

MILRC Media Law Resource Center

MEDIA LAW LETTER

Reporting Developments Through August 30, 2006

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Espionage Act Can Be Applied to Lobbyists for Political Speech

Judge Rejects First Amendment Defense

By Nathan Siegel

This year's most important judicial decision affecting freedom of speech and the press may well be Judge T.S. Ellis' decision permitting *United States v. Rosen, et. al.*, Case No. 1:05cr225, 2006 WL 2345914 (E.D. Va., August 9, 2006), a criminal prosecution not involving the media, to go to trial.

For the first time since the enactment of the Espionage Act in 1917, a federal judge was asked to determine whether the Act may be applied to punish the speech activities of citizens who are not alleged to be either spies or government employees. Judge Ellis concluded that the law may be applied consistent with the First Amendment, and his reasoning sweeps well beyond the particular facts of *Rosen*.

While at times *Rosen's* legal analysis seems almost as opaque as the statute it interprets, the basic outlines of Judge Ellis' construction of the Sections 793(d) and 793(e) of the Espionage Act are fairly clear. Generally, in Judge Ellis' view the Act prohibits anyone from intentionally disseminating government secrets if the persons knows that national security could be harmed. However, if a person only learns and passes on purely oral information – as opposed to tangible materials like documents – the Act only applies if the person also intended to harm national security or aid a foreign nation.

In either case, as long as the government alleges facts in an indictment supporting each of these elements pursuant to the rather liberal standards of criminal pleading, in Judge Ellis' view the First Amendment provides little or no substantive or procedural barriers to such cases reaching trial. In this very important respect, *Rosen* effectively leaves the enforcement of the Bill of Rights in the hands of juries, at least in the first instance.

Judge Ellis' purpose plainly appears to be to make it difficult to successfully prosecute political "speech" in its purest form, but easier to prosecute both leakers and recipients of actual classified documents. His construction of the

statute is novel in a several respects. Whether it fairly reflects Congress's intent, would survive appellate scrutiny, or even makes sense as a policy matter, is open to serious debate.

However, for journalists, scholars and other members of the information media *Rosen's* construction of the law has disturbing implications, though it is not uniformly negative. On the one hand, *Rosen* may provide some practical protection for oral conversations about national security matters with sources. And even in cases involving leaks of classified documents, the opinion is less than clear about what the government must prove about the defendant's state of mind.

On balance, however, *Rosen* represents a significant judicial step towards laying the foundation for potential prosecution of journalists who receive classified documents from government sources.

In Judge Ellis' view the Act prohibits anyone from intentionally disseminating government secrets if the persons knows that national security could be harmed.

The AIPAC Case

This decision arises out of a controversial indictment of two former lobbyists employed by the American Israel Public Affairs Committee ("AIPAC"), a well-known pro-Israel lobbying and advocacy organization. The two employees, Steven Rosen and Keith Weissman, are charged with conspiring with a former Department of Defense official, Lawrence Franklin, to receive and disclose what Sections 793(d) and 793(e) of the Espionage Act call "information related to the national defense."

Specifically, the government alleges that Franklin orally leaked information to the AIPAC employees, some of it classified, related to events in the Middle East. In turn, the AIPAC defendants, knowing that some of the information was classified, discussed it with journalists, Israeli embassy officials and other AIPAC employees. Franklin previously pled guilty to some of the charges and is cooperating with the government.

The AIPAC defendants, however, moved to dismiss the indictment. They argued that the Espionage Act does not proscribe the oral disclosure of intangible information, and

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Espionage Act Can Be Applied to Lobbyists for Political Speech

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alternatively that if it does it is unconstitutional both on its face and as applied to these cases.

Judge Ellis' opinion expresses skepticism about the wisdom of the government's decision to prosecute these defendants, and urges Congress to reconsider whether as a policy matter the Espionage Act's World War I-era language strikes the appropriate balance between national security and free speech interests. Nonetheless, he squarely rejects the defendants' broader statutory and constitutional defenses.

Espionage Act & Oral Communications

One of many novel aspects of this case is that it is apparently the first Espionage Act prosecution to solely target the *oral* communication of "information related to the national defense," as opposed to the dissemination of tangible materials such as classified documents.

As an initial matter, *Rosen* holds that the statute does apply to oral information. Judge Ellis recognized that some provisions of Sections 793(d) and (e) do not make sense if applied to oral communications, particularly its retention provision requiring that any information obtained in violation of the statute be returned to the government. However, he concludes that the apparent absurdity of the retention clause in this context is simply the result of "inadvertence and careless drafting" when the statute was last amended in 1950. Slip op. at 15.

However, *Rosen* does hold that the statute distinguishes between tangible and intangible information in one important respect, making it somewhat more difficult for the government to prevail at trial in a pure speech case. One of the many interpretive difficulties the relevant provisions of the Espionage Act pose is that they appear to contain more than one intent standard. One portion of Sections 793(d) and (e) provides that a person must act "willfully," but another also requires the government to prove that the defendant had "reason to believe that [the information received or communicated] could be

used to the injury of the United States or the advantage of a foreign nation."

Judge Ellis reconciles these provisions by finding that the latter standard applies only to the possession of "information," which he interprets to mean only intangible information. Moreover, he concludes that the "reason to believe" standard requires a "bad faith purpose to either harm the United States or to aid a foreign government" (34). This deliberately high standard may be difficult to meet in the AIPAC case, and even more so in any case involving the normal practice of journalism.

However, in Judge Ellis' view, the "bad faith" standard would not apply in a prosecution arising out of a Pentagon

Papers-type leak of physical documents to a journalist. Thus, the government would have a materially lower burden of proof in such a case.

Indeed, perhaps the most disturbing part of *Rosen* is its transformation of the *dicta* of several Justices in the actual

Pentagon Papers case into virtually a decision of the Court that *The New York Times* and the *Washington Post* violated Section 793(e) by publishing the Pentagon Papers (53-55). Thus, the case that is popularly viewed as the apogee of the Constitution's protection of freedom of the press is slowly being judicially fashioned into a blueprint for what would be one of the most serious assaults upon press freedoms in the history of the Republic.

Is the Espionage Act Constitutional?

After concluding that as a matter of statutory construction the Espionage Act does apply to oral communications, most of Judge Ellis' opinion is devoted to rejecting the constitutional claims by the AIPAC defendants that the statute is vague and violates the First Amendment.

Strikingly, although the opinion purports to primarily address the constitutionality of the statute as applied to this case, apart from the issue of oral communications its reasoning barely touches upon the actual allegations of the indictment. Rather, it attempts to address many of the

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One of many novel aspects of this case is that it is apparently the first Espionage Act prosecution to solely target the oral communication of information related to the national defense

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broader questions surrounding the Espionage Act's potential application to core political speech that have recently been the subject of intense political and scholarly debate.

Vagueness

First, Judge Ellis rejects the defendants' argument that the statute is vague and fails to provide fair warning that the conduct alleged in the indictment was illegal. Specifically, the defendants argued that two provisions of Sections 793(d) and (e) are impermissibly vague: their bar on the disclosure of all information "related to the national defense" to anyone "not entitled to receive it."

Vagueness arguments are commonly raised in Espionage Act cases, and Judge Ellis' analysis relies heavily on prior case law addressing the issue, particularly *United States v. Morison*, 844 F.2d 1057 (4th Cir. 1988), a successful prosecution of a Defense

Department employee who leaked classified intelligence photos to *Jane's Defense Weekly*. He concludes that the judicial gloss these cases impose on the admittedly imprecise language of the statute cures any facial vagueness issue.

Implicitly, Judge Ellis rejects the view often advanced by media advocates that there is a bright-line distinction between speech-related activities like lobbying and journalism, and spying or leaking acts that have been the subject of prior prosecutions under the Act.

"Not entitled to receive" national defense information?

First, Judge Ellis suggests that proof that the defendant knew the information at issue was classified would conclusively demonstrate that the defendant was "not entitled to receive it", thus curing any vagueness problem with respect to this provision (23-25). While the opinion does not formally foreclose the possibility of a prosecution based upon secret information that is not classified, its reasoning would seem to make it very difficult for the government to prevail in any such case.

Indeed, a few days after the opinion was issued Judge Ellis denied a government motion to change the indictment to allege that the defendants had solicited a classified document, on the grounds that the change would be sufficiently material to violate the Fifth Amendment's requirement that charges be presented to a Grand Jury. *United States v. Rosen*, Case No. 1:05cr225 (E.D. Va., August 11, 2006).

What is "information relating to the national defense"?

With respect to the question of what the statute means by information "related to the national defense," Judge Ellis ratifies prior case law construing this provision to encompass "the

Judge Ellis rejects the view often advanced by media advocates that there is a bright-line distinction between speech-related activities like lobbying and journalism, and spying.

type of information that, if disclosed, could harm the United States" – a formulation that is arguably more vague than the statutory language it purports to clarify. Opinion at 20. However, unlike previous cases, Judge Ellis at least attempts to flesh out what this language means, but the end result remains rather opaque.

On the one hand, *Rosen* appears to hold that whether information is potentially harmful to national security is an objective inquiry (albeit presumably for the jury), concerning the "quality of the information" rather than the intended "effect of the disclosure." *Id.* at 34.

On the other hand, Judge Ellis concludes that the statute's requirement of "willful" conduct means that "the defendant must know that the disclosure is potentially harmful to the United States," or at least is "the type of information" that is potentially harmful. *Id.* at 34.

Furthermore, the defendant must act with "a bad purpose either to disobey or to disregard the law." *Id.* at 31-33. And, as previously discussed, in the case of oral communications, the defendant must also proceed with a bad-faith purpose to harm the United States or aid a foreign country.

Taken together, these requirements might assist a journalist-defendant in a Pentagon Papers-type case, to the extent that *Rosen* could be construed to permit an argument that a journalist commits no crime as long as he or she does not believe that the disclosure of the specific documents at issue could actually harm the United States.

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However, it is not entirely clear whether such an argument would be a viable defense under the rationale of *Rosen*, and even less clear whether a defendant could argue that while she recognized some harm to national security might result from disclosure, on balance she believes that the likely benefit to the country outweighed any potential harm.

Yet however these questions might ultimately be answered, it would appear that in Judge Ellis's view they are issues going to state of mind that must be sorted out at trial or even in the jury room, rather than in motions challenging the sufficiency of an indictment.

It is important to note that *Rosen* does not and could not address whether heightened, independent appellate review should be applied to jury findings under the Espionage Act, similar to the scrutiny applied in defamation and other First Amendment cases.

However, at least in the first instance, as long as the government alleges the requisite *mens rea* in the indictment, under *Rosen* there would appear to be few constitutional impediments to a case against a journalist or other citizen proceeding to trial. Indeed, Judge Ellis explicitly rejected the AIPAC defendants' argument that the statute failed to provide them fair warning of their alleged offense because no one has ever been prosecuted under the Act for oral, political speech.

Since "the statute's plain language" contains no exception for such speech activities, *Rosen* holds that the absence of any prior analogous prosecutions is irrelevant. *Id.* at 37-39.

Espionage Act and the First Amendment

Finally, Judge Ellis devotes more than a third of his 68-page opinion to addressing the Defendants' First Amendment arguments. In the abstract, *Rosen* holds that the relevant provision of the Espionage Act must be subject to First Amendment scrutiny, at least as applied to ordinary citizens charged with "the passing of government secrets relating to the national defense to those not entitled to receive them in an attempt to influence United States foreign policy." *Id.* at 40.

Relying on the two concurrences in the *Morison* case that were the most sympathetic to First Amendment interests, Judge Ellis seems to hold that such prosecutions must be subject to general balancing of the "competing social interests"

at stake. *Id.* at 45. Importantly, *Rosen* also emphasizes that national security concerns cannot automatically trump the First Amendment.

However, in reality the First Amendment protections Judge Ellis recognizes seem to mean little, because he concludes that his explication of various provisions of the statute in the first part of his opinion satisfies any possible First Amendment concerns. His First Amendment analysis is not clearly tethered to the facts of this particular case, and relies heavily on his expansive interpretation of the Pentagon Papers case discussed above.

Thus, both as applied and on its face, *Rosen* holds that Sections 793(d) & (e) are narrowly tailored to effect a compelling government interest, i.e. the protection of national security. *Id.* at 63.

One other aspect of *Rosen's* First Amendment analysis also is potentially significant for the media. Judge Ellis distinguishes this case from prosecutions of government leakers under Section 793(d), the provision of the Act that applies only to persons who disclose national defense information they are authorized to possess. Relying on cases such as *Snapp v. United States*, 444 U.S. 507 (1980) that approved contractual restraints against the publication of government secrets by former government employees, *Rosen* holds that leak prosecutions should receive little or no First Amendment scrutiny, because public employees entrusted with keeping official secrets enjoy no First Amendment right to breach that special relationship of trust. *Id.* at 49-51.

Almost in passing, the opinion also notes that "if the government proves the defendants conspired with Franklin in his commission of that offense [793(d)], they may be subject to prosecution as well." *Id.* at 51. While it is not clear, *Rosen* might be construed to suggest that constitutional scrutiny also need not be applied if the person who received classified information is charged only with conspiracy to facilitate the leak, rather than for passing the information on to others.

Many observers have speculated that if the government is interested in prosecuting a journalist, it might focus the charges on leaks from a government source to the journalist pursuant to Section 793(d), rather than the journalist's subsequent communications to the public under Sections 793(e).

While this *dicta* from *Rosen* might be cited in support of such a strategy, within the confines of *Rosen* itself Judge Ellis

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arguably posits a distinction without a difference, since he concludes that Sections 793(d) and (e) as construed by him both survive First Amendment scrutiny anyway.

The Impact of Rosen

While *Rosen* has understandably raised enormous concern in media circles, it is far too early to assess its ultimate impact on the development of the law. Whether Judge Ellis' novel construction of the Espionage Act would withstand appeal is certainly open to question.

For example, *Rosen's* view that the statute's heightened intent standard only applies to oral communications is based largely on the placement of one comma in a statute that contains more than 50 of them, which the same opinion characterizes elsewhere as the product of "careless drafting."

Moreover, *Rosen* does not mention the Fourth Circuit's discussion of the same provisions in *United States v. Truong*, 629 F.2d 908 (4th Cir. 1980), which affirmed a district court's application of the heightened intent standard to charges involving classified documents. The distinction Judge Ellis posits

also begs the question about what happens if someone learns the contents of a document, without obtaining the document.

On the other hand, Judge Ellis's view that the statute's heightened *mens rea* standard actually requires proof of bad faith, if adopted by appellate courts and extended to all forms of national defense information, could provide a significant barrier to prosecutions of journalists. In short, *Rosen* contains a number of elements, some of which make the law worse for the media but others that are potentially helpful.

While *Rosen's* overall treatment of the law is troubling, another court could in theory choose the good and reject the bad. The ultimate resolution of these issues will therefore have an enormous impact on the future state of freedom of speech and the press.

Whether Judge Ellis' novel construction of the Espionage Act would withstand appeal is certainly open to question.

Nathan Siegel is a partner with Levine Sullivan Koch & Schulz LLP in Washington, D.C. The defendants in the case are represented by John N. Nassikas, III, Arent Fox, and Abbe Lowell, Chadbourne & Park.

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The MLRC Institute, a not-for-profit educational organization focused on the media and the First Amendment, has received a grant from the McCormick Tribune Foundation to develop and administer the speakers bureau on the reporter's privilege.

We hope to expand this project so that the reporter's privilege is the first in a number of topics addressed by the speakers bureau.

If you are interested in joining the speakers bureau or in helping to organize a presentation in your area, please contact:

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The Reporter's Privilege

Protecting the Sources of Our News

This Presentation has been made possible by a grant from
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Suggestion for background reading:
Custodians of Conscience by James S. Ettema and
Theodore Glasser. Great source re: nature of
investigative journalism and its role in society as
force for moral and social inquiry.

Presentation note: During the weeks leading up to
your presentation, consider pulling articles from local
papers quoting anonymous sources -- circle the
references to these sources as an illustration for the
audience of how valuable they are for reporters.

