view that “ideas” should be given property-like protection, enlisting a quotation from Woody Allen that “Show business is worse than dog-eat-dog,” to conclude that the “*Desny* innovation serves to give some protection for those who wish to find an outlet for creative concepts and ideas but with the understanding that they are not being given away for free.” *Id.* at 5925.

The Majority comes dangerously close to transmogrifying “ideas” into property when it states: “Since an idea cannot be copyrighted, a concept for a film or television show cannot be protected by a copyright 17 U.S.C. § 102. But the concept can still be stolen if the studio violates an implied contract to pay the writer for using it.” *Id.* at 5921-22. The Majority ignores that it’s only excuse for avoiding preemption is that real contracts are involved and that defendant has simply failed to pay; there was nothing for it to steal.

The Majority found that the breach of confidence claim was not preempted because an extra element – either a breach of trust or of a confidential relationship – was alleged. The Majority brushed aside any suggestion that sufficient facts had not been alleged to plead plausible contract and confidence claims.

The Dissenting Opinion of Judge O’Scannlain

Circuit Judge O’Scannlain wrote one dissenting opinion

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joined in by Circuit Judges Gould, Tallman and Bea. Judges O'Scannlain and Tallman had served on the three-judge panel in *Montz*.

Judge O'Scannlain quoted several passages from the Complaint in which plaintiffs had stressed that defendants had breached an implied contract *not to use copyrightable materials without plaintiff's consent*. He noted:

... the majority does not appreciate the significance of Montz's refusal to authorize Pilgrim to use the ideas embodied in his materials. This is not the same as authorizing Pilgrim to use his ideas so long as it pays him. A copyright is not just the right to receive money upon the use of a work; it is "the right to control the work, including the decision to make the work available to or withhold it from the public."

Sl. Op. at 5929-30. (footnote and citation omitted).

He distinguished *Montz* from *Grosso* because *Grosso* alleged he had sold his ideas and payment was due if and when used. *Id.*

Judge O'Scannlain also accuses the Majority of stating and deciding a false issue when the Majority states the determinative issue this way:

We see no meaningful difference between the conditioning of use on payment in *Grosso* and conditioning use in this case on the granting of a partnership interest in the proceeds of the production.

Id. at 5918. Judge O'Scannlain responds:

The *Montz* [three judge] panel did not rely on the difference between seeking compensation in the form of a lump sum versus a percentage of profits. Rather, it relied on the difference between

authorizing the use of one's work in exchange for money, and not authorizing the use of one's work at all.

Id. at 5932.

Judge O'Scannlain notes that if the Majority's point is to provide greater protection against the unauthorized use of copyrighted material than is afforded under the Copyright Act, "then it is a point I am glad to miss, as it is inconsistent with the objectives of Congress." *Id.* at 5933. He concludes that Montz alleges "that Pilgrim used the ideas embodied in Montz's copyrighted material without his permission. Because the Copyright Act protects such equivalent rights, I respectfully dissent." *Id.* at 5935.

Dissent by Circuit Judge Gould

Circuit Judge Gould added a postscript to emphasize his concern "with the improvident practical results that the majority decision will likely engender." *Id.* at 5935. In his view, while an express contract claim can proceed under state law, "courts should be cautious about implying a contract claim in circumstances

where the claim functionally looks like a copyright claim." *Id.* The latter "in substance expands federal copyright law" and presents film production and network companies with "the chaotic prospect of having to meet conflicting federal and state standards on essentially the same question, a result the Copyright Act aimed to avoid." *Id.* at 5936.

A petition for a writ of certiorari from the 2004 *Grosso v. Miramax Film Corp.* decision was denied. The *Montz* defendants may well be encouraged by the dissenting opinions to consider filing such a petition here.

Lou Petrich is a member of Leopold, Petrich & Smith of Los Angeles. Plaintiffs were represented by Howard B. Miller, Graham B. LippSmith and Joseph C. Gjonola of Los Angeles and Martin N. Buchanan of San Diego, California. Defendants were represented by Gail Migdal Title, Joel R. Weiner and Gloria C. Franke of Los Angeles, California.

Judge O'Scannlain notes that if the Majority's point is to provide greater protection against the unauthorized use of copyrighted material than is afforded under the Copyright Act, "then it is a point I am glad to miss, as it is inconsistent with the objectives of Congress."

Texas Jury Finds Newspaper Libeled Sheriff's Son

Court Ruled Article Was Not of Public Concern; Shifted Burden to Defense

By John K. Edwards

You may recall my article in January, 2010 concerning an adverse appellate decision in the case of *Brady v. Klentzman*, in which the Texas First District Court of Appeals held that the plaintiff – Wade Brady, son of Chief Deputy Craig Brady of the Fort Bend County Sheriff's Office – was not a limited purpose public figure in the context of his libel suit against a small weekly Texas newspaper, the *West Fort Bend Star* ("Star"), and one of its reporters. See *Klentzman v. Brady*, 312 S.W.3d 886 (Tex. App.—Houston [1st Dist.] 2009, no pet.).

Now, after remand, a Fort Bend County jury on May 6, 2011 found that the Star and reporter LeaAnne Klentzman ("Klentzman") libeled Wade Brady in an investigative article published in January, 2003. While the article largely centered on the Chief Deputy's actions as a public official in repeatedly contacting deputies involved in ticketing his son, Wade, for Minor in Possession ("MIP") of alcohol, the trial court judge nevertheless ruled that neither the article as a whole nor any of the individual complained of statements were a matter of public concern and interest, thereby shifting the burden of proof on truth or falsity to the media defendants.

The jury awarded actual damages of \$50,000 (\$30,000 for reputational harm and \$20,000 for mental anguish) and

imposed punitive damages of \$30,000 against reporter Klentzman and \$1,000,000 against the Star (despite a state cap that limits punitive damages in this instance to \$200,000).

Newspaper Will Appeal

An appeal is planned. Among several grounds for appeal will be the most central question posed in the case – whether an article that questions a public official's treatment of subordinate officers about a criminal citation they issued to the official's son is a matter of public concern and interest. We think the obvious answer is "yes," but the judge in this case said "no" as a matter of law, thus flipping the burden of proof for liability (and substantially lowering the plaintiff's burden of proof for damages, which should have required a showing of actual malice to obtain *per se* or punitive damages in any event). If allowed to stand, this decision will not only chill important speech about public officials and matters of public concern, but will be the death knell for this small town newspaper.

The article at issue, entitled "[*Deputy Brady's tape*](#)

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FUNDS NEEDED TO DEFRAY EXPENSES IN PRO BONO REPRESENTATION OF DEFENDANTS

Since the filing of this lawsuit in April, 2003, the law firm of Jackson Walker L.L.P. has represented the Star and Klentzman on a pro bono basis, with expenses paid by the clients when possible. Lead Jackson Walker attorneys John K. Edwards and Nancy Hamilton, along with Charles L. "Chip" Babcock, agreed to the pro bono representation and, in the course of the lawsuit, have twice successfully obtained orders from the trial court denying the Plaintiff's request to compel the disclosure of the reporter's confidential sources in the Sheriff's Office. Nevertheless, the fight resulted in extensive discovery, multiple hearings, an interlocutory appeal that proved unsuccessful, and an 8-day jury trial resulting in a plaintiff's verdict (the case was tried by Jackson Walker lead attorney John K. Edwards assisted by Amanda L. Bush). Now, an appeal is necessary to correct several errors we believe occurred in the trial court, including the pre-trial ruling that the article did not address questions of public concern and interest.

If you can assist in any way in helping to defray the expenses of appeal (which will be significant just to obtain a complete copy of the trial court record), please contact John K. Edwards at (713) 752-4319 or jedwards@jw.com.

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[collecting called 'Roadside Suppression'](#)" (the "Article") and written by Ms. Klentzman, discussed questionable meetings that Chief Deputy Brady had with deputies involved in the ticketing of Brady's son for Minor in Possession ("MIP") of alcohol and the subsequent collection by Chief Deputy Brady of clandestine audiotapes of those meetings (made secretly with micro-cassette recorders). During the course of the article, several details concerning Chief Deputy Brady's son, Wade, were discussed to give context to the article, including the MIP incident and another run-in that the son had with a Texas Department of Public Safety ("DPS") Officer who handcuffed the young Brady during a traffic stop.

While the Court of Appeals held that the gist of the Article concerned the public official father and *not* his son (the plaintiff), the Court nevertheless held that there were fact issues as to whether the gist of the Article was true or substantially true. The Court further held that the Plaintiff was not a limited purpose public figure for purposes of the Article and, thus, was not required to prove actual malice.

The MIP charge was the culmination of events beginning the day before at Mardi Gras in Galveston, Texas, which later resulted in Wade Brady traveling in a vehicle with a cooler containing beer. Wade Brady and another friend were stopped by deputies from the Sheriff's Office after Brady's friend threw two bottles out of the window of Brady's truck. When one of the deputies saw the cooler in Brady's truck, he asked and was given permission to search the vehicle and cooler. Because he was underage at the time, Brady received a ticket for being a minor in possession of alcohol.

Testimony at trial revealed that soon after Wade Brady received the MIP Charge, his father, Chief Deputy Craig Brady, had multiple meetings and conversations with the deputies who issued the ticket. In the Article, Klentzman described these meetings between Chief Deputy Brady and one or more of the deputies and questioned the reason for the meetings. Unbeknownst to the other participants at the time, Chief Deputy Brady and the deputies each secretly audio taped these conversations.

After these meetings, Wade Brady went to trial on the MIP Charge in a Justice of the Peace Court in Fort Bend County, Texas. Ms. Klentzman attended the trial and summarized some of the testimony in the Article (which the trial court held to be subject to a statutory qualified privilege,

and the jury ultimately found that no actual malice existed to destroy the privilege). Wade Brady was ultimately acquitted of the MIP Charge and, several months later, received an order from the Justice of the Peace expunging the occurrence from his record.

The Article reported that there was some controversy over the order because it was not signed within the required 60-day statutory requirement. According to the Article, Chief Deputy Brady circulated the expunction order to the deputies involved in the MIP incident to round up the clandestine audio-taped recordings. In a nutshell, the Article questioned the propriety of Chief Deputy Brady having first met with the deputies involved in the MIP incident, and then trying to collect the audiotapes at issue under an expunction order with questionable validity.

The other incident involving the young Brady that Ms. Klentzman wrote about in the Article related to a DPS traffic stop in which Wade Brady was placed into temporary custody after he, his brother, and another person were pulled over by a DPS trooper. In the Article, Ms. Klentzman relates, based on the DPS dashboard video that she reviewed, that the Brady sons had let the trooper down the streets of Rosenberg to their riverside home, and based on conduct during the stop, the trooper handcuffed Wade Brady.

Wade Brady subsequently filed a defamation suit, alleging that the Article defamed him by misrepresenting the factual circumstances surrounding the MIP ticket and the DPS traffic stop, and by creating the impression that he was a criminal who used his father to get him out of trouble.

Summary Judgment & Appellate Court Rulings

After substantial discovery and motion practice, Defendants moved for summary judgment in the trial court on several grounds, including absence of evidence of the essential element of falsity, the substantial truth defense, and the absence of Constitutional "actual malice" based on Plaintiff being a limited purpose public figure. The trial court, Judge Thomas Culver presiding, denied the motion. Defendants appealed. The appellate panel consisted of Justices Evelyn Keyes, Elsa Alcala, and Tim Taft, with retired Justice Taft authoring the opinion. The Court affirmed the trial court's denial of appellants' no-evidence

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and traditional motions for summary judgment and remanded the case to the trial court for further proceedings.

With respect to substantial truth, appellants contended that even if particular underlying statements in the Article were inaccurate, the “gist” of the Article was nevertheless substantially true. Appellants contended that the gist of the Article was that “Chief Deputy Brady repeatedly contacted, in an unusual and atypical manner, the deputies that issued [Wade] a ticket and subsequently circulated an expunction order to round up clandestine audiotapes of those meetings.”

Brady argued in response that even if particular underlying statements in the Article are literally true, the gist of the Article was false because, through omission of material facts, it created a substantially false impression. Brady asserted that the gist of the Article was that the young Brady “was using his Father to ‘suppress’ the justice system” and that “the meetings between [Chief Brady] and the Deputies were for the purpose of ‘roadside suppression’ of evidence of [Wade’s] guilt for minor in possession.” Brady thus contended that the Article painted a picture of Brady and his brother as “a sort of drunken ‘Dukes of Hazard’ tandem who are fortunate enough to have Fort Bend County’s version of ‘Boss Hogg’ as their Father to put the ‘fix’ on the system.”

The Court first observed that the headline of the Article reflected that the Article was about Chief Deputy Brady, and the subject of the Article was the alleged demand by Chief Deputy Brady for deputies to turn over certain audiotapes and the propriety of such alleged action. Thus, the emphasis was on Chief Deputy Brady’s reaction to incidents involving his son, and not on Wade Brady himself. After construing the Article as a whole, the Court concluded that the gist of the Article was that “Chief Brady, in an effort to help his son, Wade, abused his official position by intervening on his son’s behalf in an effort to “suppress” evidence, specifically, by intimidating and coercing the deputies who issued Wade a ticket and illegally demanding and requiring them to turn over to him audiotapes related to the incident.”

Brady contended that the Article painted a picture of Brady and his brother as “a sort of drunken ‘Dukes of Hazard’ tandem who are fortunate enough to have Fort Bend County’s version of ‘Boss Hogg’ as their Father to put the ‘fix’ on the system.”

The Court affirmatively stated that while “many details regarding Wade’s encounters with law enforcement appear in the Article, the ‘gist’ of the Article is not Wade’s alleged misdeeds; Wade is a secondary character, portrayed as the beneficiary of his father’s purportedly improper actions, whose dealings with the law provided the catalyst for his father’s alleged misconduct.”

Nevertheless, the Court proceeded to evaluate the substantial truth of the gist of the Article with respect to Chief Deputy Brady, and not with respect to the actual Plaintiff, Wade Brady. The Court concluded that sufficient summary judgment evidence had been presented in the form of deposition testimony and affidavits to defeat the no-evidence motion. With respect to the traditional summary judgment

motion, the Court concluded that accepting Brady’s evidence as true, “Chief Brady did not intimidate or coerce the deputies in an effort to improperly “suppress” evidence in order to help Wade.”

This evidence, being contrary to the gist of the Article, would give an average reader the impression that Wade Brady was the beneficiary of, and reason for, Chief Brady’s abuse of his public position through intimidation, coercion, and improper “suppression” of evidence. The Court “cannot conclude that this gist

is not more harmful to Wade’s reputation in the mind of the average reader than the presumed truth that Wade was not the beneficiary of, nor the catalyst for, any official misconduct on the part of Chief Brady because no such intimidation, coercion, or improper “suppression” of evidence for Wade’s benefit ever took place.”

Finally, the Court rejected the argument that Brady was a limited purpose public figure and, thus, must prove actual malice. “The evidence does not support a finding that there was any “public controversy,” involving “people discussing a real question,” “the resolution of which was likely to impact persons other than those involved in the controversy.” Moreover, “the mere fact that Wade’s father is a public official and, thus, that Wade’s behavior might be more ‘newsworthy’ than a teenager whose father was not a public

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official, does not mean that any alleged misbehavior in which he might have engaged made Wade a limited-purpose public figure with respect to the particular controversy at issue in this litigation.”

