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# MULRC

Media  
Law  
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Center

## MEDIA LAW LETTER

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Reporting Developments Through December 23, 2010

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## Thank you, Bob Nelon, DCS President



**Nelon presiding over the DCS Annual Meeting in November.**

On behalf of us all, I want to thank Bob Nelon for his service this past year as President of the Defense Counsel Section. So many of you know Bob, and know what a wonderful, smart, organized and effective man and leader he is, and how appreciative we all are of his commitment to MLRC.

Bob has been active in MLRC for many years. He has participated in committees, at conferences, told Trial Tales, wrote articles – engaged in countless regards in this organization. A giant in the media bar. We could hardly ask for a more dedicated leader in the DCS.

And it is great to get that marvelous, heartland perspective that Bob brings – sophisticated and sensible!

He is a litigator of great skill and success; a man whose counsel we all regard because, well, he is just so darned informed and experienced. He sets a long shadow for those who follow him.

Fortunately for MLRC, Bob will remain for another year on the DCS Executive Committee, serving as President Emeritus. But I hope, and I know you all do as well, that Bob will agree to continue participating in MLRC events and projects and committees and conferences for as far as the eye can see. We need him in the organization!!

Thank you, Bob, so very much. We look forward to working with you, to listening to your Trial Tales, to simply having your leadership in this organization.

- Sandy Baron, MLRC Executive Director

### **MEDIA LAW RESOURCE CENTER UPCOMING EVENTS 2011**

**MLRC/Southwestern  
Media & Entertainment  
Law Conference**

January 20, 2011 | Los Angeles, CA

**MLRC/Stanford  
Legal Frontiers in  
Digital Media Conference**  
May 19-20, 2011 | Stanford, CA

**MLRC London Conference**

September 19-20, 2011  
(In-house counsel breakfast Sep 21st)  
London, England

**MLRC Annual Dinner**  
November 9, 2011 | New York, NY

**DCS Meeting & Lunch**  
November 10, 2011 | New York, NY

*The 8th Annual Entertainment & Media Law Conference Presented by the  
Media Law Resource Center and Southwestern Law School's Biederman Entertainment and Media Law Institute*

## **SCRIPTS, LIES & VIDEOGAMES**

**Thursday, January 20, 2011**

**Southwestern Law School, Los Angeles**

[Schedule](#) | [Registration](#)

**Co-Sponsored by**

**Chubb Group of Insurance Companies, Davis Wright Tremaine LLP, Doyle & Miller LLP  
Hiscox USA, Leopold Petrich & Smith, Sidley Austin LLP**

### **Trademarks, Transformations, and Touchdowns:**

#### **Recent Issues in Clearing Motion Picture, Television, and Videogame Content**

The panel will address clearance issues arising out of recent developments in trademark and right of publicity law. Topics will include the tension between intellectual property rights and the First Amendment; differences in clearance practices among various industries (motion picture, television, videogame, insurance).

**Moderator:** Robert Rotstein (Mitchell Silberberg & Knupp)

**Panelists:** Christopher Cosby (Activision), Donald Gordon (Leopold, Petrich & Smith)  
and Elizabeth Masterton (Twentieth Century Fox)

### **Ripped (Off) from Real Life?**

The panel will examine libel in fiction and address how to vet movies and TV shows that depict, or were inspired by, real people, things and events. Topics will include: What constitutes libel in fiction? What is actionable product disparagement? How can you advise your clients to minimize the risk?

**Moderator:** Patricia Cannon (NBCU Television Group)

**Panelists:** Robyn Aronson (MTV Networks), Stephen Rohde (Rohde & Victoroff )  
Jody Zucker (Warner Bros. Television)

### **Issues with Development and Distribution of Video Games**

The panel will focus on the development and distribution of video games, looking at the process from the perspective of developers, publishers, rightsholders and distributors. Topics will include: How is video game development and distribution the same and how is it different from traditional television and movie production and distribution? How do development and distribution issues vary if the game is a MMORPG, a console game, or a casual game? How do the different business models (freemium, subscription, episodic, etc.) impact development and distribution? How has mobile gaming and the iPad impacted gaming? What about the Wii and Kinect? What about social networking?

**Moderator:** Kraig Baker (Davis Wright Tremaine)

**Panelists:** Heidi Holman (Microsoft), Daniel O'Connell Offner (Loeb & Loeb)  
Seth Steinberg (Digital Arts Law)

# Media Issues on the Hill: Wrapping-up the 111th Congress and Looking Forward to the New Year

**By Kathleen A. Kirby and Shawn A. Bone**

With the end of the 111th Congress finally upon us, Washington will have scant time to catch its breath before the 112th Congress convenes January 5th. With at least 95 new Members, the freshman class in the 112<sup>th</sup> Congress is one of the largest in history. Turnover of this magnitude has only been seen on a handful of occasions and will force Republicans to take a measured approach to legislating while their new Members hire staff and they sort out committee assignments and leadership positions.

It will take the Republican House leadership the early part of next year to finish organizing for the Congress, and expectations are that the actual legislative agenda for the early part of next year will be packed with high-profile “statement” votes (such as a repeal of the Obama healthcare plan). The narrowed Democratic majority in the Senate likely will limit the legislative agenda in that body over the next two years, as bills or nominations requiring cloture are expected to languish on the calendar.

## Late Developments in the 111th Congress

While the expectation immediately after the November mid-term elections was for a very limited lame duck session, Congress actually has completed work on two significant pieces of communications legislation in the last several weeks. The first, S. 2847, the Commercial Advertisement Loudness Mitigation Act (or CALM Act), was signed by President Obama on December 15, 2010. That legislation directs the FCC to establish loudness rules for ads aired by broadcast television stations, cable companies, satellite companies, and other multichannel video programming distributors (MVPDs).

The Commission has one year to promulgate the new rules (which must be based on the Advanced Television Systems Committee’s A/85 standard), and companies will have one year from promulgation of the rule to comply with the new loudness standards, generally through purchase and maintenance of the necessary equipment and associated software to ensure that the ads do not exceed the applicable loudness level.

The second bill, H.R. 6533, the Local Community Radio Act of 2010, was passed by the House on December 17 and the Senate on December 18. (The President is expected to sign H.R. 6533 before the end of the year.) The bill attempts to expand the spectrum available to low-power FM (LPFM) radio stations. Specifically, it does the following:

- ◆ Directs the FCC to eliminate third-adjacent spacing between LPFM stations and full-power FM stations, FM translator stations and FM booster stations.
- ◆ Establishes interference protection and complaint procedures for full-power stations affected by LPFM stations operating on third-adjacent frequencies.
- ◆ Prohibits the FCC from reducing the co-channel, first-adjacent and second-adjacent spacings between LPFM stations and full-power FM stations.
- ◆ Permits the FCC to waive second-adjacent spacing between LPFM stations and full-power FM stations if an LPFM station can demonstrate no predicted interference. An LPFM station that receives such a waiver shall, subject to certain procedures, be required to cease operation if it causes actual interference to a full-power station.
- ◆ Directs the FCC to conduct an economic study on the impact that LPFM stations will have on full-service FM stations.

The Commission likely will begin its work on implementing the legislation shortly after the New Year.

## Outlook for Media-related Issues in the 112th Congress

As mentioned in our article in August, media issues may have a more prominent role in the next Congress as House and Senate leadership look for areas of compromise. While a large overhaul of the Communications Act is doubtful, smaller more targeted legislation could be debated at some length. That said, many issues of interest to journalists and new organizations will face a much tougher path to passage given the shift to a Republican House of Representatives.

The early part of the communications agenda for next year, particularly in the House, is expected to center on

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detailed oversight of the Federal Communications Commission along with fact-finding hearings on other issues. Republicans are planning hearing on the Commission's net neutrality work for early in the next Congress, and probably will convene a series of background hearings on a framework for a new Communications Act. Real work on communications legislation may not begin until the summer. The Judiciary Committees could be more active, but neither Committee has developed a clear agenda for next year at this point.

### **Overview of the New Congress and Committees**

The leadership for the 112th Congress largely has been set in the weeks after the mid-term elections. Rep. John Boehner (R-OH) will become the new Speaker of the House, with Rep. Eric Cantor (R-VA) as Majority Leader and Rep. Kevin McCarthy (R-CA) as Majority Whip. On the Democratic side in the House, current Speaker Nancy Pelosi (D-CA) will become Minority Leader, with Rep. Steny Hoyer (D-MD) as Minority Whip. A new position of Assistant Minority Leader was created for Rep. Jim Clyburn (D-SC) to avoid a contentious leadership battle in the Democratic caucus. The Senate leadership will remain the same as with the present Congress.