A Federal Shield Law?

- Bipartisan proposals for federal shield law in face of increased threats
- -- Need for nationwide uniformity
 - √ Reporters need to know the rules so they can do their jobs
 - √ Would-be whistleblowers and other potential sources need to be able to predict the risks
 - √ Will cut down on costly litigation over subpoenas

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What Is the "Reporter's Privilege"?

Various rules protecting journalists from being forced, in legal and governmental proceedings, to reveal confidential and other sources.

- Sometimes also protects unpublished notes and other journalistic materials

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3

Second Circuit Rules Against New York Times in Phone Records Case

By George Freeman

A divided U.S. Court of Appeals for the Second Circuit this month vacated Federal District Judge Robert Sweet's decision which had granted a motion by The New York Times that federal prosecutor Patrick Fitzgerald could not obtain or review phone records of two of its reporters sought in a grand jury subpoena on third-party phone companies. *New York Times v. Gonzales*, No. 05-2639, 2006 WL 2130645 (2d Cir. August 1, 2006) (Winter, Kears, Sack JJ.)

Background

Patrick Fitzgerald, acting here not as a special prosecutor, but as U.S. Attorney for the Northern District of Illinois, is investigating leaks to New York Times reporters Judy Miller and Phil Shenon in December 2001 about impending government actions against two Islamic charities.

Mr. Fitzgerald asked for The Times cooperation in identifying the leakers in the summer of 2002. After the Times refused to cooperate, the matter lay dormant for two years till the summer of 2004, when Fitzgerald informed The Time that he was prepared to subpoena phone companies for the records of the two reporters for a period of weeks in late 2001 in aid of his investigation into the identities of their sources.

The Times then engaged Floyd Abrams and Ken Starr to write Deputy Attorney General James Comey to consider how a conflict between the newspaper and the government could be avoided. The government, however, refused to meet with The Times' lawyers. Soon thereafter, the Times filed a declaratory judgment action in the Southern District of New York seeking to restrain Fitzgerald from obtaining the phone companies' records of the Times reporters and from reviewing them if , as The Times suspected, he had already subpoenaed the phone companies and they had forwarded the records to him.

In October 2004 the government moved to dismiss the complaint; the parties then filed cross summary judgment motions. In January 2005 Judge Sweet denied the govern-

ment's motions and granted The Times' summary judgment motion. See 382 F.Supp.2d 457 (S.D.N.Y. 2005).

First, Judge Sweet ruled that the declaratory judgment approach was proper, particularly since no subpoena had been issued to The Times and since the Times had not been informed whether the phone companies had, in fact, been subpoenaed. Second, he ruled that The Times did have discretion to file such an action in the Southern District of New York, rather than the Northern District of Illinois where the grand jury was seated.

On the substance, Judge Sweet found that the reporters' telephone records were protected against compelled disclosure which could identify their confidential sources

The majority never really set forth what the standard for enforcing a subpoena was, but concluded that whatever it was, Fitzgerald had met the test.

by two qualified privileges. He found that a qualified privilege existed both under First Amendment law and under federal common law pursuant to Federal Rule of Evidence 501; that the traditional three part test as modified by the Second Circuit's ruling in *NBC v. Gonzales* was the standard to be met;

that this standard applied even in the case of a grand jury subpoena; and that the test had not been met by the showing made by prosecutor Fitzgerald.

Fitzgerald had merely averred that alternative sources had been exhausted, without giving the court any evidence of what his attempt at exhaustion had been; moreover Judge Sweet accepted The Times' argument that the subpoena was overbroad since it had sought the phone records of the two reporters for a three week period in the fall of 2001 when each reporter had been working with many confidential sources on articles having nothing to do with the Islamic charities.

Second Circuit Decision

On appeal, Judge Winter (who had not attended the oral argument), joined by Judge Kears, disagreed. Judge Sack dissented. First, the majority agreed with Judge Sweet that the Times' novel tactic of filing an action under the Declaratory Judgment Act, in lieu of a motion to quash the subpoena, was proper. However, that was where the majority's agreement with Judge Sweet ended.

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Second Circuit Rules Against New York Times in Phone Records Case

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The majority never really set forth what the standard for enforcing a subpoena was, but concluded that whatever it was, Fitzgerald had met the test. Though the court in no way repudiated prior Second Circuit precedent recognizing a qualified privilege in criminal cases, at the same time it emphasized the various rather unfavorable opinions in *Branzburg*. However, the Court's decision seemed to be led by its view that the conduct of The Times' journalists was questionable in that after receiving the leak which Fitzgerald was investigating, they "tipped off" the charities as to the impending government action.

The facts in the records are not as negative as portrayed in the majority opinion. As Judge Sack carefully pointed out in his dissent, Mr. Fitzgerald never alleged that Times reporters had tipped off the charities as to an imminent government raid; his papers spoke more vaguely of tips about government activities. Also to the extent discussion was had about the freezing of government assets, this had been widely publicized and expected for weeks and could have been no surprise to the charities.

Nonetheless, largely based on the facts of the case – therefore rendering this opinion fairly irrelevant with respect to Second Circuit precedent – the Court concluded that because "the government has a compelling interest in maintaining the secrecy of imminent asset freezes or searches lest the targets be informed and spirit away those assets or incriminating evidence" and since The Times' reporters' actions were therefore central to the investigation, no privilege could overcome the government's need for the phone records that could help determine the identity of the leakers.

To The Times' argument that the request for many weeks worth of third-party phone records was overbroad, the court, somewhat disingenuously, suggested that The Times could prevent that harm by merely redacting the phone records having nothing at all to do with this case—ignoring the obvious fact that any such redaction would lead the prosecutor directly to their confidential sources. The court said that this analysis pertained both to the First Amendment privilege and to any common law privilege, thereby given additional credence to the existence of the common law privilege.

Judge Sack's Dissent

In a masterful and erudite opinion, [Judge Sack dissented](#). He began by emphasizing common ground with the majority on a number of important points: the appropriateness of the declaratory judgment motion in a third-party subpoena situation, the fact that whatever qualified privilege existed pertained to a subpoena on the phone companies in exactly the same way it would pertain to the reporters themselves, and that, as Second Circuit law made clear, a qualified privilege exists in criminal cases, and that such privilege is, broadly speaking, similar to the guidelines which the Department of Justice itself propagated.

Particularly relevant in the context of the current environment where one feels an erosion of the reporters privilege, Judge Sack wrote that without judicial protection, "reporters might find themselves, as a matter of practical necessity, contacting sources the way I understand drug dealers to reach theirs – by use of clandestine cell phones and meetings in darkened doorways. Ordinary use of the telephone could become a threat to journalists and sources alike. It is difficult to see in whose best interest such a regime would operate."

Judge Sack then artfully outlined that the key weakness in the majority's approach was to accept the prosecutor's conclusory showing that the test had been met without requiring any facts or evidence. He contended that by taking the prosecutor totally at his word and not requiring a true showing, the majority was, in effect, abdicating its responsibility in monitoring whether and how federal prosecutors can compel information.

Judge Sack then went on to underscore the importance of a common law privilege, particularly since the constitutional protection is limited by whatever interpretation one gives the United States Supreme Court's decision in *Branzburg*.

He noted that the *Jaffee* test for the existence of a common law privilege was "easily – even obviously" met because: "[t]he protection exists. It is palpable; it is ubiquitous; it is widely relied upon; it is an integral part of the way in which the American public is kept informed and therefore of the American democratic process."

Finally, similar to Judge Tatel's opinion in the *Judy Miller* case, Judge Sack recognized that the traditional

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Second Circuit Rules Against New York Times in Phone Records Case

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qualified privilege, and three-part test, is an inadequate standard in leak cases since a reporter typically is an eye-witness to the crime and, hence, critical, and since an unsuccessful internal investigation would always overcome the exhaustion prong of the test.

“It seems clear to me that such a result does not strike the proper balance between the needs of law enforcement and of the press because, typically, it strikes no balance at all.” Judge Sack therefore suggested that a public interest factor be included in the test; while they are similar, he preferred the wording in the pending Shield Law in Con-

gress to Judge Tatel’s formulation. Thus, he would add to the test an examination of the public interest in compelling disclosure weighed against the public interest in newsgathering and the dissemination of information to the public.

The Times is considering seeking reconsideration by the entire court en banc.

George Freeman, in-house counsel with the Times represented the paper in this matter together with Floyd Abrams, Susan Buckley and Brian Markley of Cahill Gordon & Reindel.



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Imprisoned Freelance Videographer Seeks Reversal Of Contempt Citation

By Theodore J. Boutrous, Jr., and Michael H. Dore

On August 1, 2006, the District Court for the Northern District of California ordered that freelance videographer Joshua Wolf be held in civil contempt and jailed for his refusal in response to a grand jury subpoena to produce unaired video footage he shot during a demonstration in San Francisco, California, almost one year earlier. *In re Grand Jury Proceedings; Joshua Wolf*, No. 06-90064 (N.D.Cal. Aug. 1, 2006) (Order denying motion to quash available [here](#).)

The court refused to stay its order or set bail, and ordered Wolf to be immediately incarcerated for a period not to exceed the expiration of the grand jury's term in July 2007.

The district court assumed Wolf should be treated as a journalist, but rejected, among other things, Wolf's claim that the First Amendment to the U.S. Constitution requires recognition of a reporter's privilege that would protect Wolf from being compelled to disclose his unpublished material. The court also stated its belief that the United States Supreme Court rejected the existence of a reporter's privilege under federal common law in *Branzburg v. Hayes*, 408 U.S. 665 (1972).

On August 3, 2006, Wolf filed his appeal of the district court's contempt order in the U.S. Court of Appeals for the Ninth Circuit. The Reporters Committee for Freedom of the Press, the WIW Freedom to Write Fund, the Society of Professional Journalists, and the California First Amendment Coalition filed an *amici curiae* brief (available [here](#)) in support of Wolf; the American Civil Liberties Union also filed an *amicus curiae* brief (available [here](#)) on Wolf's behalf. Briefing in the appeal concluded on August 21, 2006, and a decision from the Ninth Circuit is expected by early September 2006.

July 2005 Protest

On July 8, 2005, a San Francisco protest tied to a meeting of world leaders in Scotland turned violent. One officer with the San Francisco Police Department was assaulted and suffered a fractured skull. In addition, there was, according to an assistant U.S. Attorney during Wolf's

contempt hearing, a "potential attempted arson" of a San Francisco city police car. State authorities eventually contacted federal investigators for assistance, and a federal grand jury was convened to determine whether any federal crimes had been committed in conjunction with the protest.

So far, the only federal crime cited by federal prosecutors is a potential violation of 18 U.S.C. § 844(f), which outlaws an attempt to "damage or destroy, by means of fire or an explosive, any building, vehicle, or other personal or real property in whole or in part owned or possessed by, or leased to . . . any institution or organization receiving Federal financial assistance." According to the government, federal anti-terrorism funding to the City of San Francisco makes the city's police car subject to the statute.

During the course of its investigation, federal law enforcement learned that Joshua Wolf had videotaped portions of the San Francisco protest. Wolf is a freelance journalist who was covering the protest and its alleged anarchist participants for his weblog. He posted portions of his footage on his website and sold a video clip of the protest to Indymedia and television networks NBC, KTVU and KRON.

On February 1, 2006, Wolf was served with a grand jury subpoena ordering him to appear before the grand jury and to bring with him any and all video-related materials in his possession that related to the July 8, 2005 protest.

Motion to Quash

Wolf moved to quash the government's subpoena. Wolf pointed out that had he been subpoenaed in state court, California's shield law which establishes absolute protection for confidential sources as well as non-confidential but unpublished news material would protect him from being forced to divulge the unpublished portions of the videotape. *See* Cal. Const. art. I, § 2(b); Cal. Evid. Code § 1070(b). Nevertheless, Magistrate Judge Maria-Elena James denied Wolf's motion. Wolf filed a motion for *de novo* review of Magistrate Judge James's order before U.S. District Judge Maxine Chesney. This motion, too, was denied.

The grand jury subpoena was re-served on Wolf, who appeared before the grand jury but refused to turn over the unpublished video footage demanded as part of the grand jury

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subpoena. Among other things, Wolf claimed that his unpublished footage showed neither the assault on the San Francisco police officer nor the alleged potential attempted arson on the police car.

The parties then appeared before U.S. District Judge William Alsup, who refused to review Wolf's unpublished footage in chambers to evaluate whether it showed what happened to the police car. Judge Alsup stated that "[t]hat's what the grand jury is for," and ordered Wolf to comply with the grand jury subpoena. Wolf continued to refuse to do so, arguing that the First, Fourth, and Fifth Amendments to the United States Constitution protected him from being compelled to disclose his unpublished newsgathering materials.

On July 7, 2006, the government requested an order to show cause why Wolf should not be held in civil contempt. Judge Alsup conducted a hearing on the government's request and ruled that Wolf was in civil contempt for refusing to comply with the grand jury subpoena. In making his ruling, Judge Alsup held, among other things, that Wolf was not protected by a reporter's privilege under the First Amendment.

According to Judge Alsup, the Supreme Court's *Branzburg* decision precludes recognition of a First Amendment privilege in the grand jury context. Judge Alsup also relied on *In re Grand Jury Proceedings (Scarce)*, 5 F.3d 397 (9th Cir. 1993), to hold that the Ninth Circuit does not apply a balancing test under the First Amendment in the grand jury context unless "you can show some kind of abuse." According to Judge Alsup, there had been no abuse and Wolf was not protected by any First Amendment reporter's privilege.

Judge Alsup also rejected the existence of a reporter's privilege under federal common law. He acknowledged that some judges have recognized a common law reporter's privilege arising from Rule 501 of the Federal Rules of Evidence, for instance Judge Tatel of the D.C. Circuit in his concurrence in the *Judith Miller* case.

In Judge Alsup's view, however, Wolf's case was distinguishable because it did not involve confidential sources. In addition, according to Judge Alsup, *Branzburg* "rejected the whole idea of a federal common law privilege." Never-

theless, Judge Alsup applied his own balancing test in which he viewed the opposing interests to be a "small interest" seeking to protect "the clippings on the cutting room floor" versus "a very legitimate need of the law enforcement to have direct images of who was doing what in public to that police car." Judge Alsup found the latter to be the superior interest, and thus the case was "a slam dunk for the government."

Efforts to Overturn Contempt Order

Wolf filed an appeal in the Ninth Circuit on several grounds. Among other things, Wolf claimed that he was entitled to protection under the First Amendment; the Fifth Amendment; a common law reporter's privilege under Rule 501; and Federal Rule of Criminal Procedure 17(c), which renders unenforceable any subpoena that is "oppressive."

In their *amici curiae* brief, the journalists' groups argued that the Supreme Court's decision and reasoning in *Jaffee v. Redmond*, 518 U.S. 1 (1996), requires recognition of a common-law reporter's privilege under Rule 501 of the Federal Rules of Evidence. They noted that two federal appellate judges, Judges Tatel and Sack, recently have thoroughly examined the issue and found that such a privilege exists based on *Jaffee*. See *In re Grand Jury Subpoena to Judith Miller*, 438 F.3d 1141 (D.C. Cir. 2005), *cert. denied*, 125 S. Ct. 2977 (2005); *id.* at 1170-72 (Tatel, J., concurring); *New York Times Co. v. Gonzales*, 2006 U.S. App. LEXIS 19436 at *59 (2d Cir. Aug. 1, 2006) (Sack, J., dissenting).

The journalists' groups also pointed out that the Ninth Circuit decisions on which the district court relied to reject a common-law privilege were decided before *Jaffee*, and thus are not controlling. Moreover, they contended that the Ninth Circuit's rationale in adopting a First Amendment-based privilege in *Shoen v. Shoen*, 5 F.3d 1289 (9th Cir. 1993), directly supports recognition of common law protection for unpublished information.