Trial and Plaintiff’s Verdict

After remand, the case was finally set for trial after 8 long years. Jury selection commenced on Tuesday, April 26th, trial started on Wednesday, April 27th, and the case was submitted to the jury on Friday, May 6th. Among the witnesses called by Plaintiff were current Fort Bend County Sheriff Milton Wright, Chief Deputy Craig Brady, the three deputies involved in the MIP ticketing of Wade Brady, and Wade’s mother.

The three deputies confirmed the multiple meetings and conversations that occurred between them and Chief Deputy Craig Brady after the MIP citation was issued, which was the central focus of the Article. Ms. Klentzman and the Star’s owner/publisher, Bev Carter, were called as adverse witnesses in the Plaintiff’s Case-in-Chief. Ms. Klentzman testified that she had no knowledge of any false statements in the Article, nor did she intend to create a false and defamatory impression about Wade Brady in the Article.

Ms. Klentzman was asked to reveal her confidential sources in the Sheriff’s Office, and she refused (Judge Culver had previously ruled that she could invoke the confidential source privilege but must do so in front of the jury – defense counsel requested an instruction to the jury that no adverse inference could be drawn from the invocation of privilege, pursuant to Texas Rule of Evidence 513, but Judge Culver refused to give the instruction).

Ms. Carter testified that she also had no knowledge of anything false in the Article, and she took issue with the use of her prior opinion pieces that were critical of the Sheriff’s Office and Chief Deputy Brady as evidence of “malice” that could be transferred to Plaintiff Wade Brady. Because all key witnesses were called by Plaintiff, the defense rested without calling additional witnesses.

Defendants filed a comprehensive motion for directed verdict at the close of the Plaintiff’s Case-in-Chief, which was renewed after the close of all evidence. Among other grounds, the motion sought dismissal of the case because there was no evidence of the essential elements of a libel

claim under Texas law, and there was insufficient evidence of any reputational harm or mental anguish damages. The motion also asserted that Plaintiff had produced insufficient evidence of actual malice to obtain punitive damages and could not obtain presumed damages under his libel *per se* claim.

Judge Culver initially granted the motion with respect to insufficient evidence of mental anguish damages, but after giving Plaintiff’s counsel another chance to re-argue the point after a break, reversed his decision before the charge conference. While Judge Culver did agree that a few statements in the Article, related solely to prior testimony given in the MIP trial, were subject to a qualified fair reporting privilege, he denied the defense request to dismiss those statements from the case because there was no evidence of actual malice to overcome the privilege. The jury ultimately found that Plaintiff failed to show any actual malice as to these statements and therefore did not overcome the qualified privilege. Judge Culver denied all of the remaining grounds asserted in the motion for directed verdict, and most importantly, held as a matter of law that neither the Article nor any of the individual complained of statements related to a matter of public concern and interest.

Judge Culver’s rulings on the motion for directed verdict proved critical to shaping the Charge of the Court; including shifting the burden of proof to Defendants to establish truth or substantial truth. The rulings also allowed for recovery of presumed and punitive damages without a showing of constitutional actual malice by clear and convincing evidence.

In fact, Judge Culver overruled virtually every request for an instruction, definition, or question submitted by Defendants during the charge conference. In the author’s view, the final Charge of the Court submitted to the jury was the most plaintiff-friendly charge in a libel case against media defendants he has seen in nearly 15 years of media law practice.

The jury deliberated for approximately four hours on Friday afternoon and then returned a 10-2 verdict against defendants, awarding \$50,000 in actual damages and \$1.03M in punitive damages. The punitive damages award was broken down as \$1M against the Star on an “imputed malice” theory (interestingly, the jury found that the Star did not have statutory or common law malice in publishing the Article),

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while awarding only \$30,000 in punitive damages against the reporter, Ms. Klentzman. The jury was composed of mostly Caucasian males and females, with only two African-Americans (both of whom voted against the Plaintiff's verdict in the 10-2 decision).

Post-Trial Motions

Defendants will file post-trial motions seeking entry of a judgment notwithstanding the verdict and a new trial, and if these motion fail, an appeal will be filed. Defendants plan to take issue with Judge Culver's ruling on the issue of whether the speech at issue involved a matter of public concern and interest, as well as multiple problems with the submitted jury charge, which required Defendants to prove truth or substantial truth as an affirmative defense and allowed *per se* and punitive damages without a showing of actual malice.

This submission meant that the Plaintiff only had the burden to show that the individual complained of statements were defamatory, not that the statements were false. The burden shift was made worse by the order of questions. The lead question, Question No. 1, asked whether the Article as a whole left the reader with a false and defamatory impression of Plaintiff based on omission or juxtaposition of facts, or by any statement (without identifying which one) that could constitute libel *per se*.

This alternative theory of libel, based on false implications from true facts, is premised on a finding that the statements in the Article are literally true but could give rise to a false impression based on the omission of material facts or juxtaposition of facts in a misleading way – no such finding of truth was ever made. In fact, the jury answered a subsequent question on truth or substantial truth, as an affirmative defense only, in the negative.

Thus, the libel by implication question should have been posed later in the charge and conditioned on a finding that the statements in the Article were true.

John K. Edwards, Nancy Hamilton, Amanda Bush, and Chip Babcock of Jackson Walker LLP, Houston, TX represented Ms. Klentzman and The West Fort Bend Star. Plaintiff is represented by John Zavitsanos, Todd Mensing, and Kinan Romman of Ahmad, Zavitsanos & Anaipakos, Houston, TX.



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Divided Fourth Circuit Reinstates Libel, Privacy and Emotional Distress Claims Over TV News Broadcast

Libel by Omission; False Allegation of Sex Abuse Can Support Emotional Distress Claim

A divided Fourth Circuit panel reinstated libel, false light and emotional distress claims against a West Virginia television station over a news report about an allegation of sexual abuse at a daycare center. [Tomblin v. WCHS-TV8](#), No. 10-1136 (4th Cir. May 11, 2011) (Niemeyer, Keenan, Davis JJ.).

In a case of libel by omission, the news broadcast reported a mother's allegation that her 4 year old son was sexually abused by another four year old. The station reported the mother's allegations that sexual abuse had occurred, but omitted that the incident was between children. The majority held that reasonable jurors could find that the report falsely implied that a daycare employee sexually abused a child. Moreover, a false charge of sexual abuse at a daycare center could support a claim for intentional infliction of emotional distress, since "leveling false accusations of sexual abuse at a daycare is, perhaps, the most outrageous accusation that one could make against that type of institution."

Background

On July 17, 2008, WCHS-TV8 in Charleston, West Virginia led its news broadcast with a report about the mother's allegations. The anchor led off by stating "Some serious allegations of abuse and neglect have the state keeping a closer eye on a Barboursville daycare." Among other things, the reporter then stated:

- ◆ "A mother says she has taken her children out of Kim's Kids child care in Barboursville because she says her young son was sexually abused"
- ◆ "A woman says this daycare in Barboursville abused her trust and her child."
- ◆ "She also says the daycare's workers smoke around children and engage in other inappropriate behavior."

The report included video footage of the daycare center and its owner. The broadcast never mentioned that the allegations involved two children. The mother's specific allegation was that a 4 year old boy stuck his finger in her son's rectum and grabbed his genitals. The mother's allegations had been investigated by the West Virginia Department of Health and Human Resources ("DHHR"). In an official report, DHHR was unable to corroborate the allegations and concluded that "Child neglect had not occurred." The report did note that the center had previously been cited for inadequate supervision of children and that child neglect could occur.

The reporter had read a copy of the DHHR report before the broadcast.

In October 2008, Kim Tomblin, the owner of the daycare center, sued the station for libel, false light and intentional infliction of emotional distress. In January 2010, a West Virginia federal district court granted summary judgment dismissing all claims. The district court held that the broadcast was "literally true" and that WCHS-TV did not intend, create or endorse the implication that a daycare employee was involved in the incident. *Citing Chapin v. Knight-Ridder Inc.*, 993 F.2d 1087, 1092-93 (4th Cir. 1993) (in libel by implication claim plaintiff must prove that defendant intended or endorsed the claimed implication). The district court also dismissed the emotional distress claim, holding that it failed as a matter of law because the broadcast was not "extreme and outrageous."

Fourth Circuit Decision

A divided Fourth Circuit panel reversed. The majority opinion, written by Judge Niemeyer, notably did not cite *Chapin* or directly analyze whether in a libel by implication

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case the defendant must intend or endorse the defamatory implication. Instead, the majority concluded that:

“when taken as a whole, there could be a question of fact as to whether the broadcast produced a false ‘implication, innuendo or insinuation’ about the daycare. The broadcast repeatedly referenced the sexual abuse of a child in the context of a daycare, potentially creating the impression that a daycare worker abused a child. The seriousness and drama with which the broadcast was made, also indicate, something far more serious than the failure to prevent the assault of one four-year-old boy by another.”

Judge Niemeyer also found that a jury could find actual malice where prior to broadcast the reporter had read the DHHR report but produced a report “suggesting that an adult abused a child.”

He also rejected as a “rationalization” the defendants’ argument that the broadcast was substantively true because the daycare center was legally responsible for any conduct that occurred between children. This “rationalization” did not turn a misleading statement into a true statement, according to the court.

The Court also reinstated the claim for intentional infliction of emotional distress, stating that a knowingly false allegation of sex abuse against a daycare center is “the most outrageous” accusation one can make against an institution charged with children’s well-being. Citing *Hatfill v. New York Times*, 416 F.3d 320, 336 (4th Cir. 2005) (allegation that plaintiff was the anthrax murderer supported intentional infliction of emotional distress claim).

Judge Davis wrote a lengthy dissent arguing that summary judgment for the defendants was appropriate under *Chapin* and related case law because there was no evidence to show they intended or endorsed the false implication that a daycare employee sexually abused a child.

WCHS-TV8 (as Sinclair Media III) was represented by the late Richard M. Goehler of Frost Brown Todd LLC in Cincinnati, Ohio, together with Patricia Foster and Jared Tully of the firm. Plaintiff was represented by Jay Carter Love, Sr., Jay Love Law Office, Huntington, West Virginia.



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On Rehearing, Alabama Appeals Court Affirms Summary Judgment for Newspaper

Lack of Actual Malice Bars Public Officials Libel Suit

By Dennis R. Bailey

After a petition for rehearing was granted and oral arguments were requested by the Alabama Court of Civil Appeals, the Court, by a 3 to 2 vote, reversed itself and withdrew its prior opinion in December which had reversed a summary judgment for a newspaper in a libel case filed by a public official. [Benjamin L. Little v. Consolidated Publishing Company and Megan Nichols](#), No. 2090705 (Ala. App. May 13, 2011).

The substituted opinion, entered May 13, 2011, held, as a matter of first impression in Alabama, that clear and convincing evidence of actual malice could not be established by reporting the existence of a rumor about a politician on a matter of public concern which the reporter did not know was false but did not verify to be true.

The court affirmed summary judgment for *The Anniston Star* and one of its reporters as to libel claims related to the publication of a rumor the plaintiff, an Anniston city councilmember, had a “personal relationship” with a city contractor. The opinion also affirmed summary judgment on a tort of outrage claim.

On rehearing the Court held that the fact that Little had “flatly denied” the claims when interviewed and that the reporter had “no reason to doubt Little” did not constitute clear and convincing evidence of constitutional malice citing *Edwards v. National Audubon Soc’y, Inc.*, 556 F.2d 113, 121 (2d Cir. 1977) (“such denials are so commonplace in the world of polemical charge and countercharge that, in themselves, they hardly alert the conscientious reporter to the likelihood of error.”)

It is exceedingly rare that the Court would grant such a petition for rehearing and request the parties present oral argument when neither side requested it, according to the clerk of the Court of Civil Appeals John Wilkerson.

Counsel for the plaintiff has indicated Little plans to petition the Alabama Supreme Court to review the decision on certiorari. Whether to accept the writ is of course discretionary with the Court.

Dennis R. Bailey, General Counsel for the Alabama Press Association and Of Counsel at Rushton, Stakely, Johnston & Garrett, P.A. in Montgomery, Alabama, represented the defendants in this case.

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Fair Report Privilege Protects Magazine Article Discussing Criminal Complaint

Magazine Didn't Need to Use Word "Alleged" to Describe Charges

By Deborah A. Adler

On April 26, 2011, a New York trial court granted Harper's Magazine Foundation motion to dismiss a claim for defamation after Harper's published correspondence that had been attached to a criminal complaint against the plaintiff. [*Klig v. Harper's Magazine Foundation*](#), 600899/10 (Nassau Cty Sup. Ct.) (Wolf Lally, J.).

The criminal complaint alleged that plaintiff had harassed a former girlfriend, threatening to expose a supposed sex tape of her if she did not comply with his demand that she send him nude photos of herself. The court ruled that the statements in suit were privileged as fair reports of a judicial proceeding and that the headline further qualified as non-actionable opinion.

Background

This libel action arose out of a [column](#) published in the December 2009 issue of *Harper's Magazine* (the "Column") that consisted almost entirely of excerpts of a letter and multiple emails that were quoted in full in a criminal complaint filed against plaintiff Steven Klig.

Mr. Klig was charged on January 5, 2009, with extortion and stalking of an ex-girlfriend through a series of anonymous letters and emails. The criminal complaint against Mr. Klig, filed by the United States Attorneys Office for the Southern District of New York, included the text of one letter and fifteen emails, in which the writer – identified by the FBI in the criminal complaint as "Steven Klig" – informed his ex-girlfriend that when they were dating, he had surreptitiously videotaped the two of them having sex.

The correspondence proceeds to demand that unless she emailed him naked photos of herself, he would send copies of the videotape as "Christmas presents" to her husband, brothers, and neighbors, and would post the video on the Internet. The criminal complaint explained that after receiving these threats, the victim contacted the FBI, and thereafter an FBI agent began monitoring the victim's email account, pretending to be her and responding to the emails.

With a play on the famous phrase from *How the Grinch Stole Christmas!*, the Harper's Column was titled "*You're a Mean One, Mr. Klig.*" The correspondence was introduced

by a short, five-sentence paragraph explaining that the excerpts were taken from the correspondence between Mr. Klig, a Long Island attorney, and an FBI agent posing as his ex-girlfriend; that in October, Mr. Klig "began blackmailing the woman ... demanding she send him nude photos of herself," that the emails are included in a complaint filed against Mr. Klig on January 5, 2009, when he was arrested on federal extortion and harassment charges; and that in September, Mr. Klig pleaded not guilty.

Plaintiff challenged two statements from the Column as false and harmful to his business reputation: the title of the Column and the statement that Mr. Klig "began blackmailing" his ex-girlfriend. However, in his opposition to the motion to dismiss, plaintiff conceded that he could not bring a defamation claim based on Harper's use of the "blackmail" to describe the acts alleged against him in the Criminal Complaint that charged him with "extortion."

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The criminal complaint alleged that plaintiff had harassed a former girlfriend, threatening to expose a supposed sex tape if she did not comply with his demand that she send him nude photos of herself. The court ruled that the statements in suit were privileged as fair reports of a judicial proceeding and that the headline further qualified as non-actionable opinion.

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Mr. Klig admitted that “blackmail” and “extortion” are synonymous, and therefore that Harper’s fairly and accurately reported the crime charged in the Criminal Complaint. In addition, Mr. Klig stipulated, for purposes of the motion only, that he did send the threatening emails that formed the basis of the Criminal Complaint. What remained of plaintiff’s claims were (1) his contention that the fair report privilege otherwise afforded to Harper’s pursuant to New York Civil Rights Law §74 is lost because Harper’s did not use the word “alleged” or “allegedly” when describing an arrest or the filing of charges; and (2) that the title of the Column is not a protected opinion because it implied that the author was aware of facts that Mr. Klig was “a mean one,” despite that Mr. Klig had denied blackmailing or extorting anyone, and not been convicted of doing so.