### **House Judiciary Committee**

Current House Judiciary Committee Ranking Member Lamar Smith (R-TX) will be the Chairman of the Committee in the next Congress. Current Chairman John Conyers (D-MI) should remain the lead Democrat on the Committee, becoming Ranking Member. The expectation is that similar shifts in Judiciary Committee Subcommittee leadership will occur, with Rep. Jim Sensenbrenner (R-WI) becoming Chairman of the Constitution Subcommittee and Rep. Howard Coble (R-NC) serving as Chairman of the Courts and Competition Subcommittee. It also appears that the Republican Committee leadership is considering reconstituting the Intellectual Property Subcommittee, which was suspended under current Chairman John Conyers. Reports indicate that Rep. Bob Goodlatte (R-VA) would be in line to be Chairman of that Subcommittee if it reappears.

Of the 39 seats currently on the House Judiciary Committee, Democrats currently control 23. This number will be reduced significantly when Republicans take control.

Unlike some other committees where electoral defeat has already adjusted the Democrat ratios, nearly all of the Democrats on the House Judiciary Committee won reelection. As a result, Democrat leadership will be forced to pare down the number of Democrats sitting on the panel. There are several current Democrats on the Judiciary Committee who also have a leadership positions on another committee or already have a seat on a another highly desirable Committee. Leadership is likely to request that these members relinquish their Judiciary seat rather than force more junior members step down.

### **Senate Judiciary Committee**

Current Senate Judiciary Committee Chairman Patrick Leahy (D-VT) will remain at the helm of the Committee in the next Congress. The current Republican Ranking Member Jeff Sessions (R-AL), though, will not retain his position, with Senator Chuck Grassley (R-IA) in line to be the new Ranking Member. Senator Sessions originally was named as Ranking Member after Senator Arlen Specter (D-PA) switched parties. At the time he assumed the position, it was announced that Senator Sessions and Senator Grassley had agreed that Grassley would become Ranking Member in January 2011, once his time as Ranking Member of the Senate Finance Committee expired.

As far as the rank-and-file membership of the Committee is concerned, we expect to see several new faces. The Senate Judiciary Committee currently has a ratio of 12 Democrats to 7 Republicans, but that ratio can be expected to narrow significantly after the election. We think that the final ratio is more likely to be around 10 Democrats to 9 Republicans (keeping the current total of 19 Members on the Committee). Three Democratic Members will be leaving the Committee: Senator Ted Kaufman (D-DE) due to retirement; Senator Arlen Specter (D-PA) due to his primary defeat; and Senator Russ Feingold (D-WI) due to his defeat by Senator-elect Ron Johnson. The Democratic and Republican leadership will adjust the Committee membership once the ratios are settled.

### **House Energy and Commerce Committee**

Congressman Fred Upton (R-MI) has been named the Chairman of the House Energy and Commerce Committee

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for the next Congress. He has a long history with communications issues, serving as Chairman of the Subcommittee from 2000 to 2006. Gary Andres of Dutko Worldwide (a Washington lobbying firm) will be Chairman Upton's Staff Director next year with Jim Barnette, former General Counsel for the Committee under Chairmen Bliley and Tauzin, returning for an encore as General Counsel. Rep. Greg Walden (R-OR), a former member of the Energy and Commerce Committee who relinquished his seat earlier this year to allow former Democrat Parker Griffith (R-AL) to join the Committee, has been selected as the Chairman of the Communications and Technology Subcommittee. Rep. Cliff Stearns (R-FL), formerly the Ranking Member of the Communications Subcommittee, will be the Chairman of the Committee's Oversight and Investigations Subcommittee. Finally, Rep. Mary Bono Mack (R-CA) has been named Chairwoman of the Subcommittee on Commerce, Manufacturing, and Trade, the Subcommittee that has claimed primary jurisdiction over privacy issues for the last several Congresses.

On the Democratic side, Rep. Henry Waxman (D-CA) will be the Ranking Member of the Committee, shifting over from his current post as Chairman. The Democratic Subcommittee leadership for the Committee, however, are not expected to be named until after the New Year. With Rep. Rick Boucher's (D-VA) re-election defeat, Democrats will need to name a new Ranking Member of the Communications and Technology Subcommittee. Rep. Bobby Rush (D-IL) has expressed an interest in foregoing his leadership role on the Consumer Protection Subcommittee in favor of the Ranking Member post on the Communications Subcommittee, and Reps. Anna Eshoo (D-CA) and Mike Doyle (D-PA) are both rumored to be seeking the top Democratic spot on the Subcommittee.

Finally, Rep. Ed Towns (D-NY), a long-time Member of the Energy and Commerce Committee who moved to the Chairmanship of the Committee on Oversight and Government Reform last Congress, has announced his intention to reclaim his position on the Energy and Commerce Committee with full seniority rights. Assuming Democratic leadership agrees to this request, Rep. Towns would be one of the most senior members of the Committee and in line for a Subcommittee Ranking Member post. Reports suggest he may be interested in becoming Ranking Member of the Communications Subcommittee, though Rep.

Towns has been silent on his intentions to this point.

Substantial changes also have occurred among the rank-and-file members of the House Energy and Commerce Committee, particularly on the Republican side of the aisle. The Republican Steering Committee has announced that a total of 30 Republicans will be serving on the Committee in the next Congress (up from 23 in the present Congress). With 5 current Republican Members having either retired or run for different office, the Steering Committee had 13 open slots to fill. The following Members will be joining the Committee next year: Greg Walden (OR); Cathy McMorris Rogers (WA); Pete Olsen (TX); Morgan Griffith (VA); Brian Bilbray (CA); Charlie Bass (NH); Brett Guthrie (KY); Greg Harper (MS); Bill Cassidy (LA); Cory Gardener (CO); Mike Pompeo (KS); Adam Kinzinger (IL); and David McKinley (WV).

Democrats also have seen a number of their Members leave the Committee due to retirement or re-election loss. Representatives Bart Gordon (D-TN) and Bart Stupak (D-MI) have announced their retirement at the end of the present Congress; Rep. Charlie Melancon (D-LA) left the House to run for Senate in Louisiana; and Reps. Baron Hill (D-IN) and Zack Space (D-OH) both lost to Republican challengers. Reports suggest that the total number of Democratic seats on the Energy and Commerce Committee will be capped at 22, leaving Democratic leadership with the task of removing several current Members from the Committee. Although no decisions have been made, those same reports hint that the Members most likely to be removed from the Committee are those with very little seniority. The most junior Democrats currently on the Committee are Peter Welch (VT), Bruce Braley (IA), Betty Sutton (OH), Jerry McNerney (CA), Chris Murphy (CT), John Sarbanes (MD), Kathy Castor (FL), and Donna Christensen (VI).

### **Senate Commerce Committee**

No major changes are expected at the Senate Commerce committee. Senator Jay Rockefeller (D-WV) will remain Chairman while Senator Kay Bailey Hutchison (R-TX) will continue as Ranking Member. Currently Democrats hold a three seat advantage on the panel with the seats allocated 14 to Democrats and 11 to Republicans. We believe this ratio will change to 13 Democrat seats and 12 Republican seats. With the retirement of Senator Byron Dorgan (D-ND),

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Democrats will not need to remove any sitting Member despite the reduction. Republicans must replace two sitting Members who will exit the committee due to retirement (Senators Sam Brownback (R-KS) and George LeMieux (R-FL)), while adding one seat in the ratio adjustment for a net gain of three seats. We expect these three Republican seats to be filled by freshman Senators.

### **Legislation**

#### *Updating the Espionage Act*

The release of reams of confidential (and sometimes classified) State Department information by WikiLeaks, coupled with earlier leaks of information related to the war in Afghanistan, has caused great consternation on Capitol Hill. Many Members have pressed the Department of Justice to prosecute WikiLeaks, citing the Espionage Act as the most appropriate statutory grounding for such cases. DOJ, however, has suggested that the Espionage Act, originally passed in 1917, may be inadequate to the task at hand given developments in First Amendment doctrine since the Act's passage. The House Judiciary Committee explored that question in a hearing on December 16. Little consensus was reached on the efficacy of the Espionage Act and with new documents being released on an almost daily basis, this issue likely will remain active into next year. Congressional attention on the issue could result in legislation to clarify and update the Espionage Act, or expand the authority of the Federal government to prosecute individuals and websites that release confidential or classified materials.

#### *Free Flow of Information Act*

If final passage of a federal reporter shield law fails in the 111th Congress, its prospects in the next Congress will wane. While the House has advanced the Free Flow of Information Act successfully in both of the previous two Congresses, the future of that legislation may be in doubt now that one of the long-time sponsors of the legislation, Representative Rick Boucher (D-VA), is no longer a Member. The principal Republican sponsor of the legislation, Representative Mike Pence (R-IN), would now be in a position to press the legislation, but reports suggest he is planning a run for the Indiana Governorship in 2012.