In *Shoen*, the court declared that "the compelled disclosure of non-confidential information harms the press' ability to gather information . . . by converting the press in the public's mind into an investigative arm of prosecutors and

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the courts.” *Schoen*, 5 F.3d at 1295. Since the government did not explain what efforts it has undertaken to exhaust alternative sources of the information it seeks, including possible eyewitnesses from law enforcement who were present during the public demonstration, and the district court did not conduct any sort of exhaustion analysis, the journalists’ groups argued that the contempt citation should be reversed under a common-law privilege modeled after the three-part balancing test established in *Shoen*. (In its answering brief on appeal, the government did not address this exhaustion argument, nor did it take the opportunity to explain any government efforts to obtain the information it seeks from alternative sources.)

In its *amicus* brief, the A.C.L.U. focused on the existence of a reporter’s privilege under the First Amendment. It argued that the district court’s ruling did not satisfy the First Amendment standards, enunciated by the Ninth Circuit, which require a judicial balancing of the interests in compelling disclosure against the interests weighing against disclosure. It also contended that when the district court refused to review Wolf’s unpublished videotape *in camera* to determine whether it included footage related to the potential attempted arson, the district court abdicated its role in weighing those competing interests. Thus, according to the A.C.L.U., the First Amendment interests that went unconsidered by the district court require reversal of its order finding Wolf in contempt.

Conclusion

Wolf’s case involves a blogger filming a local protest, but it has serious implications for all journalists as well as major news organizations, since the court treated Wolf as a journalist. The government has made an exceedingly weak showing in a case that has an extraordinarily flimsy connection to federal law enforcement needs and this perhaps will persuade the Ninth Circuit to reverse the contempt citation and release Wolf from prison.

Theodore J. Boutrous, Jr., is a partner in the Los Angeles office of Gibson, Dunn & Crutcher LLP and Co-Chair of the firm’s Media Law Practice Group; Michael H. Dore

is an associate in the firm’s Los Angeles office and member of the group. The authors, along with Gibson Dunn associates William E. Thomson and Amanda M. Rose filed the brief of amici curiae Reporters Committee for Freedom of the Press, WIW Freedom to Write Fund, Society of Professional Journalists, and California First Amendment Coalition in support of Joshua Wolf in his Ninth Circuit appeal seeking reversal of the civil contempt order issued against him by the District Court for the Northern District of California.

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California District Court Denies Reporters' Motion to Quash Subpoenas in BALCO Leak Investigation

A California federal district court this month denied a motion to quash grand jury subpoenas to *San Francisco Chronicle* reporters Lance Williams and Mark Fainaru-Wada in the ongoing criminal investigation into the leak of grand jury transcripts to the reporters. *In Re Grand Jury Subpoenas*, No. CR 06-90225, 2006 WL 2354402 (N.D. Cal. Aug. 15, 2006) (White, J.).

Although Judge Jeffrey White was mindful of the "important policy considerations" at stake, he concluded he was bound by *Branzburg*, and the facts of the case, to reject the reporters' claims of a qualified or common law privilege.

The reporters were subpoenaed over a series of articles they wrote in 2004 growing out of the criminal investigation of the Bay Area Laboratory Co-Operative ("BALCO") and its principal, Victor Conte, for distributing steroids and other performance enhancing drugs to numerous prominent athletes. Among the prominent witnesses before the grand jury were baseball players Barry Bonds and Jason Giambi.

Conte and several other men were later charged with illegal distribution of steroids. Prosecutors gave the defendants 2,000 pages of grand jury evidence, including the testimony of Bonds and Giambi. The transcripts were subject to a protective order prohibiting dissemination to the press.

In the summer and fall of 2004, the reporters published several stories quoting testimony from the BALCO grand jury investigation. The reporters' articles about the widespread use of steroids in sports led to Congressional hearings on the subject and spurred Major League Baseball to revamp its player testing policies.

The leak of the grand jury transcripts was referred to the Department of Justice for investigation. Approximately a year and a half later, in April 2006 the government issued subpoenas to the reporters seeking their source(s) for the grand jury transcripts.

No Qualified Privilege

In a clipped tone, the court first held that the reporters had no First Amendment-based privilege to resist the grand jury subpoenas, finding that *Branzburg* "means exactly what it says, namely that the First Amendment does not provide a news gatherer a privilege to refuse to testify before a federal grand jury regarding information received in confidence." And, the court added, it is not the only court to reach this

conclusion, citing this month's Second Circuit decision in *New York Times v. Gonzales* and the *Miller* and *Taricani* cases in the D.C. and First Circuit Courts of Appeal.

Moreover there was no evidence that there was any abuse of the grand jury process. Indeed, as is inevitable in the context of a leak investigation, the information sought was "central" to the investigation.

No Common Law Privilege

The court also declined to recognize a common law privilege. "Unless and until the Supreme Court states that a common law reporter's privilege exists, or unless Congress enacts such a privilege, *Branzburg's* mandate is binding."

Echoing other recent Courts of Appeal decisions, the court added that, in any event, a common law privilege would be overcome in a criminal leak inquiry where, as here, the government alleges it exhausted all reasonable alternatives to discover the source.

The court specifically rejected applying the heightened balancing test proposed by Judge Tatel in the *Miller* case, 438 F.3d 1175 (D.C. Cir. 2005) (Tatel, J. concurring). The court reasoned that factoring in the "leaked information's value" – as proposed by Tatel – would require courts to "place greater value on the reporting of certain news stories over others," an inquiry the court suggested would amount to legislating rather than interpreting the law.

FRCP 17

Finally, the court declined to quash the subpoenas under Federal Rule of Criminal Procedure 17 (c) (2) which allows a court to quash or modify a subpoena if compliance would be unreasonable or oppressive.

The reporters argued that enforcement of the subpoenas would be oppressive because it would harm their relationships with confidential sources. But such "generalized" assertions, the court concluded, do not satisfy the burdens of Rule 17.

The court's ruling is being appealed to the Ninth Circuit.

The reporters are represented by Eve Burton, Jonathan R. Donnellan, Kristina E. Findikyan, The Hearst Corp.; Floyd Abrams and Susan Buckley, Cahill Gordon & Reindel, New York, NY; and Gregory Lindstrom, Latham & Watkins, San Francisco.

Judge Awards \$240,000 Punitives in Vanity Publisher Libel & Privacy Case Added to \$230,000 Compensatory Award by Jury

Three months after a Kansas jury awarded \$230,000 damages to best-selling romance author Rebecca Brandewyne and other members of her family against a vanity publisher, the trial judge has awarded an additional \$240,000 in punitive damages on the plaintiffs' libel and privacy claims. *Brandewyne et al. v. Author Solutions, Inc. d/b/a AuthorHouse*, No. 04 CV 4363 (Dist. Ct. Sedgwick County Aug. 2, 2006). See *MLRC MediaLawLetter*, May 2006 at 24.

Background

AuthorHouse is a "self-publishing company" based in Bloomington, Indiana. The company does not review the books that it publishes beyond minor copyediting. In 2003, it published a book entitled, "Paperback Poison: the Romance Writer and the Hit Man."



Rebecca Brandewyne

The book was written by Brandewyne's ex-husband, Gary Brock, and his current wife Debbie Brock, with the help of ghostwriter, Rusty Fischer.

Among other things, the book alleged that Brandewyne had adulterous affairs with men and women, abused her child, abused drugs, plagiarized other authors' works and hired a hit man to kill her ex-husband. The book also alleged that Brandewyne's mother was an adultress, a racist and an embezzler, and that her father was a member of the KKK.

Brandewyne, her current husband and her parents sued AuthorHouse and the Brocks, as well as ghostwriter Fischer, for libel, outrage and invasion of privacy. The claims against Gary Brock were dismissed without prejudice after he filed for bankruptcy, see Gary Dean Brock, Bankr. No. 05-19362 (Bankr. D. Kan. filed Oct. 14, 2005), and claims against Rusty Fischer and Debbie Brock were settled for a combined \$9,000.

Last year, Gary Brock was convicted and sentenced to 100 days in jail for filing a false police report after leaving a fake bomb on his own porch and the telling police his ex-wife had left it there.

Trial

During a week-long trial in May, plaintiffs presented evidence that Brock told AuthorHouse that the book was about real people and that his purpose in publishing the book was to get revenge on his ex-wife. Brock also told the publisher that the book had been rejected by AuthorHouse's primary competitor iUniverse because of concerns with libel. An internal memo showed that the company discussed the issue, but made no effort to vet the book. On the privacy claims, the jury apparently agreed that the book contained personal information about the plaintiffs that did not involve any matters of public interest.

The jury returned a verdict for plaintiffs on all their claims, awarding \$200,000 to Brandewyne and \$10,000 each to her parents and husband. The jury also ruled that plaintiffs were entitled to punitive damages from AuthorHouse.

The trial court had ruled that Brandewyne was a private figure for purposes of her defamation claims, but the jury received an actual malice instruction for awarding punitive damages.

Punitive Damages Award

Under Kansas law there is a bifurcated procedure for awarding punitive damages. Kan. Stat. § 60-3702(b). The jury determines whether the defendant engaged in "wanton" conduct, but the amount of the punitive damages is determined by the trial judge after a separate hearing. The hearing on punitives was held May 25.

In his decision this month awarding punitive damages, Judge Jeff Goering found that AuthorHouse ignored obvious red flags about the book. "Every employee involved in the decision making process ... had to have made a conscious decision to ignore a clear warning that the book was defamatory, or to pass the buck on to someone else."



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**Judge Awards \$240,000 Punitives in
Vanity Publisher Libel & Privacy Case**

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“While an online publisher cannot be expected to read every book from every customer,” Judge Goering wrote in his decision, “given Brock’s description of his own book, a responsible publisher would make some effort to screen the content of the book at issue in this case before accepting it for publication.”

Goering did give Authorhouse credit for acting quickly to limit distribution once it discovered the nature of the book’s contents, removing it from sale on its website and destroying the 50 copies in inventory. (Brock distributed 21, and three books were sold.) But Goering

noted that it was already too late. “The misconduct in this case is Defendant Authorhouse’s failure to act when it had information that would have placed a prudent publisher on notice that the content of Brock’s book was harmful to the Plaintiffs,” Goering wrote.

The court awarded \$200,000 to Brandewyne, and \$20,000 each to her parents.

The plaintiffs were represented by Jay Fowler of Foulston Siefkin LLP, Wichita, Kansas. Robert Clemens and Bernie Keller of Bose McKinney & Evans LLP in Indianapolis, and Eldon Boisseau, Wichita, Kansas, represented the defendant.

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Puerto Rican Court Awards \$260,000 in Damages on Claims Against Gossiping Puppet

This past March a Puerto Rican court awarded \$260,000 in damages in a libel case involving one of Puerto Rico's most popular television characters, a gossiping puppet called "La Comay." (in Spanish, the Godmother) *Krans Bell v. Santarrosa*, KDP 2002-0545 (P.R. Super. Ct., March 7, 2006).

This is the second largest libel trial award in Puerto Rico, after the \$1.8 million trial award in *Iris Meléndez Vega v. El Vocero de Puerto Rico* (now on appeal).

Background

Plaintiff
Adolfo Krans Bell, the ex-husband of former Puerto Rico Governor Sila Maria Calderon, and his children sued puppeteer



Antulio "Kobbo" Santarrosa and Televiscentro (WAPA-TV), a Puerto Rican station owned by LIN TV Corporation.

Televiscentro airs an independently-produced program called "SuperXclusivo" – which is described as a "live gossip show" that "presents entertainment and celebrity inside-information in a fun manner." Among the regular features of the show are skits where "La Comay," voiced by Santarrosa, gossips about celebrities and public officials – often qualifying scandalous accusations with the phrase "apparently and allegedly."

On the August 3, 2001 program, "La Comay" stated that Krans, who at the time was married to then-Governor Calderon, was having an extramarital affair, and had given his paramour expensive gifts, including a car and a ring worth \$5,000. "La Comay" also held up a videocassette claiming it contained a tape showing Krans with his girlfriend

Plaintiffs sued for defamation, emotional distress and outrage. They asked for \$5.5 million in damages, a figure based in large part on losses suffered by Krans' insurance company, Adolfo Krans & Associates.

Bench Trial

The case was tried before Judge Awilda Mejias Rios. Under local law, civil litigation is always tried to the court, without a jury. Among other things, Judge Rios ruled that plaintiff was

a public figure who had to prove actual malice. She also ruled that Santarrosa was a journalist for purposes of the lawsuit – a ruling that was protested by both the Asociacion de Periodistas de Puerto Rico and the local chapter of the Overseas Press Club. Both organizations argued that the gossip show was not legitimate news or journalism.

During his trial testimony, Santarrosa stated he had no knowledge whether the allegations were true or false, but relied on information provided to him by the show's investigative reporter and interviewer, who assured him the information was true. In discovery, though, the reporter, under contract with Santarrosa, claimed that he warned Santarrosa that he had no corroborating evidence or video of the allegations of infidelity. (The reporter was excused from testifying during the trial because he was undergoing treatment for depression and anxiety at a hospital). Santarrosa also admitted at trial that the tape he had displayed on the show was blank.

Among the witnesses for the plaintiffs was Puerto Rico television news anchor Carmen Jovet, who testified that Santarrosa violated journalistic standards by broadcasting unverified information. Plaintiff also presented three expert witness in an attempt to show that he and his insurance company sustained substantial losses.

Ruling for plaintiffs, the court found that Santarrosa violated basic journalistic principles and published the statements about the plaintiff with reckless disregard for truth and thus with actual malice. In support of the actual malice finding, the court gave great weight to Santarrosa's on air statement that he had a video that would prove the plaintiff's infidelity, even though he knew there was no such evidence. The court awarded \$180,000 in compensatory damages to Adolfo Krans and \$20,000 to each of his four children. It dismissed Krans's claims for economic damages.

The decision has been appealed by all parties to the Intermediate Court of Appeals. Televiscentro is appealing the finding on the outrage claim, and arguing that the damages were excessive, while Santarrosa is asking the appeals court to reverse the finding of actual malice. The plaintiffs argue that the trial court should have awarded economic damages.

Televiscentro was represented a trial by Juan R. Marchand-Quintero and Francisco Ortiz-Santini. Mr. Santarrosa was represented by Jose E. Colon Rodriguez. Plaintiffs were represented by Angel Tapia Flores.

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Business Attire

“Lord of the Dance” Sidesteps SLAPP Motion

Illegal Conduct Not Protected By Statute

By Karl Olson & Erica L. Craven

In what might best be summarized as “bad facts make bad law,” the California Supreme Court has, in the words of one concurring justice, needlessly injected “doctrinal confusion” into the state’s anti-SLAPP statute. *Flatley v. Mauro*, 39 Cal. 4th 299 (Cal. July 27, 2006).

Background

The ruling came in a case involving well-known entertainer Michael Flatley, “Lord of the Dance,” and one of the world’s most over-the-top demand letters. An Illinois lawyer, D. Dean Mauro, sent Flatley’s attorneys a letter that threatened to go to the press with his client’s allegations of rape stemming from an encounter in Las Vegas that Flatley believed was consensual.

Mauro’s demand letter, and subsequent phone calls, threatened to disclose the rape allegations to more than two dozen media outlets worldwide and publicize the allegations at every place where Flatley and his dance troupes “are performing everywhere in the world” if Flatley didn’t pay his client a seven-figure sum. Mauro also threatened to go to immigration and tax authorities and the police department if Flatley didn’t settle.

After referring Mauro’s demands to the FBI for investigation, Flatley sued Mauro and his client in California state court for civil extortion, intentional infliction of emotional distress and wrongful interference with economic advantage. Mauro responded with a special motion to strike Flatley’s complaint under California’s anti-SLAPP statute, California Code Civ. Proc. §425.16, arguing that the letter was a pre-litigation settlement demand and, therefore, arose from Mauro’s exercise of his constitutionally protected rights.