Fair Report Privilege

The court noted that whether a statement is privileged under [Section 74 of the N.Y. Civil Rights Law](#) presents a threshold question of law for the court to determine at the pleading stage, and that New York courts have consistently determined that whether a report falls within the broad ambit of the protection under the privilege is to be determined by the substance of the report, not its precise language. Specifically, New York courts have held that a report is privileged where the language used in the report, despite minor inaccuracies, does “not produce a different effect on the reader than would a report on the precise truth.” *Silver v. Kuehbeck*, 2005 WL 2990642 (S.D.N.Y. 2005), *aff’d* 217 Fed. Appx. 18 (2d Cir. 2007).

The court held that given the Column’s introductory paragraph explicitly stating that the quoted emails were part of a criminal complaint filed against Mr. Klig, that he pled not guilty to the charges against him, and said nothing more about the case’s resolution, an ordinary reader could not infer that he had been convicted of blackmailing someone, regardless of whether Harper’s used the word “alleged” when describing the conduct in the Criminal Complaint. The Court ruled that Harper’s Column “made it expressly clear (1) that the emails were included in a federal complaint charging Klig with extortion and harassment; and (2) that Klig pleaded not guilty to the charges.”

The court found that the title of the Column, “*You’re a Mean One, Mr. Klig*” when read as a whole and in the appropriate context, was part of the privileged report of a judicial proceeding. Headlines and materials accompanying a recitation of alleged misconduct in a judicial proceeding, such as the Column’s title and introductory paragraph, are regularly found by the courts to fall within the fair report privilege. So long as headlines and accompanying material do not constitute a separate defamatory accusation, they are protected by the privilege. Here, the headline suggesting Mr. Klig was mean could not be considered a separate defamatory accusation from the accusations contained in the Criminal Complaint.

Opinion

The court also found that the title of the Column was non-actionable opinion because it did not contain any verifiable facts. In the context of e-mails threatening to send sex videos to a woman’s family and friends, and published during the holiday season in 2009, the entirely subjective view that Klig’s threats were “mean” is quintessential opinion. The statement is “vague, ambiguous, indefinite and incapable of being objectively characterized as true or false.” *Park v. Capital Cities Communications*, 181 A.D.2d 192, 196 (4th Dep’t 1992).

Moreover, the court found that the opinion was based on the alleged facts disclosed in the Column – that the Criminal Complaint charged Mr. Klig with having sent the letter and emails quoted in the Column. The opinion that he is “a mean one” was not founded on the specific criminal charges brought against him of “extortion” or “stalking” but rather on the threats and taunts paired with the references to Christmas he was alleged to have written in the emails. Further, as Mr. Klig was willing to stipulate that he sent the emails recited in the article, he had no claim for defamation on the title.

In summary, given the full recitation of Mr. Klig’s emails threatening to send “Christmas presents” to a woman’s family and neighbors, the conclusion that “*You’re a Mean One, Mr. Klig*” was fully protected opinion that his conduct was not in the traditional holiday spirit of giving.

Deborah A. Adler and Elizabeth McNamara of Davis Wright Tremaine LLP in New York represented Harper’s Foundation in this case. Plaintiff acted pro se.

Welcome to Hawaii, the Aloha State

By Jeffrey Portnoy

Publishers and authors statutorily liable for injuries sustained by hikers who trespass on private property? Not in this country. Well – maybe.

In the just recently concluded Hawaii Legislative session, [H.B. 548](#) and its companion [Senate Bill 1207](#), as initially introduced, would have held publishers and authors of visitors guides and websites that “invite attract or encourage” readers to trespass on private property liable if those readers suffered injury or death while “trespassing”. The original draft of the Bill would also have imposed a duty on authors or publishers of a guidebook to warn readers of dangerous conditions.

As the Bill made its way through the Legislature, it was amended several times. The final edition of the Bill eliminated the tort liability, but would have established a task force, attached to the State Department of Business, Economic Development and Tourism, to “identify problem areas on the various islands related to trespass over privately held or public lands as the result of information published on visitor guide websites and in visitor guide publications”.

If there is any good news in all of this, however, it is that both bills died in Committee, but since Hawaii has a two year Legislative session, the bill will likely be reintroduced next January.

The introductory language in the initial draft of was quite troublesome. The legislation stated that various guide websites and visitor guide publications “inadvertently” invited visitors to trespass on remote private property to experience an attraction or activity. The preamble continued that these representations put visitors at potential risk by describing attractions or activities without “adequately explaining” the inherent dangers associated with them. The initial version of the bill would have held publishers and authors personally liable for any injury sustained by someone who was “directed” to private property and sustained a serious injury as a result of that activity.

The proposed task force in the final draft was to “develop findings and recommendations to reduce the incidence of trespass over privately held public lands to areas remote or scenic designations as the result of information published on visitor guide websites and in visitor guide publications”.

This legislation, at least as initially proposed, was clearly

unconstitutional as it conveniently ignored the fact that the information published in the guidebooks is clearly protected by the First Amendment and that publishers and authors cannot be held financially liable for the unlawful acts (trespass) of third parties absent actual incitement.

The Bill was strongly supported by members of Hawaii’s tourism community and several major private landowners. They claimed that the Bill was necessary as a result of several significant injuries and/or deaths sustained by tourists who trespassed on private land to get to hiking trails, waterfalls, and other natural attractions promoted in several guidebooks. For example, in the book “*The Ultimate Kauai Guidebook: Kauai Revealed*”, the author publicized several remote attractions such as a natural tide pool called Queen’s Bath and a swimming hole called “Kipu Falls” on the island of Kauai. Kauai officials say that accidents at those two locations “used to be rare”, but since the guidebook was initially published in 1994, Kauai officials claimed that at least ten people drowned at Queen’s Bath and Kipu Falls.

One of the sponsors of the legislation was quoted as saying “I do believe we are endangering our visitors and it is our responsibility to keep them safe”. He went on to state that “Authors or publishers of visitor guide publications describing attractions have a duty to warn the public of dangerous conditions”. Private land owners chimed in arguing that they are exposed to liability because of guidebooks that “encourage” tourists to trespass on private property. Another member of the legislature was quoted as saying this has never been about First Amendment rights, it has always been about safety.

It isn’t as if there was sufficient judicial precedent which should have educated Hawaii legislators that the initial bill was unconstitutional. For example in 1989, a California couple sued G. P. Putnam Sons, the US publisher of the “*Encyclopedia of Mushrooms*” after they fell ill after picking and eating wild mushrooms. The plaintiffs claimed that the authors advised readers which mushrooms were “good to eat”. The Courts dismissed that case primarily on First Amendment grounds.

It should have been clear to the Legislature that the State cannot attempt to statutorily hold a publisher of generally circulated books liable because of an injury that may occur to

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In the just recently concluded Hawaii Legislative session, H.B. 548 and its companion Senate Bill 1207, as initially introduced, would have held publishers and authors of visitors guides and websites that “invite attract or encourage” readers to trespass on private property liable if those readers suffered injury or death while “trespassing”.



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a reader. But this is not the first time the Hawaii legislature has proposed clearly unconstitutional First Amendment legislation. Remember it was an earlier Hawaii Legislature that debated a bill that would have forced journalists to reveal their assets. (Fortunately, it too failed).

The present version of the bill, asking for a task force to review and study the matter, may well pass next session absent a full court press by media and

publishing groups. Although one could argue that it simply initiates a task force, the ultimate goal may well be legislation that would attempt to impose unconstitutional burdens on journalists that would clearly have a chilling effect on those who write, publish and distribute guide books about Hawaii. For a state so dependent upon tourists, it is not only unconstitutional, but economically foolish.

Jeffrey Portnoy is a partner in the Honolulu office of Cades Schutte LLP.

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Let's Do the Time Warp Again: New York Court of Appeal Rules Long Arm Jurisdiction Exists Over Some Non-domiciliary Copyright Infringers

By Toby Butterfield and Zehra Abdi

On April 21, 2009, the Second Circuit vacated and remanded a decision by the Southern District of New York (Lynch, J.) to dismiss book publisher Penguin's complaint against online library American Buddha for lack of personal jurisdiction. [*Penguin Group \(USA\) Inc. v. American Buddha*](#), No. 09-528. The Second Circuit's decision was based on the New York Court of Appeals' determination that the location of the copyright holder is the "situs of injury" for the purpose of determining long arm jurisdiction under NY CPLR 302(a)(3)(ii). This ruling confirms that media entities based in New York may bring actions there against alleged infringers, wherever in the United States the infringer may be located. However as the ruling is limited to literary works, it underscores how long courts have taken to determine relatively basic issues concerning the application of copyright law to the Internet.

Background

Penguin, the well-known book publisher based in New York, sued American Buddha, an Oregon not-for-profit corporation with its principal place of business in Arizona ("Buddha"), in the Southern District of New York for copyright infringement. Penguin alleged that Buddha infringed on Penguin's copyrights to four books (*Oil!* by Upton Sinclair; *"It Can't Happen Here"* by Sinclair Lewis; *"The Golden Ass"* by Apuleius, as translated by E.J. Kenney; and *"On the Nature of the Universe"* by Lucretius, as translated by R.E. Latham) by uploading the text of those books to its website

www.naderlibrary.com. The actual electronic copying and uploading of the works took place in Oregon or Arizona. Penguin did not allege that infringing conduct occurred in New York and pled only that "[u]pon information and belief, defendant American Buddha has engaged in infringing activities that injure plaintiff in this district, and is otherwise subject to personal jurisdiction in this district." Complaint, ¶ 5.


Buddha moved to dismiss the complaint for lack of personal jurisdiction, arguing that its ties to New York were too insubstantial. In response, Penguin asserted that it had secured long-arm jurisdiction over Buddha under CPLR 302 (a)(3) (ii), which provides jurisdiction over non-domiciliaries who commit tortious acts outside the state that result in injuries within New York. Penguin argued that because it and therefore its intellectual property were located in New York, it suffered injury in New York. Buddha countered that CPLR 302 (a) (3)(ii) was inapplicable because Penguin had not shown injury within the state.

The District Court dismissed Penguin's complaint holding that Penguin was injured in Oregon or Arizona, where the copying and uploading took place. The Court determined that Penguin's "purely

derivative economic injury" in New York based on its domicile here was insufficient to trigger CPLR 302 (a)(3)(ii). The Court recognized previous cases that endorsed plaintiff's position that the situs of injury is where the plaintiff is located and/or copyright is owned, but found that those decisions

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Legal Representation by Online Media Law, PLLC

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Penguin alleged that Buddha infringed on its copyrights to four books by uploading the text of those books to its website.

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were “at odds with the well-established principle requiring a direct injury in New York to support jurisdiction.” *Penguin v. American Buddha*, 2009 WL 1069158, at *3-4. While acknowledging the Internet as a “complicating factor” for personal jurisdiction analysis, the court ultimately concluded that the Internet played “no role in determining the situs of [Penguin’s] alleged injury” since the claimed infringement occurred in Oregon or Arizona. *Id.* Finding the jurisdictional issue to be dispositive, the decision did not address whether Penguin satisfied the remaining 302(a)(3)(ii) elements, or whether the exercise of jurisdiction would comport with due process requirements.

(Jurisdiction under CPLR 302(a)(3)(11) rests on five elements: First, that defendant committed a tortious act outside the State; second, that the cause of action arises from that act; third, that the act caused injury to a person or property within the State; fourth, that defendant expected or should reasonably have expected the act to have consequences in the State; and fifth, that defendant derived substantial revenue from interstate or international commerce. The Court’s decision and Penguin’s subsequent appeal addressed only the third element.)

New York Court of Appeals Ruling

On Penguin’s appeal, the sole issue was whether there was a basis for personal jurisdiction over Buddha in New York. Recognizing a split of authority on CPLR 302 (a)(3)(ii)’s application to copyright infringement cases against out-of-state defendants, the Second Circuit certified the following question to the New York Court of Appeals:

“In copyright infringement cases, is the situs of injury for purposes of determining long-arm jurisdiction under N.Y. C.P.L.R. § 302 (a)(3)(ii) the location of the infringing action or the residence or location of the principal place of business of the copyright holder?”

The Court of Appeals responded by narrowing and reformulating the certified question to read: “In copyright

infringement cases involving the uploading of a copyrighted printed literary work onto the Internet, is the situs of injury for purposes of determining long-arm jurisdiction under 302 N.Y. C.P.L.R. § 302 (a)(3)(ii) the location of the infringing action or the residence or location of the principal place of business of the copyright holder?” (Emphasis added.) The answer, the Court said, is the location of the copyright holder. *Penguin Group (USA) Inc. v. Am. Buddha*, 16 N.Y.3d 295, 302, 946 N.E.2d 159 (2011).

The Court of Appeals distinguished cases involving uploading copyrighted content onto the Internet from traditional commercial tort cases in which courts generally link the injury to the place where the sales or customers are lost, finding it “illogical to extend” the traditional tort approach that “equates a plaintiff’s injury with the place where its business is lost or threatened” to the context of “online copyright infringement cases where the place of uploading is inconsequential and it is difficult, if not impossible, to correlate lost sales to a particular geographic area.” *Id.* at 305. The Court’s analysis went well beyond traditional situs of injury inquiry, and took into consideration factors such as the broad reach and purpose of the Internet, the diverse ownership rights of copyright holder and the impact of non-economic harm stemming from infringement, such as loss of creative

The Court’s analysis went well beyond traditional situs of injury inquiry, and took into consideration factors such as the broad reach and purpose of the Internet, the diverse ownership rights of copyright holder and the impact of non-economic harm stemming from infringement, such as loss of creative incentive to publish works.

incentive to publish works. *Id.*

The Court of Appeals also rejected Buddha’s assertion that allowing Penguin to prevail would open a Pandora’s box, allowing any non-domiciliary accused of digital copyright infringement to be haled into a New York court when the plaintiff is a New York copyright owner of a printed literary work. The Court pointed out that CPLR 302 (a)(3)(ii) incorporates built-in safeguards against such exposure by requiring a plaintiff to show that the non-domiciliary both “expects or should reasonably expect the act to have consequences in the state” and, importantly, “derives substantial revenue from interstate or international

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commerce.” The Court further referred to the Federal Due Process requirements requiring proof that the out-of-state defendant has the requisite “minimum contacts” with the forum state and that the prospect of defending a suit here comports with “traditional notions of fair play and substantial justice.” Based on this response, the Second Circuit vacated and remanded the district court’s previous decision, leaving it to the district court to grapple with those remaining issues.

Remaining Long-Arm Issues

While at first glance this appears to be a victory for Penguin, as well as for all copyright owners, how much of a win this is remains to be seen, as the decision did not address whether Penguin had met its burden of proof with respect to the remaining long-arm requirements, such as whether Penguin proved that Buddha derived substantial revenue from interstate commerce, or whether this exercise of jurisdiction would comport with federal due process. Given that Buddha alleges that it does not transact business with, maintain offices in or derive any economic benefit from New York, Penguin still must carry that burden. Those viewing this decision as a green light to commencing an action against an out of state infringer in a New York court would be wise to consider whether the action would withstand due process scrutiny, notwithstanding a successful allegation of in state injury.