Even if new sponsors for the House legislation step forward, presumptive House Judiciary Committee Chairman Lamar Smith (R-TX) is considered to be an opponent of

federal shield law legislation. In fact, he filed a lengthy series of dissenting views on the legislation last year when it was reported out of the House Judiciary Committee and was joined by several of his Republican colleagues (who look like they will retain their positions on the Committee). Thus, his willingness to devote Committee time and effort to the legislation is in doubt, and a vote in favor of the bill would be difficult to achieve.

Given the continued Democratic control of the Senate, that body would be in a better position to push forward with the Free Flow of Information Act. Senate Judiciary Chairman Patrick Leahy (D-VT), if he so desires, probably could guide the federal shield law legislation out of Committee once again next year. Several Senators (including Judiciary Committee Democrats), though, continue to have concerns about the scope of the legislation (particularly given the WikiLeaks disclosures discussed above), and several strong Republican voices oppose the measure. The Administration, too, has been tepid in its support of the concept of a federal shield law, with the Department of Justice voicing public objections to the House version of the legislation and proffering changes to the Senate legislation to meet its concerns. With further objections to consideration of the bill likely next year, Democratic leadership would need a solid 60-vote coalition to secure floor consideration of the Act, a dicey prospect at this time.

#### *Cameras in the Courtroom*

Legislation that would open federal courts, including the Supreme Court, to cameras in the courtroom may face a similarly difficult path in the next Congress. The Senate has been the driving force on the two major cameras in the courtroom bills in the current Congress, though neither has been able to subject to full Senate debate due to limited floor time. One of the principal proponents of opening federal courtrooms to video cameras is Senator Chuck Grassley (R-IA), the new Ranking Member of the Senate Judiciary Committee. (The sponsor of legislation to open the Supreme Court to video cameras in the 111th Congress was Senator Arlen Specter (D-PA), who lost his re-election bid. Soon-to-be Ranking Member Grassley, along with several Democratic Members of the Senate Judiciary Committee, was a co-sponsors of that bill, however, and likely would support it in the next Congress.) He and Chairman Leahy would be in a

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position to advance similar legislation next year, but that bill might again face troubled prospects on the Senate floor.

In contrast, the House has shown little interest in legislation on cameras in the courtroom over the past two years (though it did advance the Sunshine in the Courtroom Act in the 110th Congress). Rep. Smith has not been a supporter of opening federal courtrooms to video cameras in the past, though several of his Republican colleagues on the Committee have been supportive.

#### *Federal Anti-SLAPP Legislation*

The Citizen Participation Act, which would enact a federal anti-SLAPP statute, was introduced by Representative Steve Cohen (D-TN) earlier this year, but failed to advance in the present Congress. The Act has garnered limited Congressional support at this point, with three other Democrats joining Rep. Cohen on the bill. Also, neither the House or Senate Judiciary Committees have held hearings on the need for a federal anti-SLAPP measure.

Movement of the legislation in the next Congress will be hampered by the lack of Republican support for the House measure, and the present lack of a Senate counterpart. Introduction of a Senate companion bill, especially if that bill is supported by key Republicans, could brighten the prospects of Congressional action on the legislation over the next two years. But passage of a final bill is not likely in the near term.

#### *Other Issues*

The House and Senate Judiciary Committees have suggested that copyright reform could be an area of bipartisan cooperation for the next Congress. Any measure likely would be focused on the Internet space, and may offer and opportunity for Congress to examine copyright issues related to online aggregators (an issue discussed at some length during the Senate Commerce Committee's hearing on the future of journalism).

Performance royalty legislation may reappear in the next Congress. The National Association of Broadcasters, RIAA, Music First, and several Congressional offices continue to work on a compromise bill that can be supported by all parties. NAB, in particular, would like to see adoption of a performance royalty tied to market penetration of broadcast radio-enabled cell phones (or adoption of a federal requirement that cell all phones be broadcast radio-enabled). Further work on performance royalty legislation could occur in the coming Congress.

The FCC and the Department of Justice are expected to complete their work on the proposed Comcast/NBC Universal merger by early next year at the latest. The Commerce and Judiciary Committees may hold hearings to review the merger review process, any conditions placed on the merger, and implementation of the merger conditions. In particular, the Committees may want to take a detailed look at any conditions placed on Comcast's Internet-based video programming services.

It is possible that the House Energy and Commerce Committee and the Senate Commerce Committee could return to the issue of the future of journalism over the next two years. Senate Commerce Committee Chairman Jay Rockefeller (D-WV) mentioned the declining quality of television news (particularly with respect to 24-hour cable news) in a recent hearing on retransmission consent reform. He suggested that the Commerce Committee needed to take a closer look at television programming issues to find a way to promote quality over quantity.

The Commerce Committees are expected to work on two expansive issues that could touch journalists or news operations. The House and Senate are expected to revisit comprehensive privacy legislation next year, which will impact how companies can collect and use data from users of their websites as well as their online advertising practices. The Committees also are expected to continue work on a possible rewrite of the Telecommunications Act of 1996.

The shift to a Republican-led Energy and Commerce Committee likely will mean much more intense oversight of the FCC, NTIA, and the Department of Agriculture's broadband programs. The general expectation is that the Commissioners will be called before Congress several times to testify, particularly now that FCC Chairman Genachowski has decided to push forward with an order to reassert the FCC's authority to regulate broadband networks under Title I of the Communications Act.

FCC Commissioner Michael Copps's term expired in June 2010, but by statute he is permitted to remain on the Commission until he or a replacement is confirmed, or Congress adjourns for the year in 2011. The Senate is awaiting the Administration's decision whether it will re-nominate Commissioner Copps or name a replacement. Once that choice is made, it will need to confirm that appointment next year or leave the Commission with a 2-2 split.

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

# HarperCollins Puts an End to Gawker's Leaks of Governor Palin's *America By Heart*

By Katherine M. Bolger and Rachel F. Strom

HarperCollins Publishers L.L.C. (HarperCollins), the publisher of the book *America by Heart* (the Book) by former Alaskan Governor Sarah Palin, planned to release the Book on Tuesday, November 23, 2010. HarperCollins has prepared an elaborate roll-out of the Book leading up to the release date, with interviews and appearances planned with television and radio outlets. On Wednesday, November 17, 2010, Gawker Media LLC (Gawker), the publisher of the media blog website Gawker.com, without any authorization, copied twenty-one pages from the Book and published those pages verbatim on its website. Gawker basically provided one-line introductions (essentially captions) for each page that it reproduced.

When Gawker refused to take the down the pages, HarperCollins filed suit and on November 20, 2010, the Honorable Thomas P. Griesa of the United States District Court of the Southern District of New York issued a temporary restraining order prohibiting Gawker from continuing to distribute excerpts of the Book. In so doing, he found that HarperCollins “has, to say the least, a likelihood of success on the merits” of its copyright infringement claim. *HarperCollins Pubs. L.L.C. v. Gawker Media LLC*, No. 10 Civ. 8782 (TPG), 2010 WL 4720396 (S.D.N.Y. Nov. 22, 2010).

## *America By Heart*

HarperCollins has the exclusive rights to publish, reproduce, and distribute the Book, which was written by the former Alaska Governor and former Republican Vice-Presidential candidate. The Book is a memoir and a personal reflection by Governor Palin on American history, culture, and current affairs.

Because of Palin's status as a well-known politician, author of the best-selling book *Going Rogue*, and political commentator, HarperCollins put extensive plans in place to promote the Book. As part of this plan, the Book was embargoed until November 23, 2010. HarperCollins released only limited review copies of the Book to the media in

advance of the publication of the Book on the condition that each member of the media would sign an agreement not to reveal the contents of the Book nor publish a review of the book before November 23. The Book was not available for sale to the general public until November 23.

## Gawker's Post

On or about November 17, 2010, Gawker published an item entitled “Sarah Palin's New Book: Leaked Excerpts” (Item). The Item began:

Well, look what popped up five days early: leaks from Sarah Palin's forthcoming memoir/manifesto, *America By Heart*, in which the reality TV matriarch rants against “talent deprived” reality TV stars, lauds daughter Bristol's chastity, and celebrates not aborting Trig.

Our favorite Wasilla-obsessed blog Palingates was the first to post excerpts from *America By Heart*. The book is currently in distribution centers, awaiting its official release on Tuesday. We got our hands on some of the pages, too!

The Item then published with it twenty-one full pages from the Book. Placed next to the precise images of the pages was a “Click to Enlarge” link that allowed a viewer to enlarge the image such that it was easily legible.

While the Item published extensive excerpts from the Book, it contained little to no commentary about these pages. For example, before posting four full pages from the Book on how *American Idol* judge Simon Cowell was one of the only voices in America still willing to tell “hard truths,” Gawker stated only: “Later, Palin laments the ‘self-esteem-enhanced but talent deprived performers’ of *American Idol* (Gosh, who does that remind you of?) as a metaphor for liberal entitlement, starting halfway down the page on the right.”