California Supreme Court Decision

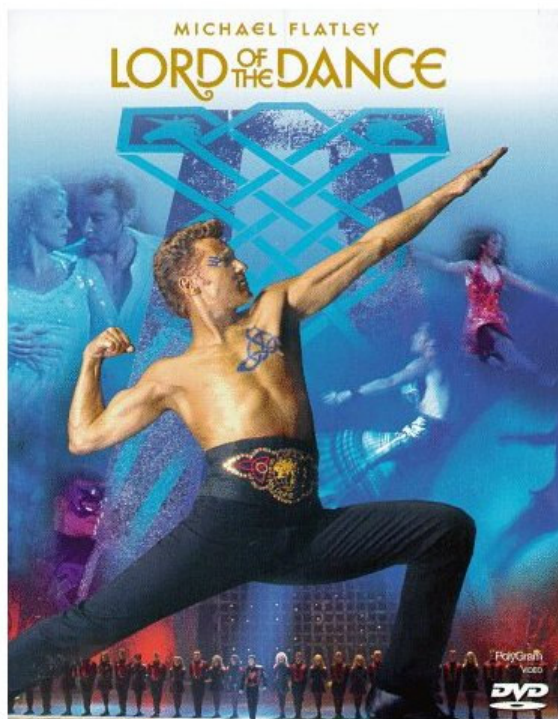
The California Supreme Court first noted that California’s anti-SLAPP statute was enacted to prevent and deter lawsuits (Strategic Lawsuits Against Public Participation or “SLAPP’s”) “brought primarily to chill the valid exercise of constitutional rights of freedom of speech and petition for redress of grievances.”

The Court explained that the anti-SLAPP statute set up a summary judgment like procedure where the trial court evaluates, *first* whether defendant’s acts of which the plaintiff complains were ones taken in furtherance of the defendant’s constitutional rights of petition or free speech, and *second*, whether there is a probability that plaintiff will prevail on the underlying claim.

While the Court recognized that the anti-SLAPP statute’s first prong had been applied to protect demand letters and other pre-litigation communications, it held that the defendant’s conduct – extortion – was illegal as a matter of law the conduct was unprotected by constitutional guarantees of free speech. In such cases, the Court found, the anti-SLAPP statute does not apply and there is no need to examine whether the plaintiff has a probability of success on the merits.

In its decision – which represents the first time that the media’s position represented in amicus

briefs filed on anti-SLAPP issues wasn’t adopted – the Court carefully defined when such a finding could be made: “In such a narrow circumstance” where either the “defendant concedes, or the evidence conclusively establishes” that the conduct is illegal as a matter of law, the motion must be denied. If there is a dispute about legality, the issue must be resolved in connection with the second prong of the anti-SLAPP statute, whether there is a probability of success on the merits.



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“Lord of the Dance” Sidesteps SLAPP Motion

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Media Amicus Brief

California media filed an amicus brief with the California Supreme Court arguing that the Court should examine whether conduct is illegal under the second prong of the anti-SLAPP statute, whether the plaintiff has a probability of success on the merits, rather than under the first prong of the statute, whether the statute applies. Justice Werdegar, who had written many of the Court’s prior anti-SLAPP opinions expansively applying the statute, agreed in a concurring opinion, explaining that the “illegal as a matter of law” exception is inappropriate and that the majority opinion may well “sow doctrinal confusion” into the anti-SLAPP case law.

The impact the decision will have on the media’s ability to secure early dismissal of suits under the anti-SLAPP statute is likely to be slight, because if a plaintiff can “conclusively establish as a matter of law” that the conduct defendant alleges was taken in furtherance of his or her constitutional rights of petition or free speech is “illegal as a matter of law,” the plaintiff would have defeated an anti-SLAPP motion on the second prong anyway.

The opinion will, however, be cited by plaintiffs who will argue that the media’s conduct was “illegal as a matter of law” and may “sow doctrinal confusion” among judges who are unfamiliar with the somewhat technical aspects of anti-SLAPP litigation.

Media counsel should point out the “narrow circumstances” in which conduct may be deemed “illegal as a matter of law” and the unusual circumstances of the *Flatley* case. Indeed, the Court majority cautioned in a footnote that its opinion “should not be read to imply that rude, aggressive, or even belligerent prelitigation negotiations” necessarily constitute extortion.

The majority opinion may well “sow doctrinal confusion” into the anti-SLAPP case law.

Karl Olson and Erica L. Craven are partners at Levy, Ram & Olson LLP in San Francisco. Mr. Olson represented media amici in the Flatley case before the California Supreme Court, and in five prior cases decided by the Court involving the anti-SLAPP statute. Michael Flatley was represented by Bert Fields and Ricardo P. Cestero, Greenberg Glusker Fields Claman Machtinger & Kinsella, Los Angeles. Defendant was represented by James J.S. Holmes, Sedgwick, Detert, Moran & Arnold, Los Angeles.

Right of Publicity Claim Over Book Photo Dismissed

This past month an Oregon federal district court dismissed a right of publicity action brought against Harper Collins over the use of plaintiff’s photograph in a biography of former Major League baseball star. *Johnson v. Harper Collins*, No. 06-747-AA (D. Or. Aug. 1, 2006) (Aiken, J.).

At issue was the 1992 book “Off Base: Confessions of a Thief,” an as-told-to biography of Ricky Henderson, baseball’s all time leader in stolen bases. The book contained a photograph of Henderson’s 1975 high school baseball team. Plaintiff was one of eleven players depicted in the photograph.

In a short opinion, the district court first found that plaintiff’s pro se complaint was time-barred as of June 1994, since the statute of limitations for misappropriation/right of publicity claim ended two years after the autobiography was published.

Furthermore, the court ruled that plaintiff’s claim failed as a matter of law because plaintiff had no “public familiarity” and the photograph was merely an “incidental use” of his image.

Duane Bosworth and Kevin Kono of Davis Wright Tremaine LLP in Portland, Oregon represented HarperCollins.

Defamation Suit Against Senator John Kerry and Campaign Official Dismissed

This past month a Pennsylvania federal district court dismissed with prejudice defamation and related claims brought against Senator John Kerry and his Pennsylvania presidential campaign chairman in a lawsuit growing out of the bitter charges made in the 2004 campaign about Kerry's Vietnam War record. *Sherwood, et al. v. Kerry*, No. 05-05213-JF (E.D. Pa. Aug. 3, 2006) (Fullam, J.).

The court found that statements at issue were non-actionable opinion in the context of a heated political campaign.

Background

Plaintiff Carlton A. Sherwood, ex-marine, journalist and independent film producer, created the 2004 film "Stolen Honor: Wounds that Never Heal." The film was sharply critical of Senator Kerry's 1971 testimony to the Senate Foreign Relations Committee about atrocities committed by U.S. soldiers in Vietnam. Sherwood's film alleged that "virtually all his allegations were lies" and that "his actions were a deliberate betrayal" of veterans and POWs.

The film gained notoriety in October 2004 when Sinclair Broadcasting announced it would broadcast the film on its 62 national television stations.

The Democratic National Committee issued press releases strongly condemning the film and Sherwood. Among other things, the releases stated that the film was "written, produced and funded by extreme right-wing activists," and was false. The press release also stated that Sinclair Broadcasting would be compromising its "journalistic integrity" if it showed the film.

Kerry's Pennsylvania campaign manager, Anthony Podesta, sent out an e-mail calling plaintiff a "Bush hack" and a "disgraced former journalist ... who crawled out of the gutter."

Sinclair Broadcasting decided to show only five minutes of the film. In addition, a local movie theater cancelled plans to

screen the film. Sherwood and his film company sued Kerry and Podesta for defamation, commercial disparagement, interference with prospective and existing contractual relations, and civil conspiracy.

Protected Opinion

Granting defendants motion to dismiss, the court first found that statements in the press releases and e-mail were non-actionable opinion "in the context of a hard-fought political campaign." The court noted that statements in the political arena are expected to be "rough and personal." *Citing, e.g., Greenbelt Cooperative Publishing Assoc. v. Bresler*, 398 U.S. 6 (1970) and *Hustler Magazine Inc. v. Falwell*, 485 U.S. 46 (1988).

Moreover, none of the complained of statements were actually made by Senator Kerry. The court was "not aware of any basis for holding a political candidate personally re-

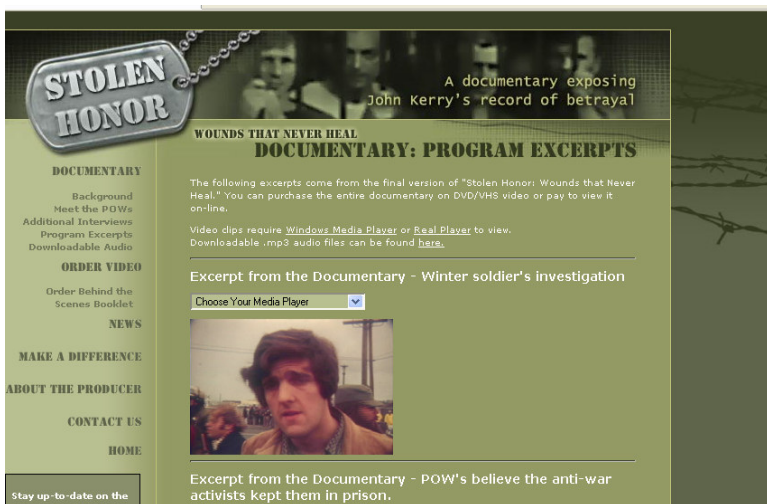
sponsible for statements made in press releases issued by his party's national committee."

Related Tort Claims

The court dismissed plaintiffs' remaining tort claims on two grounds. First, defendants could not be held responsible for what their sympathizers did to discourage dissemination of the film. "But,

more importantly," the court stated, "defendants had an absolute right to protect their own interests by persuading Sinclair Broadcasting to limit dissemination of the movie, and to persuade the owner of the Abington movie theater to decide not to show the film."

Plaintiffs were represented by Thomas Manning and Howard Scher of Buchanan Ingersoll in Philadelphia. Senator Kerry was represented by Mark Bschorr and Alan Cotler of Reed Smith LLP. Anthony Podesta was represented by Michael Onufrak, White & Williams LLP, Philadelphia.



Criminal Libel Charges Against Idaho Widower Dropped

Idaho prosecutors this month dropped criminal libel charges against an elderly Preston, Idaho man who displayed signs blaming a local nursing home for the death of his wife. *Idaho v. Hinrichs*, No. CR-2006-1135 (Idaho Dist. Ct., Franklin County dismissed Aug. 11, 2006).

On July 4, 84 year old Roy Hinrichs was charged with violating § 18-4801 of Idaho's criminal code. The statute provides in relevant part:

A libel is a malicious defamation, expressed either by writing, printing, or by signs or pictures, or the like, tending to blacken the memory of one who is dead, or to impeach the honesty, integrity, virtue or reputation, or publish the natural or alleged defects, of one who is alive, and thereby to expose him to public hatred, contempt or ridicule.

The statute provides for a fine of up to \$5000, or imprisonment in the county jail not exceeding six months. There are no modern reported cases discussing the statute.

In June, Hinrichs 80 year old wife Ethel died at the municipally-owned Franklin County Transitional Care Center. Roy Hinrichs, who visited and fed her daily at the facility for three years before her death, alleged that she died because she refused to eat after a nurse injured her gums by using a spoon to force medicine into her mouth.

After Ethel's death, Roy Hinrichs placed signs on the golf cart he uses to get around, blaming the nursing home for his wife's death. The signs also named the nurse who he claims injured Ethel. Hinrichs also picketed the facility throughout the month of July wearing a sandwich board and handing out flyers carrying the same message.

"There's no excuse for abuse," one of the signs said. "Nurse Christie: Ethel is dead because of what you did."

On July 4, the nurse – whose first name is Christy – complained to a police officer that Hinrichs was driving around town in his golf cart with the signs. After Hinrichs refused to remove the signs, the officer cited him for misdemeanor criminal defamation.

Hinrichs then agreed to paint over the nurse's name on the signs and flyers with red paint, although later in the day the officer told him that he had not adequately covered the name. On July 14, Hinrichs pleaded not guilty at his arraignment in Franklin County District Court. On the way out of the courthouse, he was issued another citation because the sign on his golf cart obstructed his vision.

Preston City Prosecutor Clyde Nelson dropped the charges at a preliminary hearing on August 11.

This case is the fourth threatened criminal libel prosecution in Idaho since 1965 that MLRC is aware of. In August 2005, an Osborne, Idaho man was arrested and charged with criminal defamation for displaying signs in his yard complaining about sex offenders. The signs read: "Do you have a level 3 neighbor?" and "Are your kids safe?" A civil suit against Idaho over the arrest is pending. In 2000, a white supremacy group was charged under the statute for sending letters labeling several national and local groups as Communists and "haters of America;" the charges were dropped. Charges were also dropped in 1997 against a candidate for sheriff who wrote a letter to the editor disparaging his opponent.

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Verdict for Newspaper in Copyright Trial Over Use of Photographs in Book Reviews

By James Chadwick

On August 7, 2006, a federal jury sitting in the Northern District of California gave a verdict in favor of the *San Jose Mercury News* in a case regarding the fair use of photographs in newspapers. The case addressed a long-standing practice of the *Mercury News* – and many other major newspapers – of using photographs from books in reviews of those books, without seeking permission from the publisher or photographer. *Christopher R. Harris v. San Jose Mercury News*, Case No. C 04-05262 CRB.

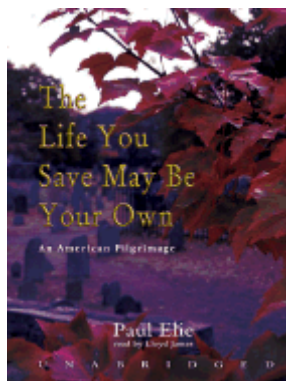
The jury deliberated for only 37 minutes before concluding that copying photographs from books for use in reviews was fair use.

Background

The case arose from the use of a photograph of Walker Percy taken by Christopher R. Harris, a photographer and photojournalism instructor, while on assignment for *Esquire* magazine in 1982. The photograph had previously been published, but in April, 2003, it was reproduced in a book by Paul Elie entitled *The Life You Save May Be Your Own: An American Pilgrimage*. The book was about four prominent American Catholic authors, including Walker Percy. Harris's agreement with Elie specified that the photograph could not be used for promotional purposes.

The book was sent to the *Mercury News*, and the *Mercury News* decided to review it. Plaintiff's photo was one of about 40 photographs in the book. To illustrate the review, the *Mercury News* reproduced the cover, a jacket photo of Elie, and four photographs from the interior of the book, including Harris's photograph of Walker Percy.

The version of Harris's photograph produced in the book (and the review) was not the complete image; the image was significantly cropped. The Percy photograph was attributed to Harris in the review, but the attribution did not include a copyright symbol (©), which had accompanied the photo credit in the book.



Harris sued, asserting copyright infringement, violation of section 1202 of the Digital Millennium Copyright Act (removal of “copyright management information”), and state unfair competition claims. A motion for judgment resulted in dismissal of the state law unfair competition claims. Federal District Judge Charles R. Breyer then set a hearing on a motion for summary judgment focused on the defense of fair use, and ordered the parties to take discovery limited to the issue of fair use. After discovery was completed on the fair use issue, the *Mercury News* moved for summary judgment.

Summary Judgment Denied

The motion for summary judgment was denied. See *MLRC MediaLawLetter* Jan. 2006 at 35. In an order denying the *Mercury News*' request that the case be certified for interlocutory appeal, Judge Breyer subsequently explained his reasons for denying the motion for summary judgment:

“The apparent disputes in the record regarding the majority of the traditional fair use factors ... support the Court's decision For example, with regard to the fourth factor of the photograph's potential market value, which is ‘undoubtedly the most important element of fair use,’ a proper analysis requires the decision-maker to judge the credibility of experts debating the nuances of the fine art collector's market. Although the court is skeptical of plaintiff's argument regarding the use's putative interference with the photograph's marketability or effect on future sales, it is not the court's role to judge the credibility of competing experts.”