The Court of Appeals and the district court had contrasting attitudes towards the impact of the Internet in shaping their respective conclusions. While the Internet seemed to have very little influence over the district court’s decision, which stated it “no doubt added layers of depth to personal jurisdiction jurisprudence but played no role in determining the situs of injury,” the Court of Appeals factored the impact of the Internet quite heavily in its jurisdictional analysis, pointing out that because of the Internet, identifying the situs of injury is not as simple as turning to “the place where plaintiff lost business” because there is no singular location that fits that description.

Given that the Internet has been operational for over 20 years, and in its early days was the subject of numerous cases concerning jurisdiction, the Court’s narrow reformulation of the question to apply only to literary works is troubling. Developers can create, move and dismantle websites in minutes, but over more than two years of litigation, this case has not yet determined the threshold issue of jurisdiction, and

the Court of Appeals was not willing to answer the question generally. This creates the distinct possibility that some other jurisdictional analysis may apply for other forms of IP such as photographs, videos or software. Unlucky future litigants suing for infringement of each form of IP may have to litigate, appeal and certify further questions to the Court of Appeals. Non-lawyers would be forgiven for assuming these questions had been answered 20 years ago, when copyright law started to be applied the Internet.

Toby Butterfield and Zehra Abdi are lawyers with Cowan DeBaets Abrahams & Sheppard, LLP. Plaintiff was represented by Richard Dannay, Cowan, Liebowitz & Latman, P.C. New York. Defendant was represented by Charles Hernan Carreon, Online Media Law, PLLC, Tucson, AZ.

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Michigan Court Refuses to Enjoin Cooking Channel Show in Trademark Dispute

First Amendment Trumps the Lanham Act

By James E. Stewart

Some of the “American Graffiti” generation can remember that when surfing and the Beach Boys exploded out of California in the 1960’s they brought with them a term previously unknown to the rest of the country: bitchin’. “Bitchin” was used to describe something in very positive terms, such as a bitchin’ car, a bitchin’ date or a bitchin’ board. In late March of this year, a collection of Baby Boomer lawyers gathered before Chief Judge Maloney in the United States District Court for the Western District of Michigan to argue about the competing Lanham Act protections and First Amendment rights surrounding this resurrected surfing term from their youth. [Martha Elizabeth Inc., et al. v. Scripps Networks Interactive, LLC, et al.](#), No. 1:10-CV-1244 (W.D. Mich. May 2011).

The Dispute

In 2002, the plaintiff started her kitchen store in Pentwater, Michigan, a resort town on Lake Michigan. By all accounts it is an intentionally “tranquil” shopping experience featuring the plaintiff chatting with customers while the store’s resident parakeets sing (Chai anyone?) Being somewhat of a Baby Boomer who had spent time in California in her past, plaintiff decided to name her store The Bitchen Kitchen. Like many retail businesses the Plaintiff had established a website (<http://www.thebitchenkitchen.com/>) and also used social networks as a marketing tool. Both the in-store and online inventory included aprons, shopping bags and coffee mugs with the “Bitchen Kitchen” name. In 2007, she obtained a federal trademark registration for the mark in class 35 for online retail and retail store services featuring kitchenware.

Everything was fairly peaceful in Pentwater until 2007. That year in Montreal, a young internet entrepreneur and entertainer named Nadia Giosia created a “Nadia G” character who hosted a cooking show on podcasts and other internet applications called – you guessed it – “Bitchin’ Kitchen.” It would be hard to imagine an approach further removed from the tranquility of the Parakeets in Pentwater.

Citing to the Plaintiff’s Complaint, Judge Maloney described the Nadia G Bitchin’ Kitchen podcast as follows:

“Nadia G” boasts on the podcast that she “can cook up a storm in three-inch cherry stilettos”; routinely employs sexual innuendo, provocative attired, and off-color humor; offer recipes entitled “Save-your-sex-life Souffle” and “Save-your-sex-life Shepherd’s Pie” and deflate your mate Part One...

Nadia G’s approach found a following. She joined with Canadian production company B360 to produce a Bitchin’ Kitchen Cookbook and offered some leopard-skin aprons and a guitar-shaped spatula on her website with the Bitchin’ Kitchen name. At some point, a vendor had offered the Nadia G cookbook to the Plaintiff as a good addition to her inventory. The Plaintiff did not pick up any Good Vibrations from the sales call. Instead, she contacted B360 on her own and then through counsel to complain. This led to a series of discussions between them which each party remembered very differently.

B360 later developed and marketed a series of 30-minute Bitchin’ Kitchen shows. In May of 2010, Scripps, unaware of any of the background between the Bitchen/Bitchin’ Kitchens, licensed 13 episodes from a Canadian distributor. Following a media promotion for the program, it premiered on the Cooking Channel in October 2010, running 4 times a week in prime time. Despite the Plaintiff’s hyperbolic characterizations, the program as broadcast on the Cooking Channel is a sort of Jersey Shore in the kitchen program and very appropriate for prime time. It has become one of the most popular prime time programs on Cooking Channel. Plaintiff is not one of the fans. In December 2010, she sent cease and desist letters for trademark infringement and Lanham Act unfair competition to B360 and Scripps and then in January filed a Complaint against both and moved for a Preliminary Injunction.

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The Preliminary Injunction Process

B360 mounted a vigorous defense as to each of the likelihood of confusion factors. However, after engaging in a thorough discussion on the record as to each of the likelihood of confusion factors, Judge Maloney concluded that Plaintiff had indeed shown that she was likely to succeed on the merits against B360. He seems to have been particularly influenced by some of the history between Plaintiff and B360 and the fact that the USPTO had declined B360's attempt to register that mark over Plaintiff's mark. So Judge Maloney entered a Preliminary Injunction against B360's use of "Bitchin' Kitchen."

I had concluded that it was in Scripps' best interest to stay out of the fact-laden history of the development of the competing marks, the history between Plaintiff and B360, and a detailed and complex analysis of the likelihood of confusion factors. Instead, we focused our argument on the First Amendment that under the analysis of *Rogers v. Grimaldi*, 875 F.2d 994 (2d Cir. 1989) and subsequent cases, an injunction of Scripps would be an unconstitutional injunction of speech. We also argued that Scripps was not a direct or contributory infringer, but these were decidedly a second line of defense.

Judge Maloney accepted our First Amendment argument and declined to enter an injunction against Scripps' continued broadcast of the "Bitchin' Kitchen" programs. From his decision, it does not seem that he was completely pleased with that result, but he correctly concluded that the Sixth Circuit decision in *Parks v. LaFace Records*, 329 F.3d 437, 450 (6th Cir. 2003) compelled this result. He correctly summarized the Sixth Circuit test, which is based on *Rogers*, as "Under this test, a title will be protected [against an intellectual-property claim] unless it has no 'artistic relevance' to the underlying work or, if there is artistic relevance, the title explicitly misleads as to the source or the content of the work." (Prelim. Inj. Op. at 47.)

Applying what he described as the "stringently-pro-free speech *Parks* standard" (*Id.* at 48), Judge Maloney concluded that the title ("Bitchin' Kitchen") "certainly has artistic relevance to the underlying work; that is the content, tone, style, purpose, and intended appeal of Nadia G's performance mixing comedic, informational, and titillating material and moods during the course of the show." (*Id.* at 47.) On the second factor, Judge Maloney described the Bitchin' Kitchen program as "racy and suggestive" (*Id.*) and found that Scripps had mounted a "colorable argument" that the title did not explicitly mislead the public as to the source of the content of

the program.

Judge Maloney concluded by citing the language from *Parks* that "[t]he public has at least as much interest in the free exchange of ideas as it does in avoiding misleading advertising" (*Parks*, 329 F.3d at 449) and ruling that "[t]he court cannot justify running that risk by issuing the extraordinary remedy of preliminary injunctive relief against the Scripps Defendants." (Prelim. Inj. Op. at 52.)

Conclusion

So what lessons can a media lawyer take from all of this?

- ◆ The First Amendment is always a powerful antidote. I think that Judge Maloney rather disliked and was at least mildly offended by the Nadia G character and show. But, in the end, he concluded that the First Amendment prevented him from entering the injunction against Scripps.
- ◆ You need more than a First Amendment Sermon.
- ◆ You have to develop some facts to help the judge feel comfortable with your position. We did this through affidavits of Scripps executives establishing that 1) Scripps did not sell Nadia G products or even link to a site where they were offered; 2) Nadia G did not promote any of her products on the Cooking Channel show and in fact Scripps prohibits its talent from doing so without specific contractual permission; and 3) having this popular show disappear would not only cost Scripps' viewer's goodwill but would result in several hundred thousand dollars of lost advertising revenue to Scripps.
- ◆ In a situation like this, indemnity and hold harmless clauses backed by insurance which Scripps had from the distributor are of course very valuable. However, they do not really protect against the loss of viewer goodwill if a popular program suddenly disappears as a result of an injunction.

The case is likely to end at this stage. I hope you've found this to be a bitchin' case note.

Jim Stewart is a partner at Thompson Knight LLP in Southfield, Michigan and was lead counsel for Scripps prior to joining the firm. David Arroyo was in-house counsel for Scripps. Plaintiff was represented by Richard A. Gaffin and Catherine Dobrowitsky of Miller Canfield Paddock & Stone PLC, Grand Rapids, Michigan.

Press Not Required to Give Pre-Publication Notice To Subjects of News Stories

Notification and Enforcement Would Create Chilling Effect

On May 10, the European Court of Human Rights rejected a controversial request that the press be required to give pre-notification to the subjects of news stories that might be invasive of privacy. [Mosley v. United Kingdom](#), [2011] ECHR 774. Max Mosley claimed that the United Kingdom had violated a positive obligation under Article 8 of the European Convention on Human Rights (respect for private life) by failing to impose a legal duty on the News of the World tabloid to notify him in advance and allow him to sue to enjoin publication.

While expressing a good deal of sympathy for Mosley's particular circumstances, the Court stated it had to consider the broader impact of a pre-notification requirement on political reporting and serious investigative journalism. The Court recognized the serious chilling effect such a requirement would impose and held that Article 8 does not require pre-notification.

Background

Mosley, former president of the F1 racing association, and son of England's notorious World War II-era fascist leader Oswald Mosley, successfully sued the *News of the World* tabloid in 2008 over an article headlined "F1 boss has sick Nazi orgy with 5 hookers." The newspaper's website contained secretly recorded video clips of Mosley's sex sessions. Mosley admitted he engaged in sadomasochistic sessions with prostitutes, where he spoke German and wore a German military uniform, but he denied that the sessions had a Nazi theme. The High Court in London awarded Mosley £60,000 in damages (and later £420,000 in costs), accepting his argument that the sessions were not Nazi-themed, and thus there was no public interest in the disclosure of his conduct.

In his application to the ECHR, Mosley argued that damages were an inadequate remedy for the disclosure of these private and highly embarrassing personal facts. The only effective remedy, he argued, would have been a pre-publication injunction, which he was not able to obtain because the newspaper did not warn him before publication. According to Mosley, the absence of a pre-notification requirement under UK law constituted a violation of the right to respect for private life guaranteed by Article 8. He conceded that no such rule existed anywhere in Europe, but

stressed it would be appropriate for the Court to impose the rule given the aggressive nature of the UK tabloid press.

The UK government, as the respondent in the case, vigorously opposed Mosley's argument, as did several media groups, including MLRC. The UK government noted that the relief requested was unprecedented in Europe, was unworkable as a practical matter, and implied a threatening scheme of criminal punishment by way of enforcement.

If the Court had accepted Mosley's argument the press would have to give several days' notice before publishing any criticism of a public figure, even if the criticism was true, and risk lengthy delays in publishing because of litigation.

Media Amicus Brief

The [amicus brief](#) joined by MLRC, was written by distinguished free-speech advocate Geoffrey Robertson QC. The brief focused on what Robertson called the "root problem" behind the case— the European Court's illegitimate recognition of "honor and reputation" as part of Article 8. This case law has enabled claimants in the UK and elsewhere to circumvent defamation law, where truth is always a defense, and bring privacy claims over truthful information causing "reputational" damage.

Although "reputation" was specifically excluded as a right

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under Article 8 when the European Convention was created, over the past decade the Court issued several decisions holding that reputation is a protected part of private life. In [Pfeifer v Austria](#) [2009] 48 EHRR 8, for example, the Court accepted that reputation is part of private life. Moreover, “a person’s reputation, even if that person is criticised in the context of a public debate, forms part of his or her personal identity and psychological integrity and therefore also falls within the scope of his or her ‘private life.’” Id. at § 35.

This broad and vague definition of “private life” meant that this case had consequences well beyond the sphere of tabloid newspapers. If the Court had accepted Mosley’s argument the press would have to give several days’ notice before publishing any criticism of a public figure, even if the criticism was true, and risk lengthy delays in publishing because of litigation.

ECHR Decision

The European Court rejected Mosley’s argument. Among other things, it noted the total absence in Europe of mandatory pre-notification laws, the existence of voluntary codes of conduct for UK journalists, and the availability of civil damages and interim injunctions under UK law. The key problem, though, was the inherent chilling effect a pre-notification scheme would create. To be effective a pre-notification scheme would require criminal sanctions or significant fines. While these punishments could be effective, in the opinion of the Court, they would inevitably lead to prior restraints and self-censorship of political and investigative reporting – core protected speech under ECHR case law.

While the Court affirmed the protection for speech about political debate, it was sympathetic to Mosley as a victim of the press. It agreed with the English judgment against the News of the World, finding the newspaper perpetrated “a flagrant and unjustified invasion of the applicant’s private life.” It agreed with a UK Parliamentary Committee recommendation that the Editor’s Code in the UK be

amended to require, as a best practice, pre-notification subject to a public interest exception. The Court also reiterated the distinction in ECHR law between stories in the public interest and stories the public might find interesting. “Sensational” or “lurid news” about a person’s private life could be actionable and subject to prior restraint, the Court noted.

The Court did not directly respond to the criticism leveled by Geoffrey Robertson about the Court’s Article 8 privacy jurisprudence. In one paragraph the Court emphasized “the importance of a prudent approach” to protecting private life and the “diversity of possible methods to secure its respect.” Mosley at § 107. The Court cited this proposition to its decision in [Karakó v. Hungary](#), [2009] ECHR 712 – one of the Court’s only decisions to question the recent presumption that Article 8 protects reputation. But the meaning of the reference is far from clear and provides no clear indication that the Court has shifted its position on Article 8 and reputation.

Conclusion

On the claimant’s side, one barrister has already declared victory. “The press won the battle but the judgment confirms that it has lost the ‘privacy war,’” Hugh Tomlinson QC wrote in [his analysis](#) of the decision. The practical consequences doomed

Mosley’s application, he concluded, but the Court did nothing to roll back the tide of privacy protection.

The press undoubtedly dodged a bullet in the case. The broader questions about privacy law were not answered in Mosley but are on the Court’s docket and may be answered later this year. In October 2010, the Grand Chamber heard argument in the combined cases of Von Hannover v. Germany and Springer v. Germany involving privacy claims by 1) a princess photographed on holiday; and 2) an actor arrested on drug charges. Media groups have again asked the Court to roll back its Article 8 /reputation case law. The underlying facts in these cases are more favorable to the press and may provide a better platform for Geoffrey Robertson’s bottom line argument that the Court should not impede the publication of the truth on any matter of public interest.