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Similarly, before posting two pages of the Book about how Palin's daughter Bristol informed Palin that she was pregnant, Gawker writes simply: "She [Palin] also describes the 'most unfortunate circumstance' of daughter Bristol's pregnancy. Meanwhile, grandson Tripp's inferiority complex is coming along nicely."

On the same day as Gawker posted the twenty-one pages (November 17, 2010), HarperCollins wrote to Gawker demanding that Gawker remove the Book's contents from the Item and desist from making further unauthorized publication of the Book. Gawker did not do so. Instead, on November 18, 2010, Gawker posted another item boasting of its infringing activities. The post entitled "Sarah Palin Is Mad At Us For Leaking Pages From Her Book", written by Maureen O'Connor, and reads, in relevant part:

Did you catch the excerpt we posted yesterday from Sarah Palin's new book? Sarah did. She tweets with rage: "The publishing world is LEAKING out-of-context excerpts of my book w/out my permission? Isn't that illegal?"

[Sarah: If you're reading this—and if you are, welcome!—you may want to take a moment to familiarize yourself with the law. Try starting [here](#) or [here](#). Or skip the totally boring reading and call one of your lawyers. They'll walk you through it.]

The November 18 item links to the Copyright Act and to the definition of "fair use" contained in Wikipedia, a user-generated Internet based "encyclopedia."

### **Motion For TRO**

On Friday afternoon, November 19, HarperCollins filed a complaint against Gawker asserting a single cause of action for copyright infringement based on Gawker's unauthorized publication of pages of the Book. After filing the complaint, counsel for HarperCollins contacted Gawker to inform Gawker that HarperCollins had filed the complaint and that HarperCollins would be seeking a temporary restraining order requiring Gawker to remove twenty-one pages of the

Book from Gawker's website. *Id.*

On Saturday, November 20, the District Court scheduled a hearing on the request for temporary restraining order for 3:00 p.m. that afternoon. Ninety minutes before the parties were scheduled to appear before the Court, Gawker amended the Item, but portions of 12 pages from the Book remained on the website with little commentary by Gawker.

On its motion for a temporary restraining order, HarperCollins argued that it was entitled to an injunction under the standard set forth in *Salinger v. Colting*, 607 F.3d 68 (2d Cir. 2010). Specifically, first, HarperCollins argued that it was clearly likely to succeed on the merits of its copyright claim because Gawker's use of the Book is not a protected fair use.

In analyzing the four fair use factors set forth in 17 U.S.C. § 107, HarperCollins relied heavily on the United States Supreme Court's analysis in *Harper & Row, Publishers, Inc. v. Nation Enterprises*, 471 U.S. 539 (1985). In that case, *The Nation* magazine published unauthorized excerpts of President Gerald Ford's memoirs two to three weeks before *Time Magazine*, the holder of the exclusive right to print prepublication excerpts from the memoirs, published its article.

The Supreme Court determined that "*The Nation* went beyond simply reporting uncopyrightable information and actively sought to exploit the headline value of its infringement." *Harper & Row*, 471 U.S. at 561 (internal marks and citations omitted). The Supreme Court further held that, "[w]hile even substantial quotations might qualify as fair use in a review of a published work . . . the author's right to control the first public appearance of his expression weighs against such use of the work before its release. The right of first publication encompasses not only the choice whether to publish at all, but also the choices of [when, where, and in what form first to publish a work.](#)" *Harper & Row*, 471 U.S. at 564.

Thus, the Supreme Court held that *The Nation's* excerpts weighed against a finding of fair use because the copyright holders had a clear interest in keeping the manuscript confidential, and *The Nation's* use "afforded no such opportunity for creative or quality control." *Id.* The Supreme Court therefore concluded that "[a] use that so clearly infringes the copyright holder's interests in confidentiality

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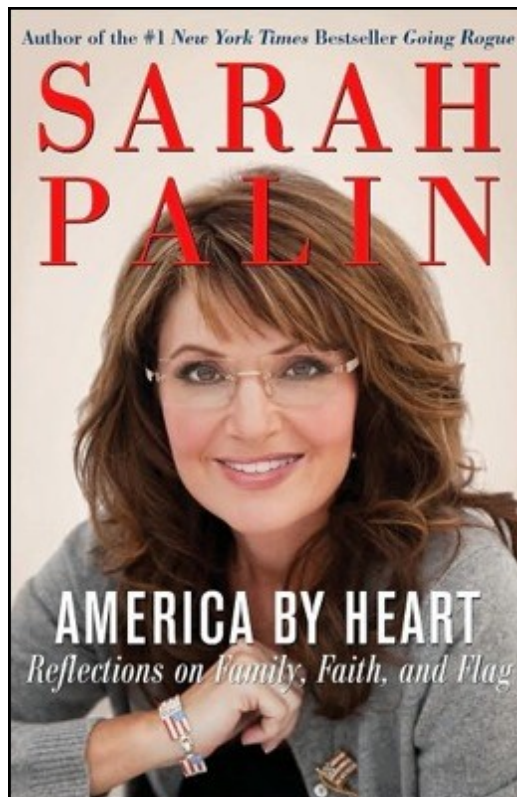
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and creative control is difficult to characterize as ‘fair.’” *Id.* Here, as in *Harper & Row*, by posting portions of the Book before it was released, Gawker infringed HarperCollins’ right to decide “when, where, and in what form first to publish a work.” Further, the Item went far “beyond simply reporting uncopyrightable information.” Indeed, the only reporting in the Item was that some portions of the Book had been leaked and Gawker was distributing those portions. Put simply, Gawker did nothing to transform the Book – it simply copied from it. Its use, like *The Nation’s* in *Harper & Row*, was hard to characterize as fair.

Second, HarperCollins argued that under *Salinger*, it was likely to suffer irreparable injury in the absence of an injunction and that the balance of hardships tipped in its favor because its right to control the release of the Book could only be protected by an injunction – not damages. Indeed, as the *Salinger* court itself noted, in assessing the irreparable harm to the plaintiff, a court should remember that “the loss of First Amendment freedoms, and hence infringement of the right not to speak, for even minimal periods of time, unquestionably constitutes irreparable injury.” *Salinger*, 607 F.3d at 81 (citation omitted).

Here, HarperCollins argued that its right to “not speak” and control the marketing and roll-out for the Book was irreparably damaged every moment that the Book was available on Gawker. In publishing portions of the Book before HarperCollins was able to do so, Gawker broke the embargo and unlawfully usurped the benefits of first publication that lawfully belonged to HarperCollins. This violation could only be remedied with an injunction.

Finally, HarperCollins claimed that under *Salinger*, the public interest would not be disserved if the Court granted a preliminary injunction here.



**“The posts on Gawker consisted of very brief introductions followed by the copied material. This was far less than the reporting and commentary the Supreme Court found inadequate to establish fair use in Harper & Row.”**

In response, at the hearing on November 20, Gawker claimed that HarperCollins was not likely to succeed on the merits of its claim because Gawker’s use was indeed a fair use. Specifically, Gawker argued that Governor Palin was a well-known politician and media-figure and Gawker had a right to comment on her and on the Book. Gawker also claimed that HarperCollins could not establish irreparable injury because, assuming Gawker had infringed HarperCollins’ copyright, HarperCollins would be fully compensated with money damages.

After reviewing Gawker’s amended posting on the Internet and hearing lengthy argument from both parties, the Court granted the temporary restraining order and set a preliminary injunction hearing for November 30.

### The Opinion

On November 22, the Court issued its Opinion, which set forth its reasoning for granting the temporary restraining order. The Court found that “defendant’s use of the copyrighted material was not for ‘purposes such as criticism, comment, news reporting, teaching . . . , scholarship, or research’” as would be required for a finding of fair use. [\*HarperCollins Pubs. L.L.C.\*, 2010 WL 4720396, at \\*3](#). “The posts on Gawker consisted of very brief introductions followed by the copied material. This was far less than the reporting and commentary the Supreme Court found inadequate to establish fair use in

*Harper & Row*.” *Id.*

The Court then went through all of the four fair use factors, as set forth in 17 U.S.C. § 107, and found that three factors weighed against a finding of fair use. As for the first factor, the purpose and character of the use, the Court held that “defendant had not used the copyrighted material to help create something new but has merely copied the material in

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order to attract viewers to Gawker.” *Id.* As to the second factor, the nature of the copyrighted work, the Court noted that the Book was not published, thus “substantially weakening defendant’s fair use claim.” *Id.*

The Court found that the “third factor also weighs against fair use in this case, as defendant published what amounts to a substantial portion of the Book.” *Id.* Finally, the “fourth factor, the effect of the use upon the potential market for the Book, is a matter of speculation. However, . . . it is the difficulty in determining such effect that makes a legal remedy inadequate in this case. Thus, this factor neither helps nor harms either side on the fair use issue.” *Id.* The Court thus concluded “that plaintiff has, to say the least, a likelihood of success on the merits in connection with its claim of copyright infringement, as against the defense of fair use.” *HarperCollins Pubs. L.L.C.*, 2010 WL 4720396, at \*3.