After the motion for summary judgment was denied, plaintiff filed an amended complaint that asserted class action claims. On the *Mercury News*' motion, the court dismissed the class action claims. The court held that plaintiff lacked standing to seek injunctive relief on his own behalf, because there was no threat that his photograph of Walker Percy, or any other photograph he had taken, would be used again by the *Mercury News* without his permission. “Because plaintiff fails to establish standing, he may not seek relief on behalf of himself or any other member of the class.”

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Copyright Trial

On March 31, 2006, the court set the trial for June 12, 2006. The trial was subsequently continued to July 31. Jury selection was held on July 26, and the trial began on July 31.

In the course of the trial, the court granted the *Mercury News*' motion for judgment as a matter of law with respect to plaintiff's DMCA claim. In addition, the court ruled that two ancillary defenses asserted by the *Mercury News* – the invalidity of plaintiff's copyright registration, and an implied license to use plaintiff's photograph – were not supported by sufficient evidence to be submitted to the jury.

Plaintiff's counsel made some unusual decisions in putting on his case. After opening arguments, the first evidence plaintiff put on was the videotape of two depositions: Paul Elie, the author and also an editor at the publishing house that put out his book, and the publicist for the book. Plaintiff subsequently called all but one of the current or former *Mercury News* employees involved in the case, including the two former book editors of the *Mercury News*, Charles Matthews and Carol Muller.

Only after all of these witnesses had testified did plaintiff himself testify. Although he appeared relaxed, confident, and convivial on direct examination, on cross-examination Harris was evasive, arrogant, and combative. The cross-examination focused on the hypocrisy of plaintiff's position. Examining him regarding his own textbook on "Visual Journalism," counsel for the *Mercury News* brought out the following:

Q. Did you help write the introduction to the book?

A. In parts, yes.

Q. And you had a co-author, Mr. Lester, right?

A. Correct.

Q. Now, here where it talks in the introduction about "a new role for journalism, the visual journalist"?

A. Uh-huh.

Q. It says: "As words and pictures become further merged, the combined role of writer, photographer, infographics creator, researcher, and graphic designer, demands a new job description; the visual journalist, the ease with which reporters, photographers, and graphic artists can work more closely together calls for a new definition and approach." Right?

A. Yes.

Q. And you would subscribe to that, right?

A. Sure.

Q. And then you go on, couple paragraphs later, says: "In this new technological age when it's easier, faster, to produce and distribute words and images than ever before in the history of communications, journalists cannot afford to know only how to report, write, and edit words, to know only how to find, take and crop a picture, or to know only how to create a layout for print and screen media." And here comes the part I want to ask you about. "Today's visual journalists understand that words and pictures form an equal partnership that can deliver the meaning of complex issues to readers and viewers." You subscribe to that, too; don't you?

A. Yes.

Q. So photography and text frequently go together to make meaning; isn't that right?

A. Make better meaning.

He was subsequently asked about his photograph, which contained an image of Walker Percy standing in front of a portrait of Mr. Percy painted by a friend, Lynn Hill:

Q. From your knowledge of visual journalism you know somebody—the person who painted this portrait—has a copyright, right?

A. Yes, you do.

Q. And Lynn Hill was the person who painted the portrait?

A. From what I understand.

Q. You didn't get permission from Lynn Hill to take a picture of that photograph and sell it; did you?

A. No, Mr. Percy did.

Q. How do you know that?

A. Because he told me.

Q. Did you see the writing that is necessary to pass a copyright?

A. No.

Q. You didn't bother to try to find out whether or not you were copying a copyrighted portrait; did you?

A. I'm not copying a copyrighted portrait.

Q. You're not copying it?

A. No.

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- Q. That portrait is not in the photo?
- A. Sure it is. I'm not copying the portrait. I'm copying—I am photographing a scene that has that portrait involved in it.
- Q. You didn't think it was necessary to worry about it? Using and making money off of someone else's portrait?
- A. It was my understanding from Dr. Percy that it had been totally approved.
- Q. Did you get a model release from Mr. Percy?
- A. Don't need one.
- Q. Did you get one?
- A. No. Don't need one.
- Q. So you don't have anything in writing that says that Lynn Hill said to Mr. Percy, "you've got the copyright," and you don't have anything for Mr. Percy that is in writing that says, "you can go ahead and take a photograph of a copyrighted portrait," do you?
- A. No.
- Q. You thought it was fair use; didn't you?
- A. No.
- Q. You just didn't think it through?
- A. No. It was shot for editorial purposes.
- Q. Editorial purposes?
- A. Uh-huh.
- Q. Commentary with Mr. Percy?
- A. At his request.
- Q. Right. And Mr. Elie said the reason he wanted it, because Mr. Percy talked about the fact that this was an important portrait in his life, right?
- A. Uh-huh.
- Q. Pardon?
- A. Uh-huh. Yes.
- Q. So you were making a commentary about Mr. Percy and the portrait and its meaning to him when you took the photograph?
- A. A visual commentary.

Plaintiff's expert, mentioned in the court's order denying the *Mercury News* motion for summary judgment, testified that the appearance of plaintiff's photograph in the *Mercury News* seriously damaged his ability to license the photo-

graph in the future, or to sell "fine art" prints of the photograph. However, her assurance did not persist on cross-examination:

- Q. Thank you. Ms. Kinne, you're not aware of any other case in which the prior use of a photograph in the book review has harmed the market for licenses to use that photograph, are you?
- A. No such case.
- Q. You have no personal experience of the reproduction of a photograph in a book review causing lost sales of licenses for a photograph, do you?
- A. I do not, in a book review.
- Q. In fact, you're not aware of a single opportunity for licensing the Percy photograph that plaintiff has lost as a result of Mercury News book review, correct?
- A. I'm not aware of any.
- Q. And you're not aware of any instance in which a newspaper's use of a photograph or reproduction of a photograph has harmed the market for prints of the photograph, are you?
- A. Directly, no.
- Q. You don't believe publicity for Mr. Harris's photographs is harmful, do you?
- A. I don't believe general publicity is.
- Q. And you don't believe that's true with respect to Mr. Harris's photographic works either, do you?
- A. I'm sorry, would you repeat that?
- Q. Let me ask the question again. You don't believe that publicity for Mr. Harris's photographs is harmful, correct?
- A. General publicity, no.

The cross-examination of plaintiff's expert tied in the concept of editorial use brought out on plaintiff's cross-examination.

- Q. Now, you testified that you had an understanding of what fair use is, correct?
- A. Correct.
- Q. News reporting is also fair use, isn't it?
- A. It's considered one of the fair use situations.
- Q. You also have an understanding of the difference between a commercial use of a photograph and an editorial use of a photograph, correct?

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A. Yes, that is correct.

Q. And a newspaper book review that includes a photograph from the book being reviewed is an editorial use, correct?

A. Correct.

The closing argument focused on the importance of fair use both generally, and in the everyday lives of the jurors. Counsel used examples to bring this home to the jury, such as a family sending a tape to a grandmother in a nursing home on her 90th birthday, with the whole family singing “Happy Birthday” (performing and copying a copyrighted work), or using Tivo to record a favorite television show (copying and displaying a copyrighted work).

The theme of fair use was pointedly underscored by revisiting plaintiff’s testimony in closing argument:

One of the best evidences that he doesn’t believe much of what he says is the fact that he himself made use of the concept of fair use, in this very photograph.

This is why I read these things and asked him these questions. That is a work of art. [Points to the portrait by Lynn Hill in the background of Plaintiff’s photograph.] It’s in the background. It was created by someone. That person has the exclusive right to control copying and reproduction. Mr. Harris has reproduced that portrait. That is, if there’s no fair use, that is copyright infringement. Using that portrait without fair use would be copyright infringement.

When I asked him why he did it, he said he didn’t have to have permission. He didn’t ask the portrait painter for permission, he said he didn’t need it, and I asked him why. You may remember why: he said, because it was for editorial purposes. What does that mean? What was he meaning? Without being able to admit it, to say it was, it was fair use. That’s why. Because he transformed it, right? But the fact is that if, in fact, fair use didn’t exist, that’s what the photograph would look like. [Displays a reproduction of the photograph in which the portrait disappears while Percy and the other elements remain.]

The whole point here is that in order to be able to take photographs like that, you’ve got to depend upon fair use.

After 18 months of highly contentious discovery and pre-trial proceedings and five days of trial, the case submitted to the jury was reduced to a single, fundamental issue: Was the *Mercury News*’ reproduction of Plaintiff’s photograph in its review of the book in which that photograph appeared fair use? (The Plaintiff had elected to seek statutory damages, so if the jury had determined that the reproduction was not fair use, it would also have had to determine the amount of statutory damages.)

The case submitted to the jury was reduced to a single, fundamental issue: Was the Mercury News’ reproduction of Plaintiff’s photograph fair use?

The court made two additional decisions that affected the presentation of the issue to the jury. First, finding that plaintiff had established a valid copyright registration and that copying was undisputed, the court determined that because the *Mercury News* had the burden of proof on the defense of fair use it would be allowed to present its closing argument first, and to have a brief rebuttal after plaintiff’s closing argument.

In other words, it reversed the usual order of final argument.

Second, the court bifurcated the jury’s deliberations. It decided to initially instruct the jury only on the issue of fair use, and to initially provide a verdict form asking only a single question: whether the *Mercury News*’ reproduction was fair use. Only if the jury answered negatively would the jury be instructed on statutory damages.

The jury retired at 4:05 PM, after being requested by the Court to select a foreperson and let the court know whether it intended to deliberate that afternoon or return the next day. A few minutes later a note was sent out, indicating that the jury intended to deliberate. At 4:42 PM, the judge received a note stating that the jury had reached a unanimous verdict. The jury was called and the verdict was read. The jury found that the *Mercury News*’ reproduction constituted fair use.

A story in Photo District News dated August 8, 2006, reported that Plaintiff has not determined whether he will appeal.

James Chadwick and Gary Bostwick of Sheppard Mullin Richter & Hampton LLP represented the Mercury News. Robert A. Spanner, of Trial & Technology Law Group, in Silicon Valley, represented plaintiff.

Movie Studios Win Copyright Claim Over Sanitized “Family-Content” Movies

By Christopher P. Beall

The long-running litigation between the motion picture industry and the community of businesses that make and distribute edited, so-called “family content” copies of movies neared its end with a decision last month holding that such editing and distribution violates the Copyright Act and that the companies engaged in this industry should halt such operations because

start in the late 1990s by taking VHS videocassettes and mechanically cutting and splicing the magnetic tape of movies to remove sexual content that some viewers found offensive.

By 2002, the industry had become far more sophisticated in its content manipulation and was relying increasingly on digital editing techniques such as replacement of portions of sound track with ambient noise, blending audio and visual content to provide transitions between edited scenes, fogging, pixilation, or using a black bar to cover specific parts of a picture frame.

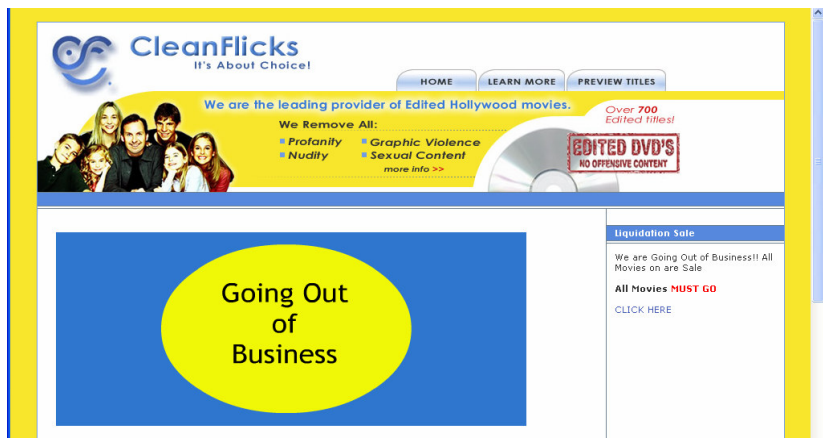
Two distinct groups of editing companies were involved in the “family content” industry. The original businesses had grown up around mom-and-pop video rental shops that worked on the original form of mechanical cut-and-splice techniques, although by 2002 such businesses had expanded into digitally edited DVDs as well.

These businesses had grown into multi-state chains of video outlets under names such as “Clean Cut Cinemas,” “Clean Flicks,” “Family Flix,”

“MyCleanFlicks,” and “Play It Clean Video.” Although these businesses were also using digital editing techniques by 2002, during the litigation they were referred to as the “mechanical editing” parties.

The other group of companies in the litigation had pursued an entirely different business model, developing software and DVD players that played existing DVDs in a manner that

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“their business is illegitimate.” *Clean Flicks of Colorado v. Soderbergh*, 433 F.Supp.2d 1236 (D. Colo. July 6, 2006).

In a July 6 ruling, Judge Richard P. Matsch granted summary judgment in favor of eight motion picture studios that had argued that the unauthorized creation and distribution of fixed copies – in the form of new DVDs or VHS cassettes – of edited versions of hundreds of popular movies, from *Saving Private Ryan* to *Ghostbusters*, constituted an infringement of the studios’ right to control the content of the movies.

Judge Matsch ordered the businesses involved in such editing and distribution to halt their activities and to deliver over to the studios for destruction all copies of the edited movies. Judge Matsch said his injunctive remedy was warranted in light of the studios’ argument that they were suffering “irreparable injury to the creative artistic expression in the copyrighted movies” through the distribution of unauthorized edits.

Background

The case was launched nearly four years ago when the “family content” editing industry began to expand out of its cradle in Utah and Arizona and move into markets in the Midwest and South. The industry got its



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skipped or silenced objectionable content in the movies but that did not create an actual fixed version of the movie. These businesses, which included ClearPlay, Family Shield Technologies, and Trilogy Studios, were referred to as the “player control” editing parties during the litigation because the DVD “players” that they sold or modified controlled the viewing experience, and they were not involved in distributing an actual fixed version of an edited DVD.

(The use of this terminology glossed over the fact that the principal mechanism by which the “player control” parties created an edited viewing experience for the home viewer was by loading into their special DVD players a fixed script of player control instructions so that the machine would play back the video in a set manner. Thus, the “player control” parties actually did create fixed works that would play back the movie in precisely the same way time after time. Only well into the litigation did these “player control” parties begin to offer consumer software tools that allowed the individual consumers to create individualized “player control” scripts that gave the consumer the ability to create his or her own unique set of edits independent of any editing choices by the companies distributing this software.)

The lawsuit began in August 2002, in a fluke that complicated the procedural posture of all the parties. At that time, the Directors Guild of America had been working on confidential plans to bring suit against a number of the editing companies in Los Angeles based on claims under the Lanham Act that the edited versions of the movies violated the moral rights of the Guild’s member directors. Because the movie directors do not own the copyrights in their films, the directors were limited to moral rights claims under the Lanham Act, based on the theory of an author’s right to control the integrity of his work in *Gilliam v. ABC*, 582 F.2d 14 (2d Cir. 1976).

Although the directors were the impetus for this litigation, their moral rights claims were soon superseded by the movie studios’ copyright claims, primarily because of the U.S. Supreme Court’s decision in *Dastar Corp. v. Twentieth Century Fox Film Corp.*, 539 U.S. 23 (2003), which cast doubt on the viability of a Lanham Act moral rights claim that stems solely from the authorship of a copyrighted work.

In an inadvertent breach of confidentiality, a litigation planning memo was accidentally posted to a non-secure portion

of the Directors Guild website, thereby making the Directors Guild’s plans publicly available. Although this breach was quickly rectified, the “family content” industry was able to get a copy of the memo, and it provided a jurisdictional hook for the “family content” industry to beat the Directors Guild in a race to a courthouse by filing a declaratory judgment action.

Thus, on August 29, 2002, Robert Huntsman, the holder of two patent applications related to a process of editing objectionable movie content, and his company Clean Flicks of Colorado, LLC, filed a declaratory judgment action in Colorado against a group of movie directors, beginning with Steven Soderbergh. Other director defendants included Steven Spielberg, Robert Redford, and Robert Altman.