The press undoubtedly dodged a bullet in the case. The broader questions about privacy law were not answered in Mosley but are on the Court’s docket and may be answered later this year.

Other Side of the Pond: Updates on UK and European Media Law

Super Injunctions, Libel and Privacy in the Age of Twitter, CFA's

By David Hooper

The trouble really started with Carter-Ruck's attempt to muzzle what could be raised in Parliament about the Trafigura case. A committee of lawyers practising in this field was set up in April 2010 under Lord Neuberger, the Master of the Rolls, the senior judge in the Court of Appeal. That produced a 76 page report on 20 May 2011, which is the latest word on the law in this field and is entitled "[*Super injunctions, anonymised injunctions and open justice*](#)."

The terms of reference were (1) to examine the practice and procedure relating to interim injunctions, super injunctions and anonymised proceedings and their impact on open justice (2) to produce a clear definition of a super injunction and (3) to make recommendations about practice and procedures in such cases.

A super injunction, the Committee decided, was an interim injunction which prohibited a person from (a) publishing information which concerns the applicant and is said to be private or confidential and (b) publicising or informing others of the existence of the order and the proceedings. An anonymised injunction prohibited a person from publishing information which concerns the applicant and is said to be private or confidential but not from publicising or informing others of the existence of the order and the proceedings but which did ensure that the names of either or both parties were not stated. The procedure to be followed in such cases is set out in [JIH v Newsgroup](#) 2011 EWCA Civ 42.

The Committee said that there had been only two super injunctions to protect private or confidential information, namely [Ntuli v Donald](#) 2010 EWCA Civ 1276, which was in fact set aside by the Court of Appeal and [DFT v TTD](#) 2010 EWHC 2335 where the super injunction only lasted seven

days to prevent the defendant being tipped off about the proceedings. Depending on matters of definition, there may have been a few more super injunctions but the species if not extinct is very endangered. The media has confused super injunctions with anonymised proceedings.

Super injunctions will now be very rare. The onus is on the applicant to establish by very clear and cogent evidence that a super injunction is strictly necessary. That evidence will be subjected to intense scrutiny by the Court. The Court must ensure that any derogation from open justice is kept to

an absolute minimum. Such a derogation from open justice cannot simply be agreed between the two parties for their own convenience. It must be approved by the Court and must be for a limited period with a return date specified ([Goldsmith v BCD](#)) 2011 EWHC 674. Super injunctions will only very rarely be granted and will be kept under close review by the Court.

The Committee has also laid down suggested directions for the procedure to be followed in what will now be termed Interim Non-Disclosure Orders. As regards anonymised

injunctions, reliable statistics are hard to come by, but they do seem to be on the increase. One of the things the Committee has recommended is that the Ministry of Justice keeps detailed statistics of such cases. The Independent newspaper has published details of sixty nine privacy injunctions obtained for the most part anonymously. These include twenty eight cases involving extra-marital affairs which appear to involve nine footballers, nine actors, four pop stars, six wealthy businessmen, one senior civil servant and an MP – individually rather than as an act of group sex. What one does not know, of course, is whether the allegations are true;

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they can be damaging whether true or false.

The Courts follow the procedure in the JIH and DFT cases, where they tend to anonymise the person seeking the privacy injunction, but give such details of the nature of the information as does not identify the applicant. A number of companies have also acquired anonymised injunctions but these attract adverse publicity and sooner or later they suffer from what is now known as the Barbara Streisand effect, namely that litigating such cases can attract far wider publicity than the offending article and so such cases should only be brought in the most extreme circumstances, as to which see below.

The Committee has also suggested that Parliament reviews its procedures when MPs deliberately flout a Court Order by naming people who have obtained such orders anonymously in Parliament.

Sir Fred Goodwin aka MNB

Sir Fred Goodwin was a smug banker who nearly brought down the long established Royal Bank of Scotland. He sacked so many of the employees that he became known as Fred the Shed. However his antics in bringing a privacy action under cover of the anonymised letters MNB to prevent News Group publishing details of his affair with his mistress, who also worked at RBS and who rather than being sacked was promoted twice, earned him a variation to his nickname of Fred the Bed.

He obtained a wide-ranging injunction – [2011 EWHC 528](#). However, his identity was revealed in Parliament first by John Hemming MP and subsequently in the House of Lords by a former journalist Lord Stoneham, who revealed that Sir Fred was carrying on with one of his employees in a way which might have triggered corporate governance issues. The Daily Mail published a pixillated photograph of a person said to be the mistress. Goodwin's lawyers attempted to get Tugendhat J to refer the matter to the Attorney General for contempt, but he declined to do so [2011 EWHC1341](#), saying it was up to Goodwin to do so.

The Court had lifted the ban on naming Goodwin after it had been raised in Parliament and became public knowledge.

Twitter now face the same problems as ISPs who receive complaints about third party material and face disclosure orders as to the identity of posters.

While such matters are undoubtedly covered by the law of privacy, it is highly questionable whether it is always sensible for people such as Goodwin to bring such cases.

Ryan Giggs (aka CTB) and the Busty Big Brother Babe

Ryan Giggs is a well known Manchester United footballer and in CTB v News Group Newspapers [2011 EWHC 1232](#) the injunction that he had previously been granted concerning an attempt by a former Miss Wales, one Imogen Thomas, to provide chapter and verse of her nights of passion with Ryan Giggs – material which Mr Justice Eady discussed as tittle tattle and tawdry allegations – was upheld despite repeated attempts to discharge it. The judge found it particularly distasteful that she wanted a sum north of £50,000 if she was not to spill the beans.

The judge applying the principle of Cream Holdings v Banerjee UKHL 204 considered that Giggs would get a permanent injunction and that his playing away was clearly a matter of protectable private information for this otherwise happily married man.

However, once the injunction had been given all hell broke loose, with football crowds chanting ribaldly about his relationship with the girl and it was said there were some 75,000 tweets naming Giggs. Finally John Hemming

MP named Giggs in Parliament. It was a spectacular own goal which was said to have cost Giggs somewhere in the region of £250,000, albeit only several weeks salary. It was litigation brought to us courtesy of Schillings, a fact which led the Daily Mail to do a feature article in distinctly uncomplimentary terms on [Keith Schilling: The injunction king, a cabal of grasping lawyers and a £2,000 an hour assault on free speech](#). The Ferrari owning Keith was however said only to be responsible for £650 of the legal hour's charge.

Questions have certainly arisen as to whether in the twitter/internet age it is sensible to pursue litigation so aggressively, even though Schillings had correctly advised Giggs as to his remedies. One sequel to the case is that Giggs is seeking a Norwich Pharmacal order for disclosure of

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the identity of the persons who were tweeting Giggs' identity in breach of the Court Orders. That case is *CTB v Twitter Inc* and persons unknown HQ2011X01814.

Libel and Privacy in the Age of Tweeting

As mentioned above, disclosure orders have been sought against persons who have disclosed protectable material on Twitter, without the knowledge or responsibility of Twitter. On 30 May an Order was reportedly obtained in California by Newcastle County Council against a person who had as Mr Monkey posted disobliging material about the Council Leader.

Twitter now face the same problems as ISPs who receive complaints about third party material and face disclosure orders as to the identity of posters. Persons seeking such disclosure orders have to satisfy the English court that they have grounds for such an order and to pay the costs of the body from whom they seek disclosure. Twitter does seem to have come on the radar of the English Courts in that the businessman and television presenter Lord Sugar found himself reprimanded by a judge when he commented on Twitter about an ongoing trial that he thought it possible that a Conservative peer being tried for fiddling his expenses might be cleared whereas Labour MPs had all been convicted, something which was thought to involve a potential contempt of court.

In a case called [Bacon v Automatic Inc, Wikimedia Foundation and Denver Post LLC](#) 2011 EWHC1072 Tugendhat J allowed the service of a Norwich Pharmacal order to be served by email provided that it was permissible under local law. In a case in the Court of Protection which was protecting the interests of a mentally impaired woman called M the order on publishing material about the brain damaged woman made by Baker J was specifically extended to social networks and media including Twitter and Facebook.

Honest Comment

In [Cook v Telegraph Media Group Ltd](#) 2011 EWHC1134,

Tugendhat J applied the principles recently laid down by the Supreme Court in *Spiller* and held that critical comments made by the Telegraph about an MP who reclaimed as expenses a charitable donation of £5 at a memorial service were a matter of comment and not an allegation of fact and though they were defamatory, they were defensible as comment. He rejected the more fanciful arguments on meaning and contentions that these were allegations of fact which had to be justified.

Equally, in the case of [Bowker v Royal Society for Protection of Birds](#) 2011 EWHC737, Sharp J held that criticisms made by RSPB of research by the Bowkers into black grouse were capable of defamatory meaning but were defensible on the grounds of qualified privilege. The best part of the case perhaps was that the Royal Society for the Protection of Birds were defended by the well known firm of Bird & Bird.

The obscene sums claimed under CFAs are likely to become a thing of the past- a matter of no small importance for defendants as costs far outstrip damages and are all too often determinative of decisions to settle cases.

CFAs the Government's Response

Kenneth Clarke, the Justice Secretary, in a statement to the House of Commons, has broadly speaking adopted the Jackson recommendations. The obscene sums claimed under CFAs are likely to become a thing of the past- a matter of no small importance for defendants as costs far outstrip damages and are all too often determinative of decisions to settle cases. CFAs will be deducted from

damages and therefore paid by claimants rather than defendants. The claimants' damages are likely to be raised by 10% to cover this.

Legislation will be required to implement these changes, which really take CFAs back to the original regime. No longer will defendants have to pay for CFAs or After The Event insurance with their grotesque unilateral premiums. Defendants who fail to accept reasonable (as it turns out) offers made by claimants to settle litigation are likely to face not only penal costs orders, but also an additional sanction of up to 10% of the value of the claim.

Defendants must therefore be prepared to make realistic offers to settle cases. However, Clarke wants to introduce a

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new test of proportionality so that only reasonable and proportionate costs may be recovered from the losing party. The idea is to curb disproportionate activity much loved by some claimant lawyers which has no real regard to the value complexity or importance of the claim.

Mosley Gets a Spanking

As reported elsewhere in this issue of the MediaLawLetter, the Fourth Section of the European Court of Human Rights rejected the attempt by Max Mosley to impose on the media a requirement of pre-notification if private information was to be published about a person. The moving spirit in this decision seems to have been the English judge on the court, Mr Justice Bratza.

They certainly did not like the way that the News of the World had behaved but they thought that pre-notification would be unworkable in practice and that the present law fell within the margin of appreciation allowed to individual legal systems. It was also noted that pre-notification was not required elsewhere in Europe.

French Criminal Libel and Libel Tourism

The case brought in France by Dr Calvo Goller concerning a review by Professor Weigand in the European Journal of International Law for criminal libel was dismissed by the Tribunal de Grande Instance de Paris. The review did not, they ruled, damage her honour or reputation or go beyond the limits of academic freedom and freedom of expression. Calvo Goller was criticised for libel tourism and ordered to pay Euros 8,000 damages to Professor Weiler, the New York based publisher.

Schadenfreude Corner

The consultant cardiologist Peter Wilmshirst, who was sued by the Boston based UMT Medical and who had obtained an order that UMT pay £200,000 by way of security for costs when they sued them for comments he had made at a medical conference about the shortcomings of their device for treating holes in hearts has had the satisfaction of seeing them go bust.

David Hooper is a partner at Reynolds Porter Chamberlain in London.

MLRC UPCOMING EVENTS

MLRC London Conference: International Developments in Media Libel, Privacy, Newsgathering and New Media IP Law

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

MLRC Annual Dinner

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

MLRC Forum

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

DCS Annual Meeting

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

Artistic Freedom Prevails Over Intellectual Property Rights in Dutch Case

By Reindert van der Zaal

A Dutch District Court gave an interesting judgment in a case in which the IP-rights of fashion giant Louis Vuitton clashed with the free speech of Danish artist Nadia Plesner. In its ruling, the Court seems to extend the ECHR-rule that the limits of acceptable criticism are wider for public figures and large public companies -since high winds blow on high hills- to 'famous IP', such as famous logo's and trademarks, including the iconic LV designs. Even when this IP is used as an 'eye catcher.' [Nadia Plesner Joensen v. Louis Vuitton Malletier SA](#), No. 389526 (Court of the Hague May 4, 2011).

Background

Danish artist Nadia Plesner studies at the Rietveld Academie, an art academy in Amsterdam, The Netherlands. One of Plesner's artworks, *Darfurnica* (the illustration right), is modeled after Picasso's 'Guernica' and expresses the artist's surprise at the attention that is paid to nondescript celebrities like Paris Hilton, while humanitarian disasters like those in Darfur remain rather unnoticed. In the middle of the painting an African boy is depicted, holding a look-a-like Louis Vuitton bag.

This boy was also depicted in an earlier work by Plesner as a standalone image called 'Simple Living':

Louis Vuitton took offense at this work, and obtained an *ex parte* order against Plesner in France in 2008. Plesner did not take action against this order, because it looked like Louis Vuitton would leave it at that.

Ex Parte Order and Motion to Quash

But it did not; when Louis Vuitton discovered the

Darfurnica painting at an exhibition in Copenhagen, Denmark, it claimed before a Dutch Court (because Plesner lives in The Netherlands) that the use of the pattern of the look-a-like bag infringes upon its design rights, and obtained an *ex parte* order against Plesner from the Court of The Hague in preliminary relief proceedings. The Court prohibited Plesner, inter alia, from showing or exhibiting her painting and the Simple Living image in the European Union. She was also prohibited from showing the painting on her website.

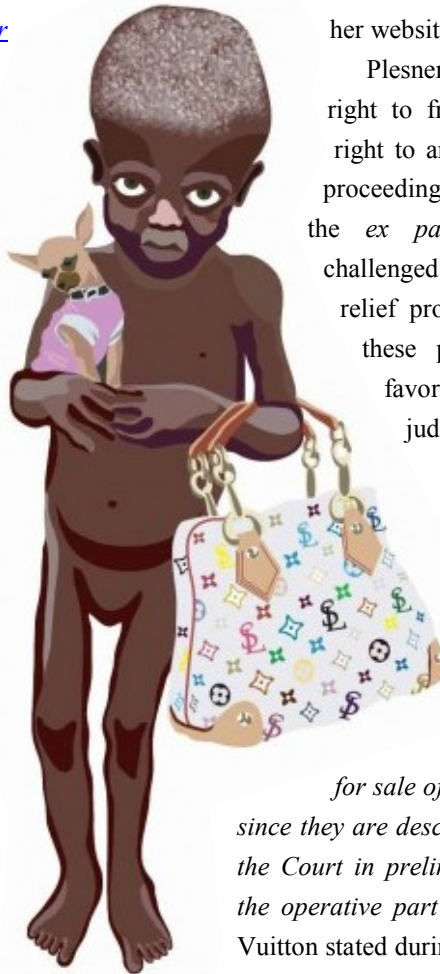
Plesner however, relying on her fundamental right to freedom of speech, more specifically her right to artistic freedom, brought preliminary relief proceedings against Louis Vuitton, in order to quash the *ex parte* order. After Plesner successfully challenged a judge of the Court in the preliminary relief proceedings, another judge of the Court in these preliminary relief proceedings ruled in favor of Plesner (an English translation of the judgment can be found [here](#)).