The Court also found that HarperCollins would likely be irreparably injured without an injunction. In so holding, the Court noted that “[i]t must be remembered that plaintiff is in the home stretch of a carefully orchestrated promotional campaign for a book that, at the time of the application, was to be released in only a few days. The entire purpose of a pre-release promotional campaign is to increase sales of a book upon its release. Plaintiff is, of course, exercising its rights under the copyright law in thus controlling the release of the Book. If this exercise of rights cannot be enforced with the aid of the court, a commercial advantage is lost, for which plaintiff cannot realistically be compensated in some later attempt to recover damages.” *Id.*

The Court went to find that “[o]n a broader front, the purpose of the copyright law is to prevent the kind of copying that has taken place here. In the present case, the only realistic remedy that would fulfill the statute’s purpose is for the court in fact to prevent. . . . A later claim for damages would probably be unavailing because of problems of measurement.”

On the same day as Judge Griesa’s order, Gawker removed the posting from its website. It later stipulated that it would not re-publish or distribute the posting or any of the pages from the Book in the posting, and, based on that agreement, the parties agreed to dismiss the case.

*Plaintiff HarperCollins Publishers L.L.C was represented by Slade R. Metcalf, Katherine M. Bolger, Rachel F. Strom and Collin J. Peng-Sue of Hogan Lovells US LLP, New York City. Gawker was represented by in-house counsel Gaby Darbyshire.*



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# Dow Jones Hot News Case Ends With Admission of Liability, “Substantial” Payment by Briefing.Com

By Robert P. LoBue and Jason Conti

In April 2010, Dow Jones & Company, Inc. filed a federal complaint against Chicago-based Briefing.com, Inc. in the United States District Court for the Southern District of New York (*Dow Jones & Company, Inc. v. Briefing.com, Inc.*, 10 Civ. 3321 (filed April 20, 2010)). Dow Jones alleged that Briefing.com was stealing Dow Jones’s proprietary content and republishing it to subscribers of its competing website.

The causes of action asserted in the complaint included copyright infringement, violation of the Digital Millennium Copyright Act (“DMCA”), and the state law tort of “hot news” misappropriation. The parties recently reached a settlement agreement, which included, among other things, Briefing.com’s admission of liability, a substantial monetary payment to Dow Jones, and a permanent injunction enjoining Briefing.com from engaging in similar conduct in the future. The exact amount of the payment remains confidential.

Dow Jones delivers its news and information to the world through a number of vehicles, including the Dow Jones Newswires (“Newswires”), *The Wall Street Journal*, and *Barron’s*. The Newswires, which was the product at issue in the case against Briefing.com, is a family of electronically-delivered proprietary news services that provide paid subscribers with a constantly-updating feed of breaking news and financial and business information. Newswires’ content is collected through the efforts of its worldwide network of news bureaus and journalists, as well as by drawing on the resources of Dow Jones’s other publications. Newswires’ ability to deliver time-sensitive news to its subscribers has been a selling point for the product.

The complaint against Briefing.com described in detail the observations made in a two-week period in February 2010 in which Dow Jones monitored the Briefing.com website to determine whether and to what extent Briefing.com was publishing Dow Jones content without permission. Dow Jones found that, during those two weeks, Briefing.com republished verbatim or nearly verbatim substantial portions of over 100 news articles from the Newswires. Briefing.com also republished over seventy Newswires headlines within minutes of their appearance on the Dow Jones Newswires.

Because Briefing.com had republished substantial amounts of the text of Dow Jones news articles, the case was constructed as one for copyright infringement as well as hot

news misappropriation. In addition, Dow Jones alleged that Briefing.com was violating the Digital Millennium Copyright Act (DMCA) by failing to include the Dow Jones copyright notice from the republished articles. Before filing suit, Dow Jones had registered for copyright the content of the Newswires in question within three months of the publication of that content, and therefore qualified for an award of statutory damages and attorneys fees under the Copyright Act.

The settlement was reached after substantial document discovery activity and as the parties were about to commence depositions, and on November 15, 2010, Judge Victor Marrero entered a consent judgment. The judgment recited that Briefing.com admitted liability for copyright infringement, violation of the DMCA, and “hot news” misappropriation, and it permanently enjoined Briefing.com from further infringing Dow Jones’s copyrights. Briefing.com was also required to provide to Dow Jones complimentary access to its website to allow Dow Jones to monitor Briefing.com’s compliance with the injunction. From start to finish, the litigation took approximately six months.

*Dow Jones v. Briefing.com* played out against the looming shadow of *Barclay’s Capital v. TheFlyOnTheWall.com*, which, as this is written, remains sub judice in the Second Circuit after oral argument in early August 2010. Earlier this year, Judge Cote in the Southern District of New York entered judgment in favor of three investment bank plaintiffs against TheFlyOnTheWall, whose website was found to have republished the banks’ time-sensitive stock buy/hold/sell recommendations. The lower court judgment that defendant had committed actionable hot news misappropriation, and the detailed injunction entered as a remedy, attracted an extraordinary amount of attention in the media bar and a flurry of amicus curiae briefs, including one by Dow Jones. The Dow Jones brief supported the use of the hot news tort in appropriate circumstances but questioned the breadth of the *Fly* liability analysis and injunction in some respects.

*Dow Jones was represented in both the Briefing.com case and the amicus filing by Robert P. LoBue of Patterson Belknap Webb & Tyler LLP, together with associate Alicia Tallbe, working closely with in-house counsel at Dow Jones Jay Conti and Craig Linder.*

# *Montz v. Pilgrim Films & Television, Inc.:* A Tale of Two Conflicting Systems Of IP Law

By Louis P. Petrich

On December 16, 2010, an eleven-judge *en banc* panel of the Ninth Circuit Court of Appeal heard argument on whether an implied promise not to use ideas embedded in submitted works which fall within the subject matter of copyright are preempted by section 301(a) of the Copyright Act. A decision will likely be rendered in the first part of 2011.

At stake are the following issues:

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

[Montz v. Pilgrim Films & Television, Inc.](#), 606 F.3d 1153 (9<sup>th</sup> Cir. June 3, 2010) (vacated by Order granting *en banc* hearing-but still in the official reports) involved a fairly typical situation in the entertainment business. Plaintiffs Larry Montz, a para-psychologist and Daena Smoller, a publicist, alleged that they had conceived of a concept for a new reality television program featuring a team of “para-normal investigators,” who would be featured in hour-long episodes following the team in efforts to investigate and perhaps debunk reports of paranormal activity.

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

afford compensation and to attribute credit.

Although the submittees were allegedly not interested, NBC Universal later partnered with Craig Pilgrim and Pilgrim Films & Television, Inc. to produce a series on the Sci Fi Channel called “Ghost Hunters” which involved a team of investigators who study para-normal activity.

Montz and Smoller sued claiming copyright infringement, breach of an implied-in-fact contract and breach of a confidence. Plaintiffs subsequently voluntarily dismissed the copyright claim

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

## *Desny v. Wilder*

Plaintiffs’ later motion for reconsideration expressly stated, and the district judge assumed, that plaintiffs were arguing that their claim of an implied on fact contract was founded on the landmark decision of the California Supreme Court in [Desny v. Wilder](#), 46 Cal. 2d 715, 299 P.2d 257 (1956). *Desny* arose soon after California amended its Civil Code in 1947 so that “ideas” as distinct from expression

were no longer to be treated as property under state law. Thereafter, “ideas” could be protected, if at all, only by contract. *Desny* is commonly understood – and it so states – to hold that the facts before it gave rise to a triable issue whether a contract implied in fact gave *Desny* a cause of action against famous film director Billy Wilder. Wilder had directed the movie, “Ace In The Hole,” about a rapacious news reporter, played by Kirk Douglas, who exploits the plight of a man trapped by a cave in the desert to create a news circus.

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Desny claimed that in 1949 he had phoned Wilder's office at Paramount Studios and had spoken to Wilder's secretary for the purpose of proposing to sell an idea based on a well known news item about a man trapped in a cave. The California Supreme Court accepted as true for sake of argument Desny's claim that he first offered to send the secretary a 65 page version of his proposed story, but the secretary told him that Wilder would not read it, that Wilder had readers summarize stories to 3 or 4 pages for his review. Desny protested that he preferred to create his own summary which he would read to the secretary. He later recited his summary over the phone and the secretary took it down in shorthand. She said she would transmit the summary to Wilder. Desny supposedly told her "that defendants could use the story only if they paid him 'the reasonable value of it.'" The secretary supposedly said that if Wilder used the story "naturally we will pay you for it." 46 Cal. 2d at 727. The Supreme Court held that a secretary had authority to bind her boss to movie contracts and that a contract was thus formed, which could have been breached when Wilder made his movie – if he used Desny's idea. The case was remanded for trial.