This declaratory judgment action was filed explicitly to avoid jurisdiction in Los Angeles. Once the battle was joined in Denver, the directors moved to have eight motion picture studios joined as necessary defendants because the studios were the owners of the copyrights in the directors’ films. Once in the case, the motion picture studios brought counter-claims against more than a dozen other “family content” editing businesses.

Family Movie Act

Following the launch of the suit, a constant back drop to this litigation throughout the discovery phase was the intense lobbying that the “family content” industries and their supporters in the religious community brought to bear on Congress, and in particular on Utah Senator Orrin Hatch. Legislation was proposed in 2003 to protect the “family content” industry, but the bill did not emerge from committee during that legislative session. Following the 2004 election, revised legislation was reintroduced in Congress, and the ultimate legislative compromise resulted in the Family Movie Act of 2005, Pub. L. No. 109-9, 119 Stat. 218, amending 17 U.S.C. § 110.

This legislation provided an exemption from claims of copyright infringement for a person who provides the equipment or software that allows a member of a private household to edit – or in the statutory language, “mak[e] imperceptible” – portions of a motion picture so long as no fixed copy of the altered version of the motion picture is created. See 17 U.S.C. § 110(11). In approving this legislation, Congress explicitly considered and rejected proposals that also would have immunized persons such as the “mechanical editing” parties who

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created fixed copies of their edited versions of the movies. See H.R. Rep. No. 109-22(I) at 6-7 (2005), reprinted in 2005 U.S.C.C.A.N. 220, 225.

The result of this legislation was to moot the movie studios’ claims against the “player control” parties, who were dismissed from the case in August 2005. See *Huntsman v. Soderbergh*, Case No. 02-cv-1662, 2005 WL 1993421 (D. Colo. Aug. 17, 2005). In his order dismissing the claims against the “player control” parties, Judge Matsch also rejected their claims for attorney’s fees against the motion picture studios, which had been based on a theory that the “player control” parties were a “catalyst” for the legislation that eventually mooted the studios’ copyright claims. Judge Matsch held that to accept such an argument “would disregard the fundamental separation of powers in the Constitution. Congress does not adjudicate cases or controversies and courts do not enact legislation.”

Copyright Ruling

Following the dismissal of the “player control” parties, the studios brought a motion for summary judgment against the “mechanical editing” parties, seeking a declaration that those parties’ practices constituted a violation of the copyright owners’ exclusive rights to reproduce, distribute and make derivative works of their movies. In a tactical decision that met with approval from the court, the studios chose not to seek any monetary damages, either in the form of a disgorgement of the “mechanical editing” parties’ own profits or in statutory damages.

In granting the summary judgment motion, Judge Matsch concluded that the practices of the “mechanical editing” parties, both the old methods of cut-and-splice editing and their current digital editing techniques, violated the reproduction and distribution rights of the movie studios.

However, he ruled there was no violation of the right to create derivative works because the edited versions of the movies were not “transformative.” He distinguished the edited versions of the studios’ movies from other more transformative works, such as a coffee table book of Grateful Dead concert posters and tickets. See *Bill Graham Archives v. Dorling Kindersley Ltd.*, 498 F.3d 605 (2d Cir. 2006).

Judge Matsch held that in order to constitute a transformative use of the underlying work, and thereby constitute a derivative work, the new work must have originality. The Judge concluded that the defendants added nothing new to these movies; “They delete scenes and dialogue from them.”

No Fair Use Defense

Having found infringement of the reproduction and distribution rights, the court moved on to reject the “mechanical editing” parties’ fair use defense, which had been their principal line of reasoning both in the litigation and in their comments to the news media.

The “mechanical editing” parties argued that their edits were fair because they constituted political and social commentary on the movies themselves, offering allegedly more socially acceptable versions of the films to viewers who would never otherwise choose to purchase or view the movies because of the alleged risks to their own sensibilities and those of their children.

The “mechanical editing” parties contended that there was no adverse market effect on the movie studios because each of them claimed to require a one-to-one correlation between the number of edited copies of a film that they produced and the number of original copies of the DVDs or VHS cassettes that they purchased on the open market. The “mechanical editing” parties argued that their activities actually increased the market for the studios’ films because their policies of one-to-one purchases of original copies for each edited copy meant that the studios were seeing sales that allegedly would never have occurred if the “family content” customers had no option for obtaining an edited version of a movie. The “mechanical editing” parties also loaded their summary judgment briefing with copies of correspondence and other testimonials from customers expressing their appreciation for the opportunity to view movies in a family setting without concern for offensive content.

Judge Matsch gave short shrift to these arguments. He concluded that he “is not free to determine the social value of copyrighted works. What is protected are the creator’s rights to protect its creation in the form in which it was created.” The court

Both the old methods of cut-and-splice editing and their current digital editing techniques, violated the reproduction and distribution rights of the movie studios.

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Movie Studios Win Copyright Claim Over Sanitized “Family-Content” Movies

(Continued from page 31)

also explained that the fair use arguments “ignore[] the intrinsic value of the right to control the content of the copyrighted work which is the essence of the law of copyright. Whether these films should be edited in a manner that would make them acceptable to more of the public playing them on DVD in a home environment is more than merely a matter of marketing; it is a question of what audience the copyright owner wants to reach.”

Relying on Judge Posner’s aphorism that the fair use defense does not permit “a person who dislikes Michelangelo’s statue of David ... to take a sledgehammer to it,” *Chicago Bd. of Educ. v. Substance, Inc.*, 354 F.3d 624, 630 (7th Cir. 2003), Judge Matsch pointed out that the fair use defense also would not permit “put [ting] a fig leaf on it to make it more acceptable for viewing by parents with young children.”

Finally, the court also rejected the “mechanical editing” parties’ assertion of the “first sale” doctrine under 17 U.S.C. § 109. The court noted that the movie studios had explicitly disclaimed any claim for copyright infringement in any mechanical manipulation or playing of the original copy of the films that the “mechanical editing” parties purchased. Rather, the studios’ claims were directed to the subsequent copying and distribution of edited copies of the films. The court held that this subsequent copying and distribution was not protected by the “first sale” doctrine.

Judge Matsch also acknowledged, but did not decide, the studios’ argument that the processes used by the “mechanical editing” parties to create their digitally edited DVDs copies also constituted violations of the anti-circumvention provisions of the Digital Millennium Copyright Act, 17 U.S.C. § 1201(a).

Aftermath

In the wake of Judge Matsch’ ruling, the remaining “mechanical editing” parties have entered into settlement discussions with the studios, and the deadline for the studios to file their attorney’s fees motion has been suspended during the pendency of those settlement negotiations. None of

the “mechanical editing” parties have publicly indicated that they intend to appeal Judge Matsch’s ruling or injunction.

This ruling is likely to be seen as confirming a fundamental distinction in copyright law between the in-home, private use that an individual purchaser or viewer may make of a copyrighted work – be that a movie or a song or a website – under the rubrics of the fair use and first sale doctrines, and the distribution of multiple unauthorized revised versions of such copyrighted works outside of the home.

The decision confirms that copyright infringement exists in the latter situation regardless of any asserted moral value in the revised versions of the works. In addition, despite the recent diminution of the moral rights theory, Judge Matsch’s opinion reminds copyright holders that they still have significant abilities

to control the integrity of their works under copyright law.

Judge Matsch’s opinion points out that one of the central purposes of the copyright owner’s exclusive right to control reproduction and distribution of a work is to ensure that only those versions of the work that the copyright

owner intends and approves are actually distributed to markets the copyright owner wishes to reach, and that if there are other markets that the copyright owner wishes to ignore, such a decision does not provide an excuse for third parties to distribute unauthorized copies to the excluded market.

It is always the copyright owner, not someone else, who controls “what audience the copyright owner wants to reach.”

Christopher P. Beall, Thomas B. Kelley and Natalie Hanlon-Leh, Faegre & Benson, Denver, and Jonathan Zavin and Jacques M. Rimokh, Loeb & Loeb, New York City, represented the eight motion picture studio defendants. The original plaintiffs Robert Huntsman and Clean Flicks of Colorado, LLC were represented by David N. Schachter and Scott J. Mikulecky of Sherman & Howard, Colorado Springs. The various “player control” editing companies were separately represented by Andrew P. Bridges of Winston & Strawn, San Francisco; Darwin “D.J.” Poyfair, Bennett L. Cohen and Jennifer A. Schaffner of Shughart, Thomson & Kilroy, Denver; Thomas P. Howard, of Garlin Driscoll Howard, Louisville, Colorado; and, Eric M. Bono, Denver.

If there are other markets that the copyright owner wishes to ignore, such a decision does not provide an excuse for third parties to distribute unauthorized copies.

Baseball Strikes Out: Use of Player Names and Stats in Fantasy Baseball Does Not Violate Players' Right of Publicity

By Michael Steger

A federal court in Missouri this month ruled that the use of major league baseball players' names and playing statistics in fantasy baseball games does not violate the players' rights of publicity. *C.B.C. Distribution and Marketing, Inc. v. Major League Baseball Advanced Media, L.P.*, No. 4:05CV252MLM, 2006 WL 2263993 (E.D. Mo. Aug. 8, 2006).

Magistrate Judge Mary Ann Medler granted summary judgment to CBC Distributing and Marketing (CBC) in a declaratory judgment action against Major League Baseball Advanced Media (MLB Media) and the Major League Baseball Players Association (Players Association), ruling that the First Amendment trumped the right of publicity claims.

Background

Fantasy baseball is a game in which participants (or "owners") select or draft real players from various Major League baseball teams to form their own imaginary teams. The participants compete against other fantasy owners who have selected their own teams. The competition is decided on the basis of the selected players' actual statistical performance on their respective Major League teams.

Many entities, including several large media companies, offer fantasy baseball games via telephone, mail, email and the Internet. CBC offers various fantasy games through its website <http://cdmsports.com/>. CBC also offers its fantasy baseball participants current information on Major League players, including statistical information that is usually found in newspaper boxscores.

CBC entered into license agreements with the Players Association from 1995 to 2004 allowing CBC to use the images and information about Major League players in conjunction with its fantasy games. MLB Media is an affiliate of Major League Baseball (MLB), and is responsible for exploiting MLB products and services in interactive, Internet, mobile and other new media.

In January 2005, MLB Media entered into an agreement with the Players Association allowing it to essentially control

all interactive rights for fantasy games involving Major League players. In early 2005, MLB Media offered CBC a license to promote MLB Media's own fantasy baseball games on CBC's website, but did not offer CBC a license to continue to use information about Major League players in CBC's fantasy games.

In February 2005, fearing that MLB Media would sue, CBC filed a declaratory judgment action seeking an injunction preventing MLB Media from interfering with CBC's business. MLB Media and the Players Association counterclaimed, seeking damages for breach of contract and violation of the players' right of publicity, as well as exemplary damages, punitive damages and injunctive relief. Importantly, by the time it filed suit,

CBC no longer used Major League players' images in connection with its fantasy games.

The principal issue in the case was whether CBC's use of player names and statistics in fantasy games without their consent violated the players' rights of publicity. MLB Media argued that it

possessed exclusive rights to license player names for use in fantasy games. CBC maintained that player names and statistics were in the public domain and could be used by anyone.

By the time the court decided the summary judgment motions, the remaining issues in the case were (1) whether the players had a right of publicity in their names and playing records as used in CBC's fantasy games, (2) if such a right existed, whether CBC violated that right, (3) if CBC had violated the right to publicity, whether copyright law preempted such a violation, (4) if the players had a right of publicity and it was violated, whether the First Amendment applies, and (5) whether CBC breached its license agreement.

Players' Right of Publicity

The court first explored whether CBC violated the players' rights of publicity, namely, whether the players established that CBC commercially exploited the players' identities without their consent to obtain a commercial advantage. Judge Medler found that CBC, which did not use the players' images or likenesses in its games, did not attempt to create a commercial advantage

No reasonable person "would be under the impression that the baseball players are associated with CBC's fantasy games any more than the players are associated with a newspaper boxscore."

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Baseball Strikes Out

(Continued from page 33)

because it did not intend to or actually create an impression that the Major League players endorsed CBC's products.

In so finding, Judge Medler relied heavily on *Gionfriddo v. Major League Baseball*, 94 Cal.App.4th 400 (Cal. App. 2001), in which MLB defended a suit by retired Major League players claiming that MLB violated their right of publicity by using their names, images and playing records in various written, video and audio products sold or licensed by MLB. The *Gionfriddo* court found that MLB's use of the information at issue involved "historical fact," did not impair the plaintiffs' economic interests, and was protected by the First Amendment.

Likening CBC's use of player names and statistics to newspapers' publications of game and season statistics, the court wrote that no reasonable person "would be under the impression that the baseball players are associated with CBC's fantasy games any more than the players are associated with a newspaper boxscore." Therefore, there was no implication that the players endorsed CBC's products.

The court further found that CBC's products have no impact on players' ability to earn a living since their playing records were historical facts, and that CBC's use of the playing records does not constitute a misappropriation because it is using information already in the public domain.

First Amendment Analysis

Moving to the applicability of the First Amendment, the court found that because CBC did not use the playing records as advertising for another product, CBC's use of the playing records was not commercial speech. Because the playing records were historical facts within the public domain, the First Amendment applied to protect CBC's expression of this information.

The court emphasized that a ruling that the players' right of publicity prevailed over CBC's right of free expression would extinguish CBC's First Amendment rights since CBC would be prevented from creating and operating its fantasy games because the games depend upon the Major League players' names and playing records.

The court further found that the players' names and playing records as used in CBC's fantasy games were simply compilations of facts by CBC and thus not copyrightable, so that copyright preemption did not apply in the case.

Finally, the court found that a provision in the 2002 license agreement between CBC and the Players Association prohibiting CBC from using players' names and playing records without

a license was void and unenforceable as a matter of public policy.

The Court concluded "the undisputed facts establish that the players do not have a right of publicity in their names and playing records as used in CBC's fantasy games and that CBC has not violated the players' claimed right of publicity. The court finds further that the undisputed facts establish that the names and playing records of Major League baseball players as used in CBC's fantasy games are not copyrightable and, therefore, federal copyright law does not preempt the players' claimed right of publicity."

The court ordered the defendants to refrain from interfering with CBC's business, and dismissed their counterclaims.

Conclusion

The immediate impact of the decision is to remove the threat that MLB Media and other major sports leagues and entities will prevent CBC and other independent operators of fantasy sports games from operating their businesses.

This clear ruling, if upheld, should arrest the trend of major sports entities asserting increasing control over the rights of third parties to disseminate information about the content produced by the sports entities.

While many large media organizations, several of which have broadcast or other business relationships with the sports leagues themselves, have licensed their fantasy games through MLB Media and other league entities, smaller companies such as CBC either found such license fees prohibitive or were only offered terms that would interfere with the operation of their businesses. The *CBC* decision appears to have lifted that cloud from the independent fantasy sport companies.

MLB Media has stated that it will appeal the decision.

Michael D. Steger maintains a solo law practice, The Law Offices of Michael D. Steger, PLLC, in Arlington, Virginia. CBC was represented by Neil M. Richards, Washington University School of Law, and Rudolph A. Telscher, Jr., Harness & Dickey, St. Louis. The defendants were represented by Jeffrey H. Kass, Armstrong Teasdale, LLP, St. Louis; Michael J. Aprahamian, Foley & Lardner, Milwaukee; Donald R. Aubry, Jolley & Walsh; Karen R. Glickstein, Shughart & Thomson; and Virginia A. Seitz, Sidley Austin Brown & Wood, Kansas City, MO.

Strip Club Loses Trademark Claims Against “Grand Theft Auto” Game

Use of Similar Name and Logo Protected by First Amendment

A California federal court last month granted summary judgment dismissing trademark and related claims against the makers of the popular “Grand Theft Auto” video game series. *E.S.S. Entertainment 2000, Inc. v. Rock Star Videos, Inc.*, No. CV 05-02966, 2006 WL 2258336 (C.D.Cal. July 28, 2006) (Morrow, J.).

At issue was the depiction in the video game of a strip club with a similar name and logo to plaintiffs’ Los Angeles strip club. The court held that the game maker’s use was protected by the First Amendment.