From the moment the case got a lot of international media attention, Louis Vuitton claimed that the case had nothing to do with 'Darfurnica', and that therefore the *ex parte* order did not extend to this painting. The Court disagreed with Louis Vuitton and rules that "also the exhibition and the offering

for sale of the painting fall under the prohibited acts since they are described in number 14 of the application and the Court in preliminary relief proceedings has referred to the operative part of the judgment." However, since Louis Vuitton stated during the hearing that it had no problems with the painting, the judgment focuses on the Simple Living drawing.

The Court balanced Plesner's right to free speech (Article 10 ECHR) with Louis Vuitton's right to peaceful enjoyment of property (Article 1 of the first Protocol to the ECHR). The

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The Court prohibited Plesner, inter alia, from showing or exhibiting her painting and the Simple Living image in the European Union. She was also prohibited from showing the painting on her website.



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Court ruled that “the interest of Plesner to (continue to) be able to express her (artistic) opinion through the work “Simple Living” should outweigh the interest of Louis Vuitton in the peaceful enjoyment of its possession.”

In that respect, the Court ruled that artists enjoy a considerable protection with regard to their artistic freedom, in which art may “offend, shock or disturb”. Plesner uses Louis Vuitton’s reputation to pass on her society-critical message (the situation in Darfur) and besides the bag she also depicts another luxury/show business picture in the form of a Chihuahua dressed in pink.

The Court goes on: “Apart from the question of whether it could be taken into consideration in this design right case that after seeing “Simple Living” a part from the public could possibly think that Louis Vuitton (or, as the Court has added: a Chihuahua dressed in pink) is in any sense involved in the problems in Darfur, the Court in preliminary relief proceedings does not deem that this has become plausible (...)”. Furthermore, the circumstance that Louis Vuitton is a very well-known company, of which the products enjoy a considerable reputation, which it also stimulates through advertisings with famous people, moreover implies that Louis Vuitton must accept criticism as the present one to a stronger degree than other right holders. The Court cited to *Steel vs. Morris*, ECHR Feb. 15 2005, 68416/01, in which the ECHR ruled that “the limits of acceptable criticism are wider” for large well-known public companies.

The Plesner judgment seems to stretch the *Steel vs. Morris* judgment, in the sense that the limits of acceptable criticism also seem to be wider in respect of ‘famous intellectual property’, such as well-known logo’s, designs and trademarks.

The Court continued by stating that the Simple Living drawing has to be regarded as a lawful statement of the artistic opinion of Plesner. Plesner does not infringe upon Louis Vuitton’s design rights. The Court adds: “This is not different if the illustration is somewhat used as an eye-catcher, all the more because Plesner has argued, insufficiently refuted, that the work occupies a central position in her oeuvre (concerning Darfur) and that to that extent establishing extra attention (for the exhibition with the problems in Darfur as a theme) is justified.” Therefore Plesner can also use the drawing as an eye-catcher, something Louis Vuitton heavily opposed.

Plesner also pleaded that the *ex parte* proceedings are not appropriate for conflicts such as this, in which a large company demands a far-reaching limitation on the freedom of speech of an artist. However, since the Court already ruled in favor of Plesner, and quashed the *ex parte* order, the Court did not rule on this point.

Jens van den Brink, Christien Wildeman and Reindert van der Zaal of Kennedy Van der Laan in Amsterdam represented Nadia Plesner in this case. Louis Vuitton was represented by B.J. van den Broek, Amsterdam.

French Court Dismisses Criminal Libel Case Against *The Observer*

By Jean-Frédéric Gaultier & Emmanuelle Levy

Following an article entitled "*America's New Vogue for Black Fashion is all due to Michelle Obama*" published in the British weekly newspaper *The Observer* and on the website www.guardian.co.uk, Yves Saint Laurent and its creative director, Stefano Pilati, initiated legal action for defamation before the Paris District Court against the author of the article, who resides in the United States, the Editor of *The Observer* and the Managing Director of Guardian News and Media Limited, editor of the website www.guardian.co.uk.

The Paris Court of Appeal held the claims of the plaintiffs to be unfounded, the rules cited in the claims not being applicable to foreign publications.

Rules on Service of a Writ of Summons Abroad

The Court of Appeal, upholding the ruling of the judges at first instance, declared null and void the writ of summons served on the Editor and on the Managing Director of *The Observer*, the writs having been delivered to their business addresses and not to their home addresses.

The plaintiffs alleged that, for a writ of summons to be valid, the fact that it was duly and properly delivered to the Public Prosecutor's office of the Court enjoying jurisdiction was sufficient. They alleged that, in any case, the Editor, comparable to the "Publication Director" within the meaning of French law, and the Managing Director, the legal representative of the company, could be duly and properly served with a valid writ of summons at the head office of the newspaper pursuant to the Law of 29 July 1881 on the Press. (The "Publication Director" title is purely formal and does not correspond to particular functions in a journal. The journal has only to designate, in accordance with this law, the person who will be legally liable for potential press-related offences.)

The Court pointed out that publications published or printed abroad are not subject to this law with regard to the organization of the newspaper and, in particular, with regard to the requirement to designate a Publication Director. Under these conditions, the Editor and the Managing Director of a foreign publication, who are not "Publication Directors" within the meaning of French law, have to be served with a writ of summons at their home addresses.

Failing such, in the event of service at the address of the newspaper, the plaintiff has to establish that the defendants have been personally made aware of the writ of summons, for

example when the writ of summons has been served on the addressee in person and not on an assistant or on the legal department of the newspaper.

The essential purpose of this requirement for personal service resides in Article 55 of the Law of 29 July 1881, which requires the defendant to provide evidence of the truthfulness of the defamatory facts within ten days of service of the writ. Should proof fail to be tendered in this way within the time allowed, the defendant will be barred from producing such evidence (the defendant can still avail himself of other defences, such as "good faith").

Considering the severity of this rule and the brevity of the time allowed, it is very important to duly and properly serve the defendant with a writ of summons or, failing such, it is important that the defendant should have been personally made aware of the writ of summons.

As these conditions were not met in the present case, the Court held that the writ of summons served on the defendants was null and void and threw out the case.

Criminal Liability and Foreign Journalists

The Anglo-American journalist residing in the United States had been served with a writ of summons in his capacity as author of the article at issue pursuant to Article 42 of the Law of 29 July 1881, which raises a presumption of liability notably against the author of the article at issue.

The Court pointed out, in accordance with an unbroken line of precedents that Article 42 is not applicable to cases concerning newspapers printed or published abroad. Under such conditions, the rules of general criminal law apply. The plaintiffs must therefore establish actual and personal participation by the defendants in introducing the comments at issue into France.

As the plaintiffs failed to produce any evidence that the journalist had personally and deliberately taken part in the distribution of his article in France, the Court dismissed their claims. In this way, even if the French criminal courts most often claim jurisdiction to repair loss suffered on French soil that arises from defamatory comments published abroad, judges are particularly vigilant with regard to the application of French rules to foreign publications. Transferring to France a dispute whose links with this country are not significant is thus not as simple as that.

Jean-Frédéric Gaultier and Emmanuelle Levy are lawyers with Clifford Chance in Paris.

Court Rejects Murder Defendant's Subpoena for Outtakes

North Carolina Shield Statute Protects TV Documentary Show

By Jonathan Buchan and Linda Steinman

Relying upon the state's journalist's shield statute, a North Carolina state trial court rejected a murder defendant's subpoena for the production of twenty hours of outtakes shot by the producers of *The First 48* television show in connection with its coverage of the investigation of a drug-related killing.

The court expressly rejected the defendant's contention that *The First 48*, and the A&E Television Network on which it is broadcast, did not qualify as "journalists" or "news media" under the North Carolina shield law. The court also denied the defendant's motion for voluntary discovery of that raw film footage directly from the Charlotte-Mecklenburg Police Department or from *The First 48* pursuant to *Brady v. Maryland*, 373 U.S. 83 (1963), and North Carolina's criminal discovery statute, rejecting the defendant's contention that *The First 48* was acting on the government's behalf or as a prosecutorial agency.

Background

ITV Studios, Inc. is the producer of *The First 48*, a documentary series on police homicide investigations that has aired on the A&E television network since 2004. *The First 48* depicts various police detective units throughout the country as they investigate homicides. The series focuses primarily on the first forty-eight hours of an investigation – believed to be the most critical time period for solving a violent crime – and aims to provide a realistic portrayal of the investigative process. *The First 48*'s field producers accompany and film the police officers as they pursue their investigation.

The First 48 in early 2010 entered into a written agreement with the Charlotte-Mecklenburg Police Department ("CMPD") permitting *The First 48* to accompany

and film the CMPD for the purpose of creating episodes for the television series. The agreement provided that *The First 48* was the sole owner of its raw footage and related materials.

On August 22, 2010, *The First 48*'s field producers began covering the CMPD's investigation of the murder of Oscar Chavez, who had been stabbed that day in his car in what appeared to be a drug deal and robbery gone wrong. Detectives interviewed the 911 caller (an eyewitness who noted the license plate number of the vehicle allegedly transporting the perpetrators) and the car's owner, who implicated a young man named Jonathan Fitzgerald and his girlfriend. In police interviews videotaped by CMPD, Fitzgerald confessed to stabbing Chavez and was charged with first degree murder.

ITV filmed over 20 hours of footage related to the Chavez investigation. That raw footage was not provided to the CMPD, but was instead shipped to ITV's office in New York to be edited into a 22-minute episode. In accordance with its agreement with CMPD, *The First 48* permitted CMPD to review the "rough cut" of the planned episode of the Chavez investigation to "ensure factual accuracy." *The First 48* retained "absolute discretion" to determine the editorial content of each episode, subject to one restriction: the episodes could not contain any confidential investigatory, procedural, and/or operational information concerning CMPD which would not be available to the general public.

In October 2010, Fitzgerald's attorney filed a motion for voluntary discovery seeking to have CMPD and *The First 48* turn over all video footage and other notes and information related to the filming of the Chavez investigation, citing *Brady* and N.C.G.S. § 15A-90, the North Carolina statute

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Defendant failed to demonstrate that the substance of the information contained in the raw, unedited footage was not obtainable from other sources, including the police officers and detectives who were present during the events and from other witnesses to the crime and the crime scene.

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governing mandatory disclosure of law enforcement files to criminal defendants.

Defendant Fitzgerald alleged that CMPD and *The First 48* were required under *Brady* to turn over to him the raw footage because the producers had been “acting on the government’s behalf” in filming the investigation. In addition, Fitzgerald asserted that *The First 48* was a “prosecutorial agency” under the state statute because it had allegedly obtained information on behalf of CMPD in connection with the investigation of a crime. Fitzgerald also served a subpoena *duces tecum* on *The First 48* seeking all raw footage and notes related to the investigation.

The First 48 moved to intervene in the criminal proceeding for the limited purpose of opposing the motion for voluntary discovery and filed its objection to that motion. *The First 48* also filed its objection to the subpoena on several grounds, including the protection provided by the North Carolina journalist’s privilege statute, N.C.G.S. § 8-53.11. The District Attorney and CMPD both ultimately opposed the compelled disclosure of the material.

On January 28, 2011, the court held an evidentiary hearing and heard testimony from witnesses called by the defendant, including CMPD’s police chief, the lead homicide detective in the Chavez investigation, and several other police detectives and personnel who were involved in the Chavez investigation.

They were questioned at length regarding the substance of the agreement between *The First 48* and CMPD and the role of *The First 48*’s field producers in filming homicide investigations generally and specifically in the Chavez case. *The First 48*’s co-executive producer, Mike Sheridan, also testified.

The Court’s Ruling

The trial court ultimately rejected Fitzgerald’s contention that *The First 48* was required to produce its raw footage under *Brady* or under the North Carolina criminal discovery statute. The court found that *Brady* did not apply because the information sought was not in the possession of CMPD and because *The First 48* had not acted “on the government’s behalf” in its filming of the investigation. The court also found that the North Carolina statute did not apply because *The First 48* was not acting on the government’s behalf and was not a “prosecutorial agency” involved in the investigation of the crime. The court noted that the

agreement with CMPD permitted police to limit *The First 48*’s filming in order to protect the public safety or the security of the investigation, but found that these restrictions did not result in the field producers being under the CMPD’s supervision or control. The court also noted that the CMPD and the district attorney at no time had possession, custody, or control of the raw, unedited footage and that the CMPD had no legal right or authority to obtain *The First 48*’s raw, unedited footage.

The court also rejected defendant’s contention that *The First 48* and the A&E Television Network did not qualify as “journalists,” or as “news media” under the North Carolina privilege statute. Defendant argued that A&E’s focus was on entertainment, not news, pointing to shows such as “Dog the Bounty Hunter,” “Billy the Exterminator,” and “The Sopranos.”

The trial court held that *The First 48* did qualify for protection under the North Carolina shield statute. (*The First 48* presented evidence that A&E in fact broadcasts a wide variety of programming, including documentary films and drama series, as well as documentary programs such as *The First 48*.) The court also concluded that defendant had failed to demonstrate by the greater weight of the evidence that the information sought was essential to Fitzgerald’s defense.

The court’s April 15, 2011 Order noted specifically that the evidence presented revealed no specific information that would be contained in *The First 48*’s raw footage which would be essential to his defense: “There was nothing at the crime scene that was not thoroughly documented by CMPD’s own photos, sketches, and descriptions, and there was nothing which suggested that *First 48* had any greater access to evidence at the crime scene or at any other location than did the police.”

The court also concluded that the defendant failed to demonstrate that the substance of the information contained in the raw, unedited footage was not obtainable from other sources, including the police officers and detectives who were present during the events and from other witnesses to the crime and the crime scene. For those reasons, the court found that the shield statute protected *The First 48* from compelled production of the raw footage.

The First 48 and its parent company *ITV Studios, Inc.* were represented by Linda Steinman and Elisa Miller of Davis Wright Tremaine LLP and by Jonathan Buchan and Curtis Griner of McGuireWoods LLP. Jonathan Fitzgerald is represented by Jeremy B. Smith of Smith and Roberts Law Firm, PLLC.

Maryland Court Quashes Subpoena to TV Journalist for Testimony Concerning Broadcast on Locksmith's Business Practices

By Cheryl A. Feeley and Charles D. Tobin

A Maryland trial court last month quashed a subpoena issued by the state Attorney General's Consumer Protection Division to a television journalist seeking testimony about his station's investigation of a locksmith's practices.

WMAR-TV, a Scripps Broadcasting station in Baltimore, has been following the state's consumer protection proceedings against Joseph M. Horton, who runs his business under the name "Around the Clock Locksmith." In August 2010, in a civil proceeding, the Attorney General's Office secured a preliminary injunction that required Horton to immediately cease and desist from:

- ◆ Engaging in any unfair or deceptive trade practices in violation of the Maryland Consumer Protection Act;
- ◆ Selling or offering to sell locksmith services unless he provided estimates quoting the total cost of their services before performing services, and to specify the particular services they will perform at that cost; and
- ◆ Selling or offering to sell locksmith services unless he completed the installation, repair, opening or modification of the lock or locks, any other services

that he said they would perform, for the price that he quoted to the consumer.

WMAR-TV aired a story in November 2010 as part of its continuing coverage of Horton and the court proceedings.

As part of the story, Jeff Herman, a WMAR-TV producer,

locked his keys in the trunk of his car. Herman then made a call on his cellphone. The station's reporter's voiceover reported that Herman was calling Horton's business. Herman's side of the conversation was broadcast in the story, including his repetition of the locksmith's telephone estimate of \$150 for the service. The story then showed Horton arriving at the parking lot where Herman's car was parked. Herman provided his credit card and

identification to Horton, who remained in his van. WMAR-TV's reporter explained that Horton was attempting to charge Herman \$825 for the services. The reporter then emerged and questioned Horton about the charges. Horton denied providing a different price over the phone, and he drove off.