The *Desny* court could have concluded that the contract that was formed was an express contract, one formed by words. What is distinguishing between express and implied contracts is not just the manner of conveying assent to the offer, but rather the critical issue of what amount of use triggers a duty to pay. For example, if only copyrightable material – a script or a treatment is submitted – a submittee could reasonably expect that only a use that constitutes copyright infringement gives rise to a duty to pay. Most submittees would not expect that they would be haled into court to prove the source of their "ideas" if years later they happened to use mere "ideas" embedded in the script or treatment. In their experience, they hear or read similar ideas every week in the regular course of their business.

Unlike most implied contracts, Mr. Desny stated in advance what use would trigger a duty to pay – not use of mere ideas, but rather the use of "the story." The secretary supposedly stated in words that Wilder agreed. Ignoring or perhaps blurring this unique set of facts, the *Desny* court announced that implied in fact contracts were just like express contracts, with the only difference being that "assent" in an implied contract is signified by conduct rather than words. It held that the alleged contract in *Desny* was implied

in fact, with assent occurring when the secretary accepted the submission knowing of Mr. Desny's conditions.

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

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

Several years later, the Ninth Circuit reviewed a finding by a U.S. District Judge in *Landsberg v. Scrabble Crossword Game Players, Inc.*, 802 F.2d 1193 (9<sup>th</sup> Cir. 1986). The case arose from facts occurring before 1978 and thus no express preemption issue was raised or discussed. Landsberg had convinced the trial court that he had been in "prolonged negotiations" to sell Scrabble an idea for a book on Scrabble strategy. Scrabble finally rejected his idea but later published its own Scrabble strategy book. The district judge in a bench trial concluded that an implied in fact contract had been formed and breached. But, the court did not award Landsberg just the reasonable value of his idea. He was awarded the "total profits" of Scrabble and Scrabble's publisher. As the Ninth Circuit stated in affirming:

If the implied contract between Landsberg and S & R provided merely for the payment of the reasonable value by S & R for the use of Landsberg's manuscript, then the grant of the total profits of S & R and Crown Publishers would exceed the amount Landsberg would have received in the absence of breach. He would be entitled only to the market value of S & R's use of the manuscript. Landsberg argues that the contract was not for the use of his manuscript, but for S & R's refraining from using it without his permission. He argues in effect that the contract requires both compensation and permission to use his manuscript. The district court's findings are consistent with this understanding of the contract

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terms. The court found that “based upon S & R’s conduct, Plaintiff reasonably believed that S & R would not use or copy his manuscript, or any portion thereof, without his consent and without payment to him of an acceptable sum.” Landsberg was therefore entitled under the terms of the implied contract to more than the fair value of S & R’s use. He was entitled to deny S & R permission to use it at all, and to exploit his work through another means. Because S & R’s breach resulted in Landsberg’s losing the opportunity to market his work as he saw fit, the profits from S & R’s exploitation of it are both the best measure of his losses due to the breach, and are consistent with § 3358’s limitation. To read the contract as requiring anything less than both compensation and permission would be to sanction a forced exchange.

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

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

### **Grosso v. Miramax**

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

implied in fact contract for the use of the ideas embedded in that copyrighted script..

The district court granted a motion for summary judgment dismissing the copyright claim for lack of substantial similarity of protected expression, and the Ninth Circuit affirmed on that ground. However, the Ninth Circuit reversed and remanded the order dismissing the contract claim on preemption grounds on a FRCP 12(b)(6) motion, concluding that the amended complaint adequately pled a *Desny v. Wilder* type claim because it alleged that “the ideas was submitted by Plaintiff to Defendants with the understanding and expectation, fully and clearly understood by Defendants that Plaintiffs would be reasonably compensated for its use by Defendants.”

On remand to the district court, there being no existing federal claim, the district court remanded the case to state court, where defendants were granted summary judgment on the ground that no contract at all was formed. The judgment was affirmed in an unreported decision. 2007 WL 2585053 (Cal. App. 2d Dist. 2007).

### **Montz v. Pilgrim Films & Television**

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

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

The district court had ruled that the claim regarding screenplays, videos and other tangible media came within the “subject matter of copyright” and the Plaintiffs did “not challenge this ruling on appeal.” 606 F.3d at 1157. Circuit panels in the Second, Fourth and Seventh Circuits had

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already held that ideas embedded within materials that fell within the subject matter of copyright, for example, treatments, scripts, outlines, were all within the subject matter of copyright for preemption purposes.

Regarding the claim for breach for an implied-in-fact contract, the court held that the second prong was satisfied because the nature of the contract claim was for breach of a promise not to use plaintiffs' materials unless and until a license had been negotiated. The court found that such an implied contract is equivalent to a claim for copyright infringement as every infringer uses copyrighted material without first obtaining a license. The court held that the nature of the pleadings made the confidence claim equivalent to the breach of contract claim and thus preempted. The panel also ruled that the district court properly dismissed without leave because plaintiffs could allege a *Desny v. Wilder* contract for sale theory – and thus rely on *Grosso v. Miramax* – only by re-pleading inconsistently with their initial complaint.

After the three-judge panel's decision was rendered on June 3, 2010 and the time for filing petitions for rehearing *en banc* had elapsed, one member of the three-judge panel issued an Order on July 21, 2010 requesting the parties to file briefs on the issue whether the case ought to be reviewed *en banc* to an eleven judge panel.

The plaintiffs initially filed a brief in response to the court's July 21, 2010 Order, arguing that the court should grant rehearing *en banc* on the ground that the three judge panel's opinion conflicted with *Grosso v. Miramax* and cases in other circuits regarding the preemption of implied-in-fact contract claims. They argued that their allegations were virtually indistinguishable from those in *Grosso* because the *Montz* complaint pled not only that defendants would not use their materials without their permission but also that plaintiffs also expected to be paid. Additionally, plaintiffs argued that the panel's opinion conflicted with other cases holding that the Copyright Act does not preempt state law claims for breach of a duty of confidentiality.

Defendants' brief argued that *Montz* stood for the uncontroversial proposition that certain state law claims for unauthorized copying are preempted and that *Grosso v. Miramax* dealt with a different kind of claim, a *Desny v. Wilder* claim, for breach of an implied contract for payment on sale.

On September 30, 2010, the Ninth Circuit issued an order granting an *en banc* hearing. Since then, three separate amicus briefs have been filed.

### Amicus Briefs in Montz

The amicus brief of the Motion Picture Association of America (MPAA) took the position that Montz's claim was preempted because it effectively alleged a breach of a contract not to infringe exclusive rights under copyright. It distinguished *Desny v. Wilder* which it argued involved a contract for the sale of an idea rather than a promise not to exploit. It also argued that *Grosso v. Miramax* was distinguishable from the *Montz* case and, in any event, was wrongly decided and should be disapproved. Finally, MPAA argued that practical considerations supported the result by the three-judge panel. It argued that permitting Montz's lawsuit to go forward would adversely affect not only MPAA members but also consumers and creators of expressive works.

An amicus brief on behalf of ABC, California Broadcasters Association, CBS Broadcasting, CBS Films, Home Box Office, Showtime, Summit Entertainment, and Turner Broadcasting System argued that the *en banc* panel should clarify the law in a manner consistent with congressional intent. It argued that *Desny v. Wilder* prescribed special circumstances giving rise to implied contracts arising from the submission of an idea. It distinguished *Grosso* from the *Montz* case in that *Grosso* held that the implied contract claim was a *Desny* claim and thereby saved from preemption.

An amicus brief filed on behalf of Reveille, Fremantle Media, and Magic Elves argued that *Grosso v. Miramax* was incorrectly decided because an implied agreement to pay "reasonable value" adds nothing to the monetary remedies for infringement that are available under section 504(b) of the Copyright Act and that the *Grosso* decision has adversely affected the amici and others by short-circuiting the preemption defense that was being developed by the district courts prior to *Grosso*. It argued that problematic divergences had arisen between copyright and idea submission cases particularly evident on the critical issue of "substantial similarity." As a result, it argued that the distinction between state law idea submission claim and

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federal copyright law created risks that chill expressive First Amendment protected speech. It called for an overruling of *Grosso v. Miramax*.