The Play Pen vs. The Pig Pen

Defendants produce a series of video games known as “Grand Theft Auto.” These games allow players to navigate a virtual urban landscape, usually in the role of a criminal engaging in high speed driving and mayhem. The popular games have been frequently named in recent legislative efforts to outlaw sales of “explicit” video games to minors.

One of the latest incarnations of the series, “Grand Theft Auto: San Andreas” is based in a fictionalized Los Angeles and contains a virtual strip club called “The Pig Pen” that a player can visit.

Plaintiffs, owners of a real Los Angeles strip club called “The Play Pen,” sued for trademark and trade dress infringement under the Lanham Act, as well as trademark infringement and unfair competition under California law, arguing that the font, logo, and appearance of the “The Pig Pen” in the video game suggested that plaintiffs endorsed or were associated with the video game.

Defendants argued that their game was protected by a nominative fair use defense and/or a general First Amendment fair use defense.

Defendants argued that their game was protected by a nominative fair use defense and/or a general First Amendment fair use defense.

District Court Decision

In a lengthy decision detailing the development of the game, the court noted that the artists who created the virtual “Pig Pen” had visited

plaintiffs’ Los Angeles strip club and taking pictures of its exterior. The artists acknowledged that their “Pig Pen” was based on these photos as well as photos of several other East Los Angeles locations. Although the two clubs were not identical, there were several similarities: the clubs’ signs were in the same font, both signs were adorned by silhouettes of nude women and the phrase “totally nude,” and there was a similar shape to the club awnings.

The court first rejected defendants’ nominative fair use defense. This defense was inapplicable because the “Pig Pen” was not intentionally referring to plaintiff’s mark. See, e.g., *New Kids on the Block v. News Am. Publishing, Inc.*, 971 F.2d 302, 308 (9th Cir.1992) (explaining that nominative fair use defense may apply where defendant uses plaintiff’s mark to describe the plaintiff’s product, rather than its own).

Indeed, the artists testified that they “purposely changed the names, building designs, and overall look and feel of the real-world places” to make the places fit the game’s cartoon-style world.”

But the cartoon-style world, the court held, “clearly qualifies as an ‘artistic work’ entitled to First Amendment protection. The court therefore applied the First Amendment-based fair use defense outlined in *Rogers v. Grimaldi*, 875 F.2d 994 (2d Cir.1989) and *Mattel, Inc. v. MCA Records, Inc.*, 296 F.3d 894 (9th Cir.2002).

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Strip Club Loses Trademark Claims Against “Grand Theft Auto” Game

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The *Rogers* balancing test, applied by the Ninth Circuit in *Mattel*, requires that courts construe the Lanham Act “to apply to artistic works only where the public interest in avoiding consumer confusion outweighs the public interest in free expression.” Specifically, the *Rogers* court looked to see whether (1) the complained of use has some artistic relevance to defendant’s work and (2) whether it explicitly misleads as to the source or content of the work.

Although the Ninth Circuit had previously only applied the test in the context of titles, the court found that the test applies equally to any artistic use.

As to the first factor, the court found that the “The Pig Pen has artistic relevance to defendants’ twisted, irreverent image of urban Los Angeles” – “a narrative of a city overrun by gangs, drug dealers, and prostitutes.”

As to the second factor, the court found “little, if any, chance that consumers will be misled about the content of the Game.” Although the Pig Pen incorporated certain elements of plaintiffs’ Play Pen’s logo, “neither the Game nor any promotional materials for San Andreas contain any explicit indication that the Play Pen’s owners endorsed the work or had a role in producing it.”

The court discounted a survey showing that a small percentage of the survey sample thought that plaintiff created or endorsed the video game. This potential for

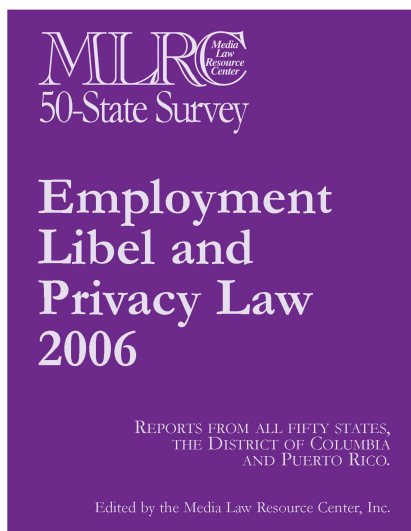
likelihood of confusion was irrelevant to the *Rogers* test which requires evidence that defendant’s use is explicitly misleading.

Plaintiffs were represented by the firm of Sedgwick Dertert Moran & Arnold in Los Angeles. Defendants were represented by Mitchell Silberberg and Knupp, Los Angeles.

The cartoon-style world, the court held, “clearly qualifies as an ‘artistic work’ entitled to First Amendment protection.



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Court Holds That Trade Group's Commentary May Be the Proper Subject Matter of a Lanham Act Claim

By Daniel C. DeCarlo and Justin M. Righettoni

A California federal district court recently held in the context of a preliminary injunction ruling, that a non-profit trade organization that in and of itself does not compete with the targets of its critical commentary and rather, only advocates for and represents the interests of its members (painting and decorating contractors) was, for purposes of a product disparagement claim under section 43(a) of the Lanham Act, a commercial competitor of companies that provide painting services. *National Services Group, Inc., v. Painting & Decorating Contractors of America, Incorporated*, No. SACV06-563CJC, 2006 WL 2035465 (C.D. Cal. July 18, 2006).

This appears to be the first time that a court has confronted the issue and held that a non-profit trade group – one that offers no goods or services that competes with the target of its criticism – can be viewed as a commercial competitor for the purposes of applying the Lanham Act.

The Court's holding is significant because the ruling implicates and further highlights the tension existing between the Lanham Act's prohibition on false and misleading statements in "commercial advertising and promotion" and non-commercial commentary protected under the First Amendment.

Lanham Act

In an attempt to strike a balance between the interest in remedying unfair competition and ensuring the free flow of useful communication, section 43(a) applies only to false and misleading advertising by competitors. Statements by non-competitors, on the other hand, are judged by the stricter standards set forth in First Amendment jurisprudence. The difference is significant because if such statements are to be judged under a First Amendment standard, constitutional malice must be proven. No such burden is required by the Lanham Act.

Specifically, section 43(a) of the Lanham Act, 15 U.S.C. § 1125(a)(1)(B) provides:

(a)(1) Any person who, on or in connection with any goods or services or any container for goods, uses in commerce any word, term, name, symbol, or device, or any combination thereof, or any false designation of origin, false or misleading description of fact, or false or misleading representation of fact, which

... (B) in commercial advertising or promotion, misrepresents the nature, characteristics, qualities, or geographic origin of his or her or another person's goods services, or commercial activities, shall be liable in a civil action by any person who believes that he or she is or is likely to be damaged by such act.

The above language makes clear that to set forth a cognizable claim under 43(a), the speech at issue must constitute

This appears to be the first time that a court has held that a non-profit trade group can be viewed as a commercial competitor for the purposes of applying the Lanham Act.

"commercial advertising and promotion." Most authority has interpreted this to mean that it is coextensive with, or tracks, the First Amendment concept of commercial speech.

Though the line is not always easily drawn between what constitutes "commercial advertising or promotion" and that which does not, the oft-cited case of *Gordon & Breach Science Publishers S.A. v. American Institute of Physics* 859 F. Supp. 1521, 1536 (S.D.N.Y. 1994), provides some useful insight.

In *Gordon & Breach*, at issue was whether a non-profit publisher may be sued for false advertising under the Lanham Act. In noting the issue was one of first impression, the court articulated a four-part test to determine when a misrepresentation fell within the ambit of "commercial advertising or promotion" and is thus actionable, under section 43(a).

The court concluded that the misrepresentation must be "(1) commercial speech; (2) by a defendant who is in commercial competition with plaintiff; (3) for the purpose of influencing consumers to buy defendant's goods or services...;(4) must be disseminated sufficiently to the relevant purchasing public to constitute "advertising" or "promotion" within that industry." *Id.*

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Court Holds That Trade Group's Commentary May Be the Proper Subject Matter of a Lanham Act Claim

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Web Articles Criticized Plaintiff

In the instant case, plaintiffs, comprising companies that owned and managed painting businesses, brought a product disparagement claim under 43(a) of the Lanham Act against the Painting & Decorating Contractors of America ("PDCA") for two articles published by the PDCA on its web site that referred to and were critical of plaintiffs.

The PDCA, which represents painters and decorators, emphasized that it neither owned nor managed any painting businesses and therefore, did not compete with plaintiffs. It further argued that because plaintiffs were not its commercial competitors, the accused articles could not be considered "commercial advertising and promotion" under section 43(a), and thus, plaintiffs lacked standing to bring suit under the Lanham Act.

While the Court rejected nearly all of the plaintiffs' contentions on substantive grounds, it nonetheless did hold that at least one of the PDCA's articles should be properly viewed as commercial advertising and thus not completely shielded by the First Amendment. The Court reasoned that even though the PDCA was a trade group that did not offer painting services in competition with plaintiffs, to hold otherwise would permit "commercial entities to avoid Lanham Act liability by speaking through a larger trade group that itself does not own or operate any businesses." The court in reaching its decision noted that even though Ninth Circuit law requires that a plaintiff suffer a competitive injury, *see Hajiki v. United Artists Communications,*

Inc., 812 F.2d 1213 (9th Cir. 1987), direct competition, *i.e.*, complete parity between the businesses of plaintiff and defendant, need not exist.

The crux of the matter, the court continued, citing to *Coastal Abstract Serv., Inc. v. First Am. Title Ins. Co.*, 173 F.3d 725, 734 (9th Cir. 1999), is whether defendant's statements tended to divert business away from the plaintiff not whether the defendant was engaged in a business competitive with the Plaintiff. The court held that the article did have the potential to do just that because both of the parties in the case were commercial painting companies or represented the interests of such companies. Because the member companies of the PDCA compete for business with Plaintiffs, the Lanham Act requirement of commercial injury was satisfied.

The ruling of the Court would thus seem to stand for the proposition that an advocacy group that represents the interests of a particular industry, makes statements about competitors of the entities it represents, and that does not itself compete against those entities, can nonetheless be sued as a proper defendant in a Lanham Act disparagement case.

Daniel DeCarlo is a partner with Lewis Brisbois Bisgaard & Smith in Los Angeles in the Firm's Intellectual Property and Technology Group, and Justin Righettini is an associate in the same group. Mr. DeCarlo represented the defendants in this case. Plaintiffs were represented by Daniel J. Kessler, Burkhalter, Michaels, Kessler & George, Irvine, CA.

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Scottish MP Wins £200,000 Award in Trial Against The News of the World

By Rosalind McInnes

In British libel cases, a defamatory statement is presumed to be false. The publisher whose defense is that the story is true has the onus of rebutting this presumption and showing that it is true, on the balance of probabilities.

Unofficially, where the claimant has a photogenic spouse, the standard for defendants seems a good deal higher, as both the Jeffrey Archer case in the 1980s and the current Scottish cause celebre, Tommy Sheridan the radical socialist politician's action against the *News of the World* tabloid newspaper, go to suggest.

Background

Tommy Sheridan is a member of the Scottish Parliament from Glasgow, and a founder and former leader of the Scottish Socialist Party. In October 2004, the *News of the World*, the UK's best selling Sunday tabloid, published a

story entitled "Married MSP Is Spanking Swinger." The article reported that an unnamed member of the Scottish Parliament had gone to a swingers club, enjoyed threesomes and being spanked. Another article by the newspaper's sex columnist reported that she herself had a "kinky fling" with a married Scottish parliamentarian.



Tommy Sheridan

In November 2004, Sheridan abruptly resigned from his leadership position with the party. Sheridan reportedly admitted to his party colleagues that he had attended a swingers club – and his admission was memorialized in the group's minutes. But this later became a matter of factual dispute at trial, with Sheridan arguing the minutes were part of a conspiracy against him. To the public, Sheridan explained that his resignation had nothing to do

with rumors about his private life, rather he resigned to "spend more time with his family."

Libel proceedings, of course, followed.

Libel Trial

Midway through a five-week trial this summer Mr Sheridan sacked his legal team in circumstances of some drama after his counsel wrongly suggested to a witness that she had a fraud conviction. Sheridan then conducted his own case with flamboyance and success. On August 4, he got a £200,000 award from the jury, making Cardonald, the small suburb of Glasgow where he lives, the libel capital of Scotland.

The article reported that an unnamed member of the Scottish Parliament had gone to a swingers club, enjoyed threesomes and being spanked.

Press, and in many cases public, reaction has been disbelief. His political party had vehemently opposed – to the point where one of the party officials was jailed for contempt – handing over a crucial piece of evidence in the case, the alleged minutes of a party meeting where Mr Sheridan was said to have admitted attending a "swingers" club. Eleven members were brought to court to say this admission had been made.

Other witnesses testified themselves to having had adulterous relationships with him or witnessing him in group sex. He attributed this evidence to a combination of the *News of the World's* paying what he called "hired liars," coupled with the "political civil war" raging in his party, a fairly powerful but apparently riven minority.

The jury, by a 7-4 majority, believed Sheridan and his witnesses. Though an appeal is in the cards, it seems likely, on Scottish precedent, that it will be said that the jury was entitled to find for Sheridan.

What persuaded – or possessed, according to your point of view – the jury? In the UK, no one can ask. It is a criminal offence to ask about a jury's deliberations. (The public debriefing of the Michael Jackson jury was watched by our newsroom with enviously dropped jaws.)

But the theories of those of us who were in this packed and electric courtroom are crudely simple. The majority of people find both Mr Sheridan and his family – an attractive and forthright wife, his devoted activist mother, the father in law who

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Scottish MP Wins £200,000 Award in Trial Against The News of the World

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gave him an alibi and the sisters who worked hard on his legal case- basically likeable.

Whereas they find the *News of the World*, for a complex and compelling mixture of politics, prudery, gender issues, literacy and journalistic ethics, pretty unappetising. Several witnesses admitted to having been paid by the newspaper for their stories. Others seemed self-interested, malicious and even what Bart Simpson has called "emotionally frail."

Perhaps also hoi polloi are quicker to read about the highly sexed consenting adults than to throw stones at them. The *News of the World* scored some specific own goals by having to admit to such activities as taping people who were explicitly told the contrary, blending truth and fiction and paying £20,000 to an escort girl who couldn't remember dates or produce a single photograph of herself with Tommy Sheridan.

Whatever the tipping factors, a £200,000 award is remarkable in Scotland, and no good cause for celebration even by the *News of the World's* more respectable competitors.

Perjury?

In an interesting post-trial development, the Crown Prosecution announced it will review all the testimony and evidence in the case to determine whether there are grounds to bring a perjury investigation. This process is expected to take several weeks. The *News of the World* has said it welcomes the review, while Sheridan chalked it up to a "a quiet week in the Crown Office and the newspaper offices."

Rosalind McInnes is an in-house solicitor with BBC Scotland and attended portions of the trial. Plaintiff had been represented at trial by Richard Keen QC and Graeme Henderson before dismissing them and conducting his own case. The News of the World was represented by Michael Jones QC.



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Third Circuit Affirms Challenge to Delaware's FOIA Law

Limit on Out-of State Citizens' Right of Access Violates Privilege & Immunities Clause

The Third Circuit held that Delaware's freedom of information statute violates the Privileges and Immunities Clause of the U.S. Constitution to the extent state officials interpreted it as excluding out-of-state citizens from accessing public documents. *Lee v. Minner*, No. 05-3329, 2006 WL 2361463 (3d Cir. Aug. 16, 2006) (Barry, Smith, Ditter).

The Court affirmed summary judgment in favor of a New York lawyer who challenged the statute and enjoined the state from limiting FOIA benefits to its own citizens.