Following the broadcast, dozens of people contacted the Attorney General's Office to report allegedly similar encounters with Horton. On the basis of those complaints, the Attorney General's Office brought a motion seeking to

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WMAR-TV, a station in Baltimore, has been following the state's consumer protection proceedings against Joseph M. Horton, who runs his business under the name "Around the Clock Locksmith."

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hold Horton in contempt. The Attorney General's Office asked for full restitution to Horton's customers and to have him jailed.

In the contempt proceedings, the Attorney General's Office subpoenaed WMAR-TV's producer Herman, and in opposing the motion to quash, represented that the journalist would be asked: 1) what day he made the telephone call captured in the November 2010 video recording; 2) what telephone number he called; 3) whether the person who answered the telephone was a man or a woman and whether the person identified himself or herself; 4) what the other person on the telephone said; and 5) to authenticate the video recording.

In moving to quash the subpoena, WMAR-TV asserted its rights under Maryland's Shield Law (Md. Code, Courts and Judicial Proceedings, § 9-112), Article 40 of the Maryland Declaration of Rights, and the First Amendment to the U.S. Constitution. The hearing was held on April 26, 2011, after the court had heard the Attorney General's Office put on testimony against Horton from five witnesses who had called his business for service.

At the hearing on the Motion to Quash, counsel for WMAR-TV argued that the requested testimony would require Herman to reveal source information, in contravention of the Maryland Shield Law. WMAR-TV also argued that the Division could not demonstrate by clear and convincing evidence (1) a high degree of relevance, (2) the lack of any alternative means to obtain the information it sought from Herman, and (3) the compulsory disclosure will serve an overriding public interest.

Notably, WMAR-TV argued that any potential testimony from Herman was irrelevant, as the journalist was not a "consumer" within the meaning of the statutes at issue, and thus his experience with Horton and Around the Clock Locksmith could not be used as evidence at the contempt hearing. Indeed, the Attorney General's Office did not even mention Herman in its petition for contempt. WMAR-TV also pointed out the fact that the Petition stated that the Division has received at least 26 complaints about Horton's business practices from consumers, and that the court already had heard for itself the testimony of five of these consumers at the hearing before the Motion to Quash was argued.

Finally, WMAR-TV explained that the public interest favors protecting WMAR-TV and Herman from compelled testimony, as the reporting on Horton actually prompted

additional consumers to come forward to the Attorney General's Office to report their experiences with him.

The Attorney General's Office argued that under Maryland case law, Herman was the source of the information and thus § 9-112(c)(1) did not apply. The state also argued that there was no alternative source for the conversation Herman allegedly had with someone at Around the Clock Locksmith, and that the testimony would support the petition for contempt and was therefore in the public interest. Finally, the Attorney General's Office also argued that by broadcasting the information about what Horton said on the phone, the journalist and the station waived its protection under the Maryland Shield Law.

In a ruling from the bench, Judge Alison L. Asti quashed the subpoena. She said that she has followed the legislative history of the Maryland Shield Law and understands the importance of protecting the news media privilege. Judge Asti concluded that the case law in Maryland must be read more narrowly than the Attorney General's Office suggested and made clear that this was not one of the limited instances in which a journalist could be compelled to testify. The court also remained un-convinced that such information could not be obtained by alternative means, especially in light of the testimony from consumers at the hearing.

Cheryl A. Feeley and Charles D. Tobin, of Holland & Knight LLP in Washington, D.C., represented WMAR-TV and its producer Jeff Herman in this matter. Lucy A. Cardwell and Philip D. Ziperman represented the Consumer Protection Division of the Office of the Attorney General of Maryland.

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FOIA Exemption 2 After *Milner*: A Department of Justice Roadmap

By Mickey H. Osterreicher

Using the dicta in [*Milner v. Department of the Navy*](#), 513 S. Ct. 1259 (2011) like the step-by-step directions on MapQuest, the Department of Justice issued a Freedom of Information Act (FOIA) [Guidance](#) (Guidance) to federal agencies early in May explaining the March 7, 2011 Supreme Court decision and offering advice for utilizing some of FOIA's nine (9) exemptions. See USDOJ, Office of Information Policy, Exemption 2 After the Supreme Court's Ruling in *Milner v. Department of the Navy* (May 12, 2011).

The 8-1 *Milner* decision written by Associate Justice Kagan, concerned "FOIA Exemption 2" which had been enacted to deny disclosure of material "related solely to the internal personnel rules and practices of an agency." See 5 U.S.C. §552(b)(2). Based upon court precedent, government agencies had established a two-tier system of records protection under Exemption 2. See *Crooker v ATF*, 670 F.2d 1051 (Court of Appeals for the District of Columbia Circuit (1981))

"Low 2" was deemed to cover "materials concerning human resources and employee relations," while "High 2" was invoked "when assessing records whose disclosure would risk circumvention of the law." *Id.* at 1073-74

Sometime in 2003-2004, Glen Scott Milner, a resident of Puget Sound, Washington made a FOIA request to the Navy for information (Explosive Safety Quantity Distance (ESQD)) regarding the potential blast distances of weapons, ammunition and explosives stored at the Naval Magazine Indian Island, which was located approximately a mile from his home. The Navy denied his request citing Exemption 2 and "stating that disclosure would threaten the security of the base and surrounding community." *Milner*, at 1264. Both the Western District Court of Washington and the Ninth Circuit upheld the Navy's denial.

The Supreme Court, citing "the Circuit split respecting Exemption 2's meaning," granted certiorari and reversed. The court held that "Exemption 2, consistent with the plain meaning of the term 'personnel rules and practices,' encompasses only records relating to issues of employee relations and human resources." *Id.* at 1271. The Court also remanded the matter back to the Ninth Circuit to determine if other FOIA exemptions might apply.

In its findings the Court reviewed the twelve words comprising Exemption 2, as "related solely to the internal personnel rules and practices of an agency," specifically focusing on the word "personnel." Citing Webster's to establish a commonplace definition, the Court found that as stated "all the rules and practices referenced in Exemption 2 share a critical feature: They concern the conditions of employment in federal agencies – such matters as hiring and firing, work rules and discipline, compensation and benefits." Used in conjunction with the word "solely" the Court's "construction of the statutory language simply makes clear that Low 2 is all of 2 (and that High 2 is not 2 at all [citation omitted])." As part of that same analysis the Court found that when the text of a statute is clear, legislative history does not control its interpretation, stating that "[l]egislative history . . . is meant to clear up ambiguity, not create it."

On its [website page](#) for the Office of Information Policy (OIP), the United States Department of Justice (DOJ) states that "[i]n keeping with its statutory authority to encourage agency compliance with the FOIA, OIP regularly develops and issues policy guidance to all agencies on proper implementation of the FOIA . . . to improve administration of the law, to promote best practices, and to increase transparency."

Given the actual and potentially far-reaching implications for other FOIA cases found in *Milner* it is no surprise that OIP issued its most recent Guidance, especially in light of some of the Court's comments. As previously noted, the Court did not order the ESQD information to be released but instead remanded back to the Ninth Circuit to determine if the information could be withheld under a different exemption. In a footnote the Court stated "[t]he Navy also invoked Exemption 7(F), which applies to 'records or information compiled for law enforcement purposes, but only to the extent that the production of such . . . records . . . could reasonably be expected to endanger the life or physical safety of any individual. 5 U. S. C. §552(b)(7)(F)." *Milner* at 1271.

Acknowledging that its "decision [] upsets three decades of agency practice . . . and therefore may force considerable adjustments" the Court expounded on its premise "that the Government has other tools at hand to shield national security

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information and other sensitive materials.” *Id.* Encouraged by that language the OIP Guidance makes reference to Exemption 1, which is “specifically designed to allow government agencies to withhold information that might jeopardize our national security” of FOIA prevents access to classified documents. *Id. citing* §552(b) (1); see 575 F. 3d, at 980 (W. Fletcher, J., dissenting). The Guidance also calls attention to Exemption 3 which “applies to records that any other statute exempts from disclosure” and Exemption 7 as noted above.

Additionally the Guidance explains that “Exemption 4 may provide a legal basis for withholding certain sensitive records, providing those records were obtained from outside the federal government” and are “trade secrets and commercial or financial information received from a person which is privileged or confidential.” 5 U.S.C. § 552(b)(4).

Accordingly, an Exemption 4 “person” may be defined as “corporations, banks, and state or foreign governments, among other entities” (Guidance at 4) whereas “‘commercial or financial information’ has been broadly defined by courts as encompassing any records in which the submitter has a commercial interest.”

“Confidential information” is separated into two categories: that which was provided “voluntarily” and “would not be customarily released to the public by the submitter of the information;” or government required information: “(1) if disclosure would impair the government’s ability to obtain necessary information in the future; 2) if disclosure would be likely to cause substantial harm to the competitive position of the person from whom the information was obtained; and 3) if disclosure would harm other identifiable governmental interests, such as agency program effectiveness.” Not only does the OIP supply citations to the applicable law but also provides agencies with hypothetical examples.

OIP also asks agencies “to consider the applicability of Exemption 6, which protects ‘personnel and medical files and similar files’ when disclosure of the information ‘would constitute a clearly unwarranted invasion of personal privacy,’” noting “that privacy ‘encompasses the individual’s control of information concerning his or her person,’” but that a “privacy interest must be more than *de minimis*” and once “identified, it must be balanced against any public interest in disclosure.”

Finally the Guidance directs attention to the Court’s catch-all “[i]f these or other exemptions do not cover records whose release would threaten the Nation’s vital interests, the Government may of course seek relief from Congress.”

Milner at 1271.

The Guidance also notes Justice Alito’s concurrence, which explored in detail the potential application of Exemption 7(F) as well as Justice Breyer’s dissent. The OIP then goes on to discuss “how much of Exemption 2 remains in the wake of *Milner*,” explaining what it perceives as a “new three-part test” for invoking Exemption 2 as set forth by the Court.

First, consistent with its plain meaning the “information must be related to ‘personnel’ rules and practices.” Second, the “information must relate ‘solely’ to those personnel rules and practices.” Third, “the information must be ‘internal’ . . . meaning that ‘the agency must typically keep the records to itself for its own use.’”

In assessing the impact of the decision the OIP advises “agencies to assess whether there is a ‘genuine and significant public interest in disclosure’ regardless of whether or not a record may be properly classified as a personnel record. The Guidance also reminds agencies that “before invoking Exemption 2 . . . to consider, as they should for all exemptions, [Attorney General Holder’s FOIA Guidelines](#) . . . encourage [ing] agencies to make discretionary releases and to not withhold records absent a determination that disclosure would cause foreseeable harm.”

That section of the Guidance concludes by stating “[c]ertainly, there will be many examples of matters relating solely to internal personnel rules and practices where there is no foreseeable harm from release as there is no real burden involved in assembling and maintaining the information. Indeed, it is often more burdensome to withhold information than it is to release it.

In the absence of harm, the information should be released as a matter of discretion in accordance with the Attorney General’s FOIA Guidelines.”

The Guidance also encourages agencies to consult the *United States Department of Justice Guide to the Freedom of Information Act (2009 ed.)* for a “comprehensive discussion and legal analysis of all the FOIA’s exemptions, their requirements, and court interpretations” as well as “to call OIP’s FOIA Counselor line” with any questions. To stress its importance the Guidance concludes by restating that “the narrowed scope of Exemption 2 . . . in *Milner* represents a landmark case in the history of the FOIA.”

Mickey H. Osterreicher is General Counsel for the National Press Photographers Association (NPPA) which joined with the Reporters Committee for Freedom of the Press and 18 other news media organizations in an Amicus Brief in this case.

California Appellate Court Shines Light on Public Employee Pensions as Fiscal Tsunami Heads for Coast

By Karl Olson

Public employee pensions are a fiscal tsunami which threaten to swamp many state and local governments. Nowhere is that more true than in California, where a \$425 billion funding shortfall for three state pension systems, and a \$200 billion shortfall for local government pension systems is tarnishing the Golden State's luster.

It's against that background that a Sacramento-based appellate court recently issued a pro-transparency decision, holding that the names, pension amounts and employment history of county employees are matters of public record.

The Court of Appeal's May 11 decision in [*Sacramento County Employees' Retirement Association v. Superior Court \(Sacramento Bee\)*](#), 2011 Cal. App. LEXIS 569 was in many ways a pension version of the California Supreme Court's 2007 decision in *International Federation of Professional and Technical Engineers Local 21 v. Superior Court (Contra Costa Newspapers)* (2007) 42 Cal. 4th 319, which held that public employee salaries are matters of public record.

Just as the Supreme Court in the *Contra Costa Newspapers* case held that a statute exempting peace officer "personal data" from disclosure did not provide an exemption for peace officer names and salaries, the Court of Appeal in the *Sacramento Bee* case held that a law exempting "individual records" from disclosure did not exempt county employees' names, pension amounts and employment history from disclosure.

The "individual records" exemption "protects information provided by a member or on the member's behalf...not all information held by [the agency] that pertains to or relates to the member. The confidential record does not include the name, date of retirement, department retired from, last position held, years of service, base allowance, cost of living adjustment, total health allowance and monthly pension benefit of each retiree. Therefore, the trial court correctly concluded that this information, as requested by the *Bee*, was not protected from disclosure," the Court of Appeal ruled.

The Court of Appeal also brushed aside the pension agency's assertion – backed by a welter of *amicus* briefs from other pension associations and retiree associations – that disclosing named employees' pensions would subject them to identity theft, hostility or danger. The Sacramento pension agency had argued that most of the retirees were elderly and could be preyed upon by scam artists – a questionable assertion since the average retirement age for police officers and firefighters in Los Angeles is 51.

One of the primary drivers of California's pension crisis is a "3 percent at 50" pension formula for safety officers, which gives them 3 percent of their final salary for every year of service. Another problem for the state is the prevalence of "pension spiking," under which employees "spike" the last year salary upon which their pension is based with overtime, vacation cashouts, "uniform allowance," and other one-time enhancements to pay.

The Court of Appeal succinctly rejected the Sacramento pension agency's argument that "publication of individual pensions will harm retirees by exposing them to public hostility, particularly during their 'golden years.'" The Court remarked: "In [the agency's] laudable zeal to protect its members, [it] edges in the direction of 'unsupportable age-based stereotyping.' Simply because many retirees are elderly does not mean they are too frail

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to weather disclosure of their individual pensions.”

As the California Supreme Court had done in rejecting the claim that publication of salaries would expose employees to identity theft, the Court of Appeal turned aside similar claims about disclosure of pensions: “[The agency] has not demonstrated that releasing individual pension information will pose serious danger to its members.”

The Court of Appeal’s opinion may well have impact beyond California’s borders. While there is ample case law holding that public employee salaries are public records, the authority in the area of public employee pensions is less plentiful (although there is an obvious rationale for equating the two). The leading case from other jurisdictions, *Pulitzer Publishing v. Missouri Employee Retirement Systems*, 927 S.W.2d 477, was cited approvingly by the Court in the *Sacramento Bee* case.