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

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

### Ninth Circuit Hearing

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

The Ninth Circuit has so many active members that it

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

Howard Miller of Girardi & Keese, of Los Angeles, opened for Plaintiff. He argued that it is undisputed that an express contract to pay for the use of ideas would not be preempted by the Copyright Act, and – borrowing from *Desny v. Wilder* – that the only difference between an express

and implied in fact contract is that assent to form the latter is manifested by conduct rather than by words. Cal. Civil Code §§ 1619-21. He conceded that if the alleged promise was merely not to use the work without first negotiating a license then the claim was preempted.

However, he argued that *Montz*’ complaint always coupled the allegation that use was not permitted without a license with a further allegation that use had to be compensated. (As noted above, the Ninth Circuit in *Landsberg*, held that a contract barring use without

consent and compensation was distinguishable from a *Desny* contract). He claimed that the issue was really one of pleading and not of preemption. He noted that the recent U.S. Supreme Court decisions in *Twombly* and *Iqbal* may now require more detailed pleading of the implied contract than existed in *Grosso*. He argued that many of the supposed vagaries of an implied in fact contract claim might be cured by more stringent pleading. He closed by asking for leave to amend on remand.

Gail Migdal Title of Katten Muchin Rosenman, LLP of Los Angeles, argued for defendants. She stated that the *Montz* complaint alleged a promise not to use without a license of material that fell within the subject matter of copyright and was therefore claiming a right equivalent to copyright. Judge Wardlaw questioned whether a claim based

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**Judge Kozinski suggested  
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govern the latter.**

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on the submission of an idea ever falls within the subject matter of copyright – the first requirement of preemption. Title pointed out that plaintiffs had conceded the first requirement, and in any event, three circuit courts – the Second, Fourth and Seventh – that considered the issue where the ideas were embedded in material which is copyrightable all held that the ideas were within the subject matter of copyright for preemption purposes.

Judge Kozinski suggested that every pitch or submission may involve both copyrightable material and a broader, vaguer idea, and that perhaps state law should govern the latter. Title rebutted the notion that the *Montz* plaintiffs were making an unconditional sale of their ideas – pointing out that the reference to compensation only stated the obvious: any subsequent license would include compensation. The key factor, however, was that – unlike the *Desny* model – in *Montz*, a license allegedly was the pre-condition to permission to use. Not mentioned at the hearing was the fact that only two days earlier, in *MDY Industries, LLC v. Blizzard Entertainment, Inc.*, No. 09-15932, \_\_\_ F.3d \_\_\_, Slip Op. at \_\_\_ (9<sup>th</sup> Cir. 12/14/10), a three judge panel held that the breach of a condition in a contract regarding the use of a work that implicates copyright rights constitutes copyright infringement.

When Title argued that *Grosso v. Miramax* had led to entertainment companies being less receptive to persons who wanted to make submissions to the entertainment industry, several judges expressed the view that such policy arguments seemed to be more appropriately directed to the wisdom of the California Supreme Court in *Desny v. Wilder* in creating implied in fact liability – suggesting this was a state law issue, and not a copyright preemption issue.

Some questioned whether defendants were simply arguing that all *Desny* type contracts should be preempted. Judge Kozinski asked if a plaintiff that had a copyrighted work had less rights than a person who merely submitted an idea not in writing. Title responded to an inquiry as to why there were no Ninth Circuit opinions raising the issue in *Montz*, by noting that several district court opinions prior to *Grosso v. Miramax* had done so reaching the same preemption

conclusion as *Montz*. Judge Schroeder, who authored *Grosso v. Miramax*, suggested that at least one of those district court decisions seemed to disagree with the principle in *Desny v. Wilder*.

Perhaps the most insightful question was raised by Judge Thomas during Plaintiffs’ rebuttal argument. Without naming *Landsberg v. Scrabble Word Players*, discussed above, Judge Thomas asked if there was a quite different remedy – copyright like – where the implied promise allegedly was not to use without a license, unlike the *Desny* model in which permission to use first and pay later was implied. *Montz*’ counsel acknowledged that if *Montz* alleged only a pure promise not to use that would be the equivalent of a copyright right, but again stated that the *Montz* plaintiffs also alleged they ultimately expected to be paid. The MPAA

brief had discussed the fact that the Ninth Circuit in *Landsberg* held that a promise not to use without consent and to make compensation was so dramatically different than the promise to pay in *Desny* that it afforded a basis for an award of the total profits of defendant and defendants’ licensee.

It is difficult to predict what to make of some of the judges’ comments that this case seemed only to raise issues about the wisdom or policy of state implied in fact contract law under *Desny v. Wilder*. It is arguable that the federal courts cannot be

agnostic about the contours of state law when they impinge on the Copyright Act. No one would doubt that California courts could not allow a cause of action for common law copyright of published works to co-opt federal copyright law – and shelter it from preemption by calling it an implied in fact contract. If the “contract” in practice is based on a “promise” said to be implied by the circumstances not to infringe a copyrighted work and the remedy, under *Landsberg*, includes copyright-like damages, that theory of “contract” could reasonably be viewed as a tort preempted by section 301(a).

There is no time limit imposed to issue an opinion, but it is likely the Court will render a decision in the first half of 2011.

*Louis P. Petrich is a partner with Leopold Petrich & Smith in Los Angeles, CA.*

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# Chords of Discord: Rock Stars Sue Politicians for Using Songs Without Permission

By Michael E. Fox

A number of highly publicized lawsuits have recently focused America's attention on the fact that musical works are protected by copyright law. Therefore, it would seem that everyone, especially politicians, should know that permission is required to use a copyrighted song. Well, apparently, that is not always the case.

While Republican voters used the mid-term elections to rock the ballot boxes and roll new politicians into office, a few Republican candidates stepped on some rock 'n' roll copyright shoes during the dance. In other words, they allegedly used songs, without permission, in their campaigns that led to the elections.

If politicians have not yet figured out that copyright law protects musical works, then they better learn fast because the times they are a changin'. Rock stars today are less likely to sit back and permit a politician to pirate a song for a political commercial. In fact, any politician considering such a move would be wise to consider the lyrics to Bob Dylan's song "The Times They Are A Changin'":

Come senators, congressmen  
Please heed the call  
Don't stand in the doorway  
Don't block up the hall  
For he that gets hurt  
Will be he who has stalled  
There's a battle outside  
And it is ragin'  
It'll soon shake your windows  
And rattle your walls  
For the times they are a-changin'

## Running on Empty

Jackson Browne set the stage for this year's rock star versus politician copyright battles. Browne has been recording politically charged songs since the 1960s, and he has long aligned himself with Democratic candidates, including President Barack Obama.

In 1977, Browne released the album "Running on

Empty," which contains a composition of the same name. The album became Browne's best, reaching platinum status seven times over.

During Republican Sen. John McCain's recent presidential run, he allegedly released a commercial mocking Obama's energy policy and suggestion that the country could conserve gas by maintaining proper tire pressure. Browne's "Running on Empty" played in the background.

On August 14, 2008, Browne sued McCain, the Republican National Committee (RNC) and the Ohio Republican Party (ORP) in the Central District of California. The claims included direct and vicarious copyright infringement, false endorsement under Lanham Act §1125(a), and violation of California's Common Law Right of Publicity.

In his complaint, Browne alleged that the defendants broadcast the commercial on networks in Ohio and Pennsylvania without obtaining permission. Browne further alleged that they placed the commercial on websites, including YouTube.com, to reach an international audience.

On November 17, 2008, the RNC moved to dismiss. It argued that the fair use doctrine barred the copyright claims. The court, however, refused to engage in fair use analysis because the alleged facts were not sufficient for a thorough analysis.

The RNC also urged the court to dismiss Browne's Lanham Act claims because the Act only applies to commercial speech, the First Amendment and artistic relevance test bar such claims, and Browne could not establish likelihood of confusion because the commercial identified the ORP as its source. The court disagreed.

In denying the motion, the court noted that the Act also applies to non-commercial (i.e., political) speech and that the RNC had not established that the commercial was an artistic work.

Moreover, it noted that courts applying the Act to political speech had implicitly rejected the theory that such claims are barred, as a matter of law, by the First Amendment and the artistic relevance test. Finally, the court found that the RNC

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had not established that Browne could not prove likelihood of confusion.

On March 10, 2009, the RNC appealed. However, while the appeal was pending, the parties stipulated to dismiss the appeal and underlying action. As part of the settlement, the defendants issued the following public apology and pledge:

We apologize that a portion of the Jackson Browne song 'Running on Empty' was used without permission. ... The ORP, RNC and Senator McCain pledge in future election campaigns to respect and uphold the rights of artists and to obtain permissions and/or licenses for copyrighted works where appropriate.

### **The Road to Nowhere**

Like Jackson Browne, David Byrne is a well-known musician. He founded the Talking Heads, a critically acclaimed group that was inducted into the Rock and Roll Hall of Fame in 2002.

In 1985, the Talking Heads released the album "Little Creatures," which contained the song "Road to Nowhere." It became one of their most popular songs.