Background

Plaintiff Matthew Lee is a New York lawyer and executive director of a community consumer organization. Plaintiff made two Delaware FOIA requests seeking information about an investigation of deceptive lending practices. Both requests were denied by Delaware state lawyers for the following reason:

Your request is hereby denied. Pursuant to 29 Del. C. § 10003, "All public records shall be open to inspection and copying by any citizen of the State during regular business hours ..." Your address indicates that you are not a citizen and therefore would not be entitled to inspect and copy public records under FOIA.

Delaware's Freedom of Information Act, 29 Del.Code Ann. §10003, provides in relevant part that:

All public records shall be open to inspection and copying by any citizen of the State during regular business hours by the custodian of the records for the appropriate public body. Reasonable access to and reasonable facilities for copying of these records shall not be denied to any citizen.

Following the denials, plaintiff sued the state in Delaware's federal district court alleging that the state citizenship requirement violated the Privileges and Immunities clause of the U.S. Constitution, Article IV, section 2. This provides that "[t]he Citizens of each State shall be entitled to all Privileges and Immunities of Citizens in the several States."

The district court granted summary judgment to plaintiff, permanently enjoining Delaware's Attorney General "from refusing to honor or respond to [FOIA] requests ... on the basis of the requestor's residency or citizenship" and directing the Attorney General to "process and evaluate FOIA requests from non-

residents or noncitizens in the same manner in which FOIA requests from citizens of Delaware are processed and evaluated."

The Third Circuit affirmed. The Privileges and Immunities clause of the Constitution, the Court noted, prevents a state from discriminating against non-state citizens in favor of its own citizens. Whether a state law violates the Clause is measured by a three-part test. Under that test, a court must: (1) determine whether the policy at issue burdens a right protected by the Privileges and Immunities Clause; (2) consider whether the state has a "substantial reason" for the discriminatory practice; and (3) evaluate whether the practice bears a substantial relationship to the state's objectives. *See Toomer v. Witsell*, 224 U.S. 385, 395 (1948).

The Court agreed that Delaware's citizen only FOIA law burdened plaintiff's fundamental right to access public records and further burdened his ability to engage in the "essential activity" of participation in the political process. Though a state need not apply all its laws and services equally to citizens and non-citizens, the court made clear that a state may not deprive non-citizens of the right to "engage in any essential activity or exercise a basic right."

Delaware argued that it had a substantial interest in "defining its political community." This was an insufficient justification for preventing non-citizens from accessing public documents, since there was no evidence indicating that denial of information will somehow strengthen Delaware's relationship with its citizens.

We agree with the District Court that the citizens-only provision of Delaware's Freedom of Information Act burdens noncitizens' right to "engage in the political process with regard to matters of national political and economic importance." Although in some cases the State's asserted objective of "defining its political community" might justify a discriminatory practice, in this case, there is an insufficient nexus between the State's policy of excluding noncitizens from receiving FOIA benefits and that objective.

Plaintiff was represented by David C. Vladeck, Georgetown University Law Center, Washington, DC. Defendants were represented by W. Michael Tupman, Delaware Department of Justice.

ETHICS CORNER

Pre-Publication Review And One's Duty To A "Higher Authority"

By David J. Bodney And Peter S. Kozinets

We like to think that none of the reporters whose interests we defend would break the law or publish with actual malice. We want to believe that the journalists whose stories we review before publication would never act unethically, causing a public relations nightmare for our corporate media clients. But news accounts of fallen stars from the country's most prominent print and broadcast media suggest such wishful thinking by media lawyers might occasionally be misplaced. Worse, such thinking might give rise to ethical horror stories, especially for media lawyers in today's corporate environment.

In today's world, newspapers and other media outlets are increasingly organized as large corporations, often owned by even larger media conglomerates. While outside media counsel may interact with many individual corporate officers or employees, the lawyer's client ultimately is the corporation itself. What are the duties of outside counsel when one learns or suspects during pre-publication review that an employee or officer of a media client intends to violate the law or otherwise create a material risk of liability for the client?

When representing a local news organization owned by a parent company, is outside counsel required to inform responsible individuals of the parent company about such conduct? And what are the unique responsibilities of senior lawyers, and the more junior lawyers they supervise, when such issues arise? This article addresses these important, and often vexing, questions.

ABA Rule 1.13

Three years ago, in the aftermath of Enron and other corporate scandals, the American Bar Association amended Rule 1.13 of the Model Rules of Professional Conduct to clarify when lawyers must report harmful and unlawful conduct to "a higher authority" within a corporation. The Rule contains guidelines and requirements that the pre-publication/pre-broadcast practitioner should know when advising clients during the review process.

First, the lawyer must identify who the client is – and is not.

Rule 1.13(a) states that "[a] lawyer employed or retained by an organization represents the organization acting through its duly authorized constituents." The "constituents" of a corporate client are its officers, directors, employees and shareholders. Model Rule 1.13 cmt. 1. When advising a reporter, editor or producer before publication or broadcast, outside counsel does not "represent" any of these individuals. Rather, counsel's duties run to the corporate organization. Accordingly, when reviewing a story for publication or broadcast, the lawyer must keep firmly in mind the "best interests of the organization." Model Rule 1.13(b).

Second, if one lawyer learns during pre-publication or pre-broadcast review that the reporter, editor or producer intends to take action that poses a serious risk of liability for the organizational client, what are the lawyer's obligations? The first step is to advise these individuals about any potential risks or red flags you detect in the review process.

For example, if the proposed story contains defamatory language that the reporter, editor or producer knows or should know cannot be substantiated, does not reflect a fair summary of a public record or is not otherwise the subject of an applicable privilege or defense, counsel should recommend steps to avoid or minimize the risk of liability. Similarly, as a general rule, if the reporter, editor or producer proposes to engage in or encourage illegal conduct in furtherance of a story, the lawyer must explain the law and strongly advise that it be followed. If the reporter or editor accepts the lawyer's advice, this may be the end of the matter. *See* Model Rule 1.13 cmt. 4 ("[I]f the circumstances involve a [corporate] constituent's innocent misunderstanding of law and subsequent acceptance of the lawyer's advice, the lawyer may reasonably conclude that the best interest of the organization does not require that the matter be referred to a higher authority.").

But what if the reporter, editor or producer tells you that that your advice will undermine the story, and that he intends to move forward anyway? Now is the time to consult your juris-

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What are the duties of outside counsel when one learns or suspects during pre-publication review that an employee or officer of a media client intends to violate the law or otherwise create a material risk of liability for the client?

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diction's version of Model Rule 1.13. The Model Rule instructs that if a lawyer knows that "an officer, employee or other person associated with the organization" is acting, intends to act or refuses to act "in a matter related to the representation" that violates a legal obligation to the organization, or that violates the law in a manner "that might be imputed to the organization *and* that is likely to result in substantial injury to the organization," then the lawyer must evaluate whether "the best interest of the organization" requires the lawyer to report the issue to a "higher [client] authority." Model Rule 1.13(b) (emphasis added).

Importantly, counsel cannot sweep under the rug any obvious indications of wrongdoing: "[K]nowledge can be inferred from circumstances, and a lawyer cannot ignore the obvious." Model Rule 1.13 cmt. 3.

Before escalating the issue, the lawyer must evaluate whether the proposed story or conduct "is likely to result in substantial injury to the organization," and whether "the best interest of the organization" would be served by reporting the issue to a higher level. The Rule's Comment provides the following guidance:

[T]he lawyer should give due consideration to the seriousness of the violation and its consequences, the responsibility in the organization and the apparent motivation of the person involved, the policies of the organization concerning such matters, and any other relevant considerations. . . . If a constituent persists in conduct contrary to the lawyer's advice, it will be necessary for the lawyer to take steps to have the matter reviewed by a higher authority in the organization.

Model Rule 1.13 cmt. 4.

Counsel should consider the client's ethics policies or similar standards in conducting this inquiry. If the intended story or conduct clearly violates such policies, counsel should seriously consider raising the issue with more senior client personnel. Moreover, in assessing the risk of potentially defamatory language, counsel should be alert to the arguments that a hypothetical plaintiff might make to a jury regarding that language. Counsel should consider other statements in the story that, even

if not defamatory in themselves, could be used by the potential plaintiff to argue that the publisher or broadcaster harbored some kind of animus against the plaintiff.

While Rule 1.13 gives counsel considerable discretion in determining whether to report to other client personnel, the Rule requires that doubts be resolved in favor of involving a "higher authority." The Rule states, in part:

Unless the lawyer reasonably believes that it is not necessarily in the best interest of the organization to do so, the lawyer *shall* refer the matter to higher authority in the organization, including, if warranted by the circumstances to the highest authority that can act on behalf of the organization as determined by applicable law.

Model Rule 1.13(b) (emphasis added). Accordingly, if the issue poses a sufficiently serious risk to the company, the lawyer is obligated to report the issue to more senior corporate constituents. It bears emphasizing that the practitioner should review the specific version of Model Rule 1.13 adopted in his or her jurisdiction. The above-quoted language has not been uniformly adopted, and it has been the subject of debate in several jurisdictions.

Reporting to "Higher Authorities"

If the lawyer is required by the applicable version of Rule 1.13 to report the issue to a higher authority, this could mean taking the issue to the managing editor, editor-in-chief or publisher of a client newspaper. If the client is a broadcaster, this could involve consulting a television station's news director or general manager. If the client has in-house or general counsel who typically rely on local counsel for pre-publication review, such in-house counsel should be brought into the process if the issues are sufficiently serious.

Ultimately, however, the Model Rule requires that such an issue – if not rectified at a lower level – be reported "to the highest authority that can act on behalf of the organization as determined by applicable law." Model Rule 1.13(b) (emphasis added). While a corporation's highest authority "ordinarily will be the board of directors or similar governing body," ap-

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Counsel's duties run to the corporate organization. Accordingly, when reviewing a story for publication or broadcast, the lawyer must keep firmly in mind the "best interests of the organization."

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applicable law may indicate that “under certain conditions the highest authority reposes elsewhere, for example, in the independent directors of a corporation.” Model Rule 1.13 cmt. 5.

For local media clients that are wholly-owned subsidiaries of other corporations, when are outside counsel required to inform parent companies about issues covered by Model Rule 1.13? This question has several possible answers. First, counsel may need to study “applicable law” to determine whether the highest authority that can act on behalf of the client organization rests in the hands of the parent company. Model Rule 1.13(b).

Under general principles of corporate law, the parent usually cannot act, at least not directly, on behalf of the subsidiary. A parent corporation that wholly owns a subsidiary is the subsidiary’s sole shareholder. While a sole shareholder may have the power to elect and terminate the subsidiary’s directors, it generally cannot manage the day-to-day affairs of the subsidiary – and therefore cannot “act” on the subsidiary’s behalf – without running the risk of losing the limited liability protections that inhere in the use of separate corporate forms. See, e.g., Del. Code tit. 8, §§ 141(a), (k), 211(b). Accordingly, Model Rule 1.13 may not *require* disclosure to the parent corporation, unless applicable law suggests that the parent has authority to act on behalf of the client organization.

Nevertheless, counsel “may” disclose information relating to the representation to the parent company under section (c) of Model Rule 1.13. Section (c) permits – but does not require – disclosure of information relating to the representation to others if, despite the lawyer’s efforts, the highest authority that can act on behalf of the corporation insists on or fails to timely and appropriately address “an action, or a refusal to act, that is clearly a violation of law,” and “the lawyer reasonably believes that the violation is reasonably certain to result in substantial injury to the organization.” Model Rule 1.13(c). However, the lawyer’s disclosure is limited to the extent necessary, as “the lawyer *reasonably* believes,” to prevent “substantial injury” to the client. *Id.* (emphasis added).

Moreover, if the parent company has its own legal staff that often acts as *de facto* in-house counsel for the subsidiary, then outside counsel may have a duty to disclose the issue to in-house counsel – in its capacity as in-house counsel for the *subsidiary*.

In addition to informing a “higher authority,” counsel may need to advise the reporter, editor or producer about the exist-

ence of a conflict or potential conflict of interest between him and the corporation. Model Rule 1.13 cmt. 10. If the lawyer “knows or reasonably should know that the organization’s interests are adverse to those of the constituents with whom the lawyer is dealing,” the lawyer “shall explain the identity of the client” to the individuals. Model Rule 1.13(f). Moreover, “[c]ounsel must be taken to assure that the individual understands that, when there is such adversity of interest, the lawyer for the organization cannot provide legal representation for that constituent individual, and that discussions between the lawyer for the organization and the individual may not be privileged.” *Id.*

Counsel also must be aware of the unique duties of senior lawyers and the more junior lawyers they supervise when these issues arise. The Model Rules state that “[a] lawyer having direct supervisory authority over another lawyer shall make reasonable efforts to ensure that the other lawyer conforms to the Rules of Professional Conduct.” Model Rule 5.1(b). If a less experienced or junior lawyer conducts pre-publication or pre-broadcast review, the supervisory lawyer must ensure that the junior lawyer is trained and competent to perform the review. Model Rule 1.1. Such training should occur on a systematic basis “in practice situations in which difficult ethical problems frequently arise.” Model Rule 5.1 cmt. 3.

As part of this training, the supervisory lawyer should ensure that the junior lawyer knows what to do – and whom to contact – if a reporter, editor or producer resists following the lawyer’s advice regarding a matter that could result in substantial injury to the client. It makes good sense for the junior lawyer to have a list of contacts whom he or she could call to discuss issues that cannot be resolved in the first instance at a lower level – especially if the supervisory lawyer cannot be reached promptly.

If the supervisory lawyer and the junior lawyer have different views about the level of risk created by a client’s proposed story or conduct, or about whether a “higher authority” should be consulted within the client organization, the junior lawyer would not violate the Rules of Professional Conduct if he or she “acts in accordance with a supervisory lawyer’s reasonable resolution of an arguable question of professional duty.” Model Rule 5.2(b).

In sum, especially in the post-Enron, post-Jayson Blair environment, the pre-publication practitioner should be especially mindful of his or her duties under Model Rule 1.13 or its local equivalent. The lawyer should know that his or her client is the

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corporate entity that publishes or broadcasts the story being reviewed. The lawyer must keep that entity's best interests at heart, and be attuned to any comments by reporters or their line editors that would suggest an intention to ignore or sabotage the advice of counsel.

If outside counsel learns that a reporter, editor or producer intends to violate the law or disregard the lawyer's advice, then the lawyer likely will be duty-bound to raise these issues with higher authorities within the client organization. In certain circumstances, the lawyer may be required to inform in-house counsel and other personnel at the client's parent company.

The lawyer should also be aware of conflict issues that may arise between the client's employees and the client itself. While counsel's adherence to Model Rule 1.13 may not always protect the client from harm, the pre-publication practitioner would be well-served to follow the Rule when difficult or delicate situations arise during the review process.

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DOJ Releases Study of Appeals in Civil Trials

The U.S. Department of Justice last month released a study of appeals from civil trials in 46 large counties nationwide. The study tracked 8,311 civil trials conducted in 2001 and found that, through April 2005, there were appeals in 1,204 (14.5 percent) of the cases, and that trial verdicts were reversed or modified in about two-thirds of these appeals.

The study, by the U.S. Department of Justice's Bureau of Justice Statistics, followed tort, contract and real property cases in 46 of the nation's 76 most populous counties that had a bench or jury trial verdict during 2001 and at least one appellate decision by April 30, 2005.

The DOJ study included 62 libel and slander trials, presumably including both media and non-media cases. There were appeals in 18 of these 62 trials (29.2 percent). Defendants filed most of the appeals (11 out of the 18). The DOJ study does not break out appellate results for these appeals. Overall figures show that defendants' appeals from trial verdicts in tort cases resulted in 35.4 percent being affirmed and 19.9 percent being reversed.

MLRC's annual Report of Trials and Damage Awards includes 16 trial verdicts from 2001. Defendants filed appeals in five cases. Two verdicts were affirmed and three were reversed or modified on appeal. MLRC's Report of Trials and Damage Awards analyzes 530 trial verdicts from 1980 through 2005 and is available to members at www.medialaw.org.

The DOJ study is available at www.ojp.usdoj.gov/bjs/abstract/agctlc05.htm.

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