It is not entirely clear that the Court of Appeal’s ruling in *Sacramento Bee* will be the last word. Similar cases are now before Courts of Appeal in San Diego and San Francisco: the media have filed an *amicus* brief in the San Diego case (which is scheduled for argument June 13), and the *Santa Rosa Press-Democrat* is a party in the fully-briefed San Francisco case. But the Sacramento-based Court of Appeal’s exhaustive, well-reasoned 48-page opinion will hopefully prove persuasive to the other courts, and it is very much in harmony with, and faithful to, the California Supreme Court’s *Contra Costa Newspapers* decision.

The Supreme Court said it well in the *Contra Costa Newspapers* salary decision: “Openness in government is essential to the functioning of a democracy.” That is especially true now in the area of public employee pensions, as Californians are watching libraries, schools and state parks close or cut back services at the same time as pension costs soar. Nationally, there are as much as \$3 trillion in unfunded pension promises made by the states, and in Los Angeles nearly a third of the city’s general fund could be consumed by retirement costs by 2015, according to the *Los Angeles Times*. The public has the right, and the need, to know where all that money is going.

Karl Olson is a partner at Ram, Olson, Cereghino & Kopczynski in San Francisco. He was counsel in the Contra Costa Newspapers and Sacramento Bee cases, and he represented the media amici in the pending San Diego case.

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Florida Appellate Court Strikes Down Confidentiality Agreement Imposed on News Organizations in High Profile Murder Case

Selective Disclosure to Media Not Allowed

By **Judith M. Mercier** and **Gennifer B. Powell**

A Florida appellate court struck down a confidentiality agreement, implemented by the trial judge in a high profile capital murder case, which conditioned the early notice of the location of jury selection proceedings upon the media's agreement to confidentiality. [*WPTV-TV v. State v. Casey Anthony*](#), No. 5D11-1452, slip op. (Fla. 5th DCA May 6, 2011).

Background

The *Anthony* case, involving a young Orlando mother accused of killing her toddler daughter, has generated significant public interest and extensive local and national media coverage. The trial court had previously ordered a change of venue for the limited purpose of jury selection given the amount of publicity and public interest in the case. The trial court determined that an impartial jury could not likely be obtained in the county where the case originated.

In the weeks before jury selection was to begin, the trial judge *sua sponte* implemented a confidentiality agreement that conditioned the early release of the location of jury selection proceedings upon the media's agreement to embargo reporting the location before selection began. Citing the defendant's right to a fair and impartial jury, the trial court implemented the agreement with the intention of preventing media "inundation" of the jury selection venue and to "get a set number of individuals into a jury room and instruct them about not reading, watching, or listening to any news accounts' prior to their exposure to intensive pretrial media coverage."

The confidentiality agreement provided that only those press organizations that signed it would receive early notice of where the jury selection proceedings would be held. In return, those press agencies were prohibited from publishing that information until jury selection.

A group of news organizations moved the trial court to

reconsider implementation of the agreement, arguing that it impermissibly restricted the access to an open judicial proceeding and that it imposed an unlawful prior restraint. The trial court denied the motion, citing the extensive media coverage of the *Anthony* case, and holding that the defendant's Sixth Amendment rights must take precedence over the First Amendment rights of the media.

The next day, several of the news organizations, including WPTV-TV, WFTS-TV, *Naples Daily News*, Scripps Treasure Coast Newspapers (*Stuart News*, *Ft. Pierce Tribune* and *Vero Beach Press Journal*), and *The Associated Press*, sought appellate review of the trial court's order.

In striking down the confidentiality agreement, the Florida Fifth District Court of Appeal, in a per curium opinion issued three days later, held that the trial court cannot selectively disclose a court order or decision to some members of the media while withholding it from others.

Although it threw out the confidentiality agreement, the appellate court found the trial court had not "departed from the essential requirements of the law" in withholding the location of jury selection proceedings until a time proximate to the start of the trial given the exceptional media coverage. "In this case, the trial court has said that it will provide sufficient notice to enable the media to travel to the jury selection location from the Orange County Courthouse prior to the beginning of court proceedings."

Judith M. Mercier, a partner in the Orlando office of Holland & Knight LLP, and Gennifer B. Powell, an associate in the Orlando office of Holland & Knight LLP, represented the news organizations. J. Cheney Mason of J. Cheney Mason, P.A. and Jose Baez and Michelle Medina of the Baez Law Firm represented Defendant Casey Marie Anthony. Lawson Lamar, State Attorney, and Linda Diane Burdick, Jeffrey L. Ashton, and Frank George, Assistant State Attorneys, represented the State of Florida. Robin S. Berghorn, General Counsel, represented the Ninth Judicial Circuit in and for Orange County, Florida.

U.S. Magistrate Judge Denies Motion to Gag Trial Participants in Civil Rights Case Brought By the Southern Poverty Law Center

By Stacey H. Wang

Federal magistrate Judge Andrea M. Simonton, finding no threat to fair trial rights and therefore no violation of local court or state bar rules, denied a private youth prison contractor's motion to gag Southern Poverty Law Center's lawyers (SPLC) in litigation alleging constitutional violations against juveniles by the prison guards. *D.S.I. v. Slattery*, Case No. 10-61902-CIV, 2011 WL 1303167 (S.D. Fla. Mar. 31, 2011). Recognizing the broader context in which impact litigation is set, the magistrate acknowledged at the hearing that the First Amendment protects political speech outside of the courtroom pending litigation, although the magistrate's written ruling did not reach the constitutional issue.

Background

SPLC, on behalf of youths detained at the contractor's privately owned but publicly funded prison, has sued the contractor, its owner and a prison counselor (the "facility"), among others, for damages and an injunction, alleging that the guards systematically abuse the kids incarcerated at the facility. The alleged abuses include, inter alia, the violation of the right of access to their lawyers, denial of Due Process, denial of necessary medical care, denial of adequate and nutritious meals, failure to protect youth from sexual assault by staff and intentional infliction of emotional distress.

The facility, frustrated at SPLC's efforts outside the courtroom to lobby the Florida legislature to terminate the company's contract and SPLC's publicity that cites this and similar actions it has brought in other states, moved to gag all participants. The facility's motion was based upon alleged violations of Local Rule 77.2(a)(7) and the Florida Bar Rule 4-3.6(b) by SPLC lawyers in their interactions with reporters and mobilization of the community group Stop Abusing Our Kids (SAOK). The facility also asked the court to revoke the pro hac vice admissions of the SPLC lawyers.

The facility argued that SPLC was saturating the media with information about the trial as part of a media campaign "to try and convict [the facility] in the local press," "robbing" them of their Seventh Amendment right to an impartial jury, and in violation of the Southern District of Florida Local

Rule 77.2(a)(7) and Florida State Bar Rule 4-3.6(b). Citing *Sheppard v. Maxwell*, 384 U.S. 333, 352-53 (1966), in which the United States Supreme Court emphasized the trial court's obligation to "control" its courtroom, the facility further argued that the parties' First Amendment rights must give way to the defendants' Seventh Amendment right to a fair trial and that prospective protection in the form of a protective order was necessary.

Opposing the facility's motion, SPLC asserted its First Amendment right to engage in core political speech under *In re Primus*, 436 U.S. 412 (1978) and *NAACP v. Button*, 371 U.S. 415 (1963). In light of the constitutional boundaries set forth in these cases, SPLC argued that the Local Rule may not be interpreted as creating any presumptions of a "reasonable likelihood" of interference with a fair trial as defendants suggest. Moreover, SPLC argued, the factual record did not support a finding of a "reasonable likelihood" of interference with a fair trial.

Under Local Rule 77.2(a)(7) of the Southern District of Florida, "[a] lawyer or law firm associated with a civil action shall not during its investigation or litigation make or participate in making an extrajudicial statement, other than a quotation from or reference to public records, which a reasonable person would expect to be disseminated by means of public communication if there is a reasonable likelihood that such dissemination will interfere with a fair trial and which relates to:

- A. Evidence regarding the occurrence or transaction involved.
- B. The character, credibility, or criminal record of a party, witness, or prospective witness.
- C. The performance or results of any examinations or tests or the refusal or failure of a party to submit to such.
- D. The lawyer's opinion as to the merits of the claims or defenses of a party, except as required by law or administrative rule.
- E. Any other matter reasonably likely to interfere with a fair trial of the action."

S.D. Fla. L.R. 77.2(a)(7).

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Florida Bar Rule 4-3.6(b) provides that

A lawyer shall not make an extrajudicial statement that a reasonable person would expect to be disseminated by means of public communication if the lawyer knows or reasonably should know that it will have a substantial likelihood of materially prejudicing an adjudicative proceeding due to its creation of an imminent and substantial detrimental effect on that proceeding.

Under subpart (b) of the Florida Bar Rule, a lawyer may not assist another person in making prohibited statements and must take reasonable care to prevent third parties from making prohibited extrajudicial statements.

At the hearing, defense counsel asserted that numerous articles about the litigation -- regardless of how early in the proceedings they were published -- are forever digitally archived on the Internet and within reach of potential jurors. Defense counsel also submitted purported evidence of communication between SPLC lawyers and reporters and argued that such communications were clear violations of the Local Rules.

Defense counsel further asserted that the proposed protective order, the form of which was approved by and upheld on appeal in another case, was needed in this case to prospectively prevent irreparable damage to the defendants' right to an impartial jury.

SPLC countered that most of the articles were published at the times the complaint and amended complaint were filed and that trial was still months away. Importantly, the publicity targeted by the defendants implicate SPLC's right to exercise core political speech, including protest flyers, communication with legislators, appearances at rallies and appearances by a plaintiff's mother at a legislative hearing.

When compared to the "carnival atmosphere" described in *Sheppard*, 384 U.S. at 358, and other sensationalized criminal cases in which protective orders have been upheld, the actions of SPLC in this case are fundamentally different in kind, as a public interest lawsuit, and the publicity was different in degree, having demonstrated that the articles were in fact not widely circulated in print or on the Internet relative to other recent events occupying news headlines.

At the hearing, the magistrate took interest in when the line might be crossed in the balancing First Amendment rights with the Seventh Amendment right to a fair trial. In response, SPLC recognized the need to tailor their publicity efforts as trial approaches and emphasized that the current debate in the active Florida legislative session about juvenile detention policies makes public dialogue particularly timely.

SPLC argued that in *United States v. Brown*, 218 F.3d 415 (5th Cir. 2000), a case with far more extensive publicity than this case, the Fifth Circuit upheld the district court's entry of a protective order, noting that it was a "close call" and highlighting the fact that the district court had temporarily lifted the gag order to allow *Brown*, a public official, to campaign for reelection. *Id.* at 419, 423. Because the factual record in this case is nowhere near the likes of *Brown*, *Sheppard*, and other cases in which protective orders were upheld, SPLC argued that a protective order should not be entered in this case.

In the court's written order, the magistrate rejected the facility's argument that the language of the Local Rule created a presumption of a "reasonable likelihood" of interference with trial whenever speech falling under subsections (A) through (D) occurs. Instead, the magistrate agreed with SPLC that the Local Rule "[o]n its face" requires that a lawyer or law firms satisfy not only subparts (A) through (E), but also the "predicate language, i.e., that there is a 'reasonable likelihood that such dissemination will interfere with a fair trial.'"

The magistrate expressly declined to reach the First Amendment issue in light of the factual record showing no reasonable likelihood of interference with a fair trial, noting that the facts presented by the defendants were distinguishable from that present in *Sheppard* and in *Brown*. The magistrate found no evidence that the archived online articles were still in active circulation and, to the extent that potential jurors may be able to access past articles electronically, the magistrate ruled that "such concerns are more appropriately addressed at the time of trial." Accordingly, the magistrate held that a protective order was inappropriate and denied the motion entirely.

Stephen F. Hanlon, Stacey H. Wang, and Brian W. Toth of Holland & Knight LLP, in its Washington D.C., Los Angeles and Miami offices, respectively, represented the Southern Poverty Law Center in this matter. Tod N. Aronovitz of Aronovitz Law represented the moving defendants.

Dallas Court of Appeals Affirms Trial Court's Order Unsealing Arbitration Award

Arbitration Award a Court Record

By Gabriela A. Gallegos

The Dallas Court of Appeals recently affirmed the trial court's judgment in favor of Kevin M. Weiss, who sought to unseal the favorable, confirmed arbitration award in a dispute with his former employer, McAfee, Inc. *McAfee, Inc. v. Weiss*, 2011 WL 904402 (Tex.App.—Dallas, March 16, 2011) (No. 05-09-01102-CV).

Weiss was formerly president of McAfee, which terminated Weiss in October 2006. Weiss disputed his termination and filed a claim in arbitration. Before and during the arbitration, McAfee repeatedly published its version of events in press releases that led to significant press coverage and in three years of its public securities filings. As a result of McAfee's public announcements, Weiss filed a separate suit against McAfee for defamation and breach of his stock-option agreements. That suit was consolidated with the employment claims in the arbitration.

The arbitrator issued an 18-page award, ruling in favor of Weiss and against McAfee on all of McAfee's counterclaims. The arbitrator found that McAfee had no cause to terminate Weiss's employment, exonerated Weiss of wrongdoing in connection with McAfee's stock-option backdating problems, and awarded Weiss substantial damages.

Weiss subsequently filed a petition to confirm the arbitration award in Dallas County District Court, attaching a copy of the award to his petition. McAfee moved to seal the petition and award and requested a temporary sealing order. The trial court, the Honorable Carlos Cortez, granted the temporary sealing order but, after hearing the motion to seal in a subsequent hearing, ruled that McAfee had failed to meet its burden under Texas Rule of Civil Procedure 76a to justify sealing the petition and award. The court requested both parties to propose redactions to the award and ordered that the temporary sealing award would stay in effect pending resolution of the issue of redactions. McAfee filed a notice of appeal.

When, the parties could not agree on redactions, on November 23, 2009, the trial court signed a final order denying McAfee's motion for a sealing order, vacating the temporary sealing order, and confirming the arbitration

award. The court further ordered that the redacted version of the arbitration award submitted by Weiss be substituted in the record for the arbitration award initially filed with Weiss's petition.

Court of Appeals Decision

On appeal, McAfee asserted two issues: (1) that the trial court abused its discretion because the arbitration award is not a "court record" within the meaning of Texas Rule of Civil Procedure 76a, and (2) that, even if the award is a court record, the trial court abused its discretion under the sealing standards set forth in Rule 76a.

The Dallas Court of Appeals affirmed the trial court's judgment. First, it held that McAfee waived its argument that the arbitration award is not a "court record" by failing to raise it in a timely manner in the trial court. In the alternative, the appellate court concluded that "the arbitration award plainly comes within the definition of 'court records' found in Rule 76a."

Second, the court concluded that McAfee failed to establish a specific, serious, and substantial interest in confidentiality that clearly outweighed the presumption of openness to the public. After a review of the record, the appellate court found evidence only of McAfee's general interest in confidentiality and determined that the trial court had multiple reasons to unseal the arbitration award.

The appellate court concluded, "McAfee has not shown that the denial of its motion to seal was an abuse of discretion." Resolving both issues against McAfee, the Dallas Court of Appeals affirmed the trial court's judgment that granted Weiss's Motion to Confirm Arbitration Award and vacated the temporary sealing order, unsealing the petition and the redacted arbitration award proposed by Weiss. The Court of Appeals, however, continued the temporary sealing order for forty-five days from the date of its opinion.

Appellee Kevin M. Weiss is represented by Tom Leatherbury and Gabriela Gallegos of Vinson & Elkins L.L.P. in Dallas, Doug Hamel of Vinson & Elkins L.L.P. in Houston, and Scott Fletcher of Jones Day in Houston.

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