In January 2010, just months after the RNC's public promise to obtain permission for copyrighted works, Charlie Crist allegedly used the "Road to Nowhere," without permission, in a commercial attacking political opponent Marco Rubio. At that time, Crist, who is currently Florida's governor and who had served as Florida's attorney general under Gov. Jeb Bush, was running against Rubio to become the Republican candidate for one of Florida's U.S. Senate seats.

Shortly thereafter, on April 30, 2010, Crist left the Republican Party to run as an Independent Party candidate. He was allegedly behind Rubio in the polls at that time.

On May 24, 2010, Byrne sued Crist and his campaign for direct and vicarious copyright infringement and false endorsement under Lanham Act §1125(a). Byrne filed suit in the Middle District of Florida, Tampa Division.

In his complaint, Byrne alleged that Crist broadcast the commercial on his campaign website and YouTube.com. He also alleged that the defendants knowingly placed the commercial on the Internet for national distribution.

The *Byrne et al. v. Crist et al.* lawsuit is ongoing, so it is not clear how it will shake out. At this point in time, the only thing that is settled is the fact that Rubio beat Crist in the mid-term Florida Senate race on November 2, 2010. One day before the elections, Byrne filed an amended complaint naming the Stevens & Schrieffer Group – the advertising agency that created the commercial. Byrne seeks more than \$1,000,000 in damages.

### **Take the Money and Run**

In the interests of fairness, it should be noted that Rubio reportedly used the Steve Miller Band's 1976 hit "Take the Money and Run" for his own YouTube.com commercial attacking Crist. The video reportedly criticized Crist for not returning campaign donations when he left the Republican party.

In response to Rubio's commercial, Steve Miller reportedly issued the following statement:

The Steve Miller Band and Steve Miller do not endorse Marco Rubio's campaign or any political candidates and respectfully request that Mr. Rubio learn more about publishing law and intellectual property rights. I also ask that in the future he extends me the courtesy of asking permission before using my songs.

Following Miller's response, Rubio reportedly stopped using the commercial. A spokeswoman for Miller has also reportedly stated that the matter has been settled.

### **Conclusion**

There can be no doubt that the times they are a changin'. With Americans now aware that musical works are protected, and rock stars more likely to enforce their copyrights, politicians and their agents who create audiovisual commercials must obtain the necessary licenses to use copyrighted materials. Of course, the question of whether rock stars and politicians, both of whom are notorious for rocking established rule, can peacefully coexist in these changin' times remains to be answered.

*Michael E. Fox is Special Counsel with Sedgwick, Detert, Moran & Arnold, LLP in Irvine, CA.*

# U.S. Supreme Court Asked to Rule on Issues That May Impact “Do Not Track” Debate

By Thomas R. Julin

Much of the digital world fearfully focused its attention December 1, 2010, on a new Federal Trade Commission staff report entitled *Protecting Consumer Privacy in an Era of Rapid Change*. The report chided Internet companies for failing to do enough to warn consumers that their online activities are being tracked or to let them opt out of tracking.

Although not explicit, the report seemed to call for a federal Do Not Track Act. A bill proposing such a law already is pending in Congress. H.R. 5777 (111th Cong. 2d Sess.).

Microsoft wasted no time reacting. It announced six days later that Internet Explorer 9.0 will feature a “Do Not Track” button. See <http://www.microsoft.com/presspass/features/2010/dec10/12-07ie9privacyqa.msp>.

Whether such industry efforts at self-regulation will deter legislators remains to be seen, but a question that should be asked now is whether a Do Not Track Act would violate the First Amendment.

Clues can be found in a federal appellate rendered just one week before the FTC staff issued its report and that the U.S. Supreme Court has been asked to review. In *IMS Health Inc. v. Sorrell*, No. 09-1913, 2010 WL 4723183 (2d Cir. Nov. 23, 2010), a divided panel of the Second Circuit invalidated a Vermont law that prohibits the marketing use of “prescriber identifiable information” from prescriptions without prescriber consent.

In essence, Vermont told the pharmaceutical industry not to track a doctor’s prescribing decisions (by buying information from pharmacies and other sources) unless the doctor expressly agrees to let you do so. The federal panel found the law to be an unconstitutional restraint on speech that Vermont had not shown would reduce unnecessary drug costs or protect prescriber privacy. The panel also held that Vermont had other ways to achieve its goals without banning gathering and publication of important information.

In reaching this result, the Second Circuit rejected two decisions of the First Circuit, *IMS Health Inc. v. Ayotte*, 550

F.3d 42 (1st Cir. 2008), *cert. denied*, 129 S. Ct. 2864 (2009), and *IMS Health Inc. v. Mills*, 616 F.3d 7 (1st Cir. 2010), that brusquely held “data mining” receives no more First Amendment protection than does the sale of “beef jerky,” *Ayotte*, 550 F.3d at 53, -- which is to say, none at all.

Vermont asked the U.S. Supreme Court on December 13, 2010, to review the Second Circuit decision. (Case No. 10-779). The publishing companies that brought the case, IMS Health Inc., Verispan LLC, and Wolters Kluwer Health, agreed the Court should resolve the circuit split. Pharmaceutical Researchers and Manufacturers Association (PhRMA), an industry trade association that intervened on the side of the publishers, also asked the Supreme Court to grant certiorari. A jurisdictional decision could come as early as January 2011.

The First Circuit’s decision had upheld a New Hampshire law that banned the use of prescriber information whether the prescriber consented or not and a narrower Maine law that prohibited only the use of information about a prescriber who expressly opted out. The Vermont law at issue in the Second Circuit’s is less restrictive than the New Hampshire law, yet more restrictive than the Maine law because it prohibited use of prescriber data unless the prescriber opted in.

The trio of appellate decisions provides an intriguing look at the constitutional issues posed by laws enacted to temper perceived ill-effects of targeted marketing.

In the earliest days of the modern pharmaceutical industry, sales representatives would stop by local pharmacies to ask for leads on which doctors might have an interest in a newly approved drug. Pharmacists typically provided good suggestions because they knew which doctors were prescribing which drugs.

They would keep the names of patients confidential but let the sales reps known that Dr. Brown regularly prescribed Brand X. That information would be used by the seller of new competing Brand Y to decide a visit to Dr. Brown to discuss the advantages of Brand Y would be worthwhile.

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speech altogether.**

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Over time, the drug companies ceded their informal information gathering to large publishing companies that specialized in efficient mass electronic data transfers from the thousands of sources of prescriptions across the country. The publishers learned to combine the diverse information, standardize it, and rapidly distribute it to manufacturers who then could identify doctors who might have patients who could benefit from a new drug. Once identified, they would be targeted for appropriate marketing messages.

The practice generally helped doctors make good decisions for their patients, improved public health, and allowed manufacturers to increase profits from the development of new, useful drugs.

Not all doctors, however, were aware that their prescribing decisions were being tracked, and those who were aware had no means to stop it. After one doctor in New Hampshire learned of the practice, his wife, a freshman state legislator, introduced a bill to ban it on grounds that it invaded doctors' privacy and might help drug companies persuade doctors to prescribe drugs that were simply more expensive.

Struggling with its Medicaid and Medicare Part D commitments, New Hampshire quickly and without study or investigation passed the law in spring 2006. The publishers sued, arguing for full First Amendment protection of their work gathering and publishing information of public concern.

New Hampshire defended that "data mining," if a form of speech at all, has no social value and that it should be regarded as a form of conduct rather than speech. After a one-week bench trial, U.S. District Judge Paul J. Barbadoro rejected both arguments and instead followed a middle path, holding the law should be evaluated under the intermediate commercial speech test of *Central Hudson Gas & Electric Corp. v. Public Service Commission*, 447 U.S. 557 (1980).

He held evidence that drug manufacturers spent billions on targeted marketing to promote new drugs and that they had settled some class actions in which plaintiffs claimed harm from new drugs did not show the law would achieve cost reduction without harming public health. He also found the state could achieving its objectives by educating doctors about new drugs and regulating manufacturer gifts to doctors.

Judge Barbadoro held the law could not be justified on privacy grounds because it did not in fact make prescribing information private. It merely stopped manufacturers from using it for marketing. *IMS Health Inc. v. Ayotte*, 490 F.

Supp. 2d 163 (D. N.H. April 30, 2007). New Hampshire appealed.

Neighboring Maine and Vermont were on the verge of enacting nearly identical laws shortly before the ruling. With just days left in their legislative sessions, they narrowed their legislation. Maine went with opt-out and Vermont chose opt-in. Again, neither state conducted any significant analysis of whether the laws would work.

The publishers again sued, challenging the new laws in reliance on the New Hampshire decision.

Maine emphasized its privacy justification, pointing out that no information would be restricted unless a prescriber asked that it be restricted. After an early hearing, U.S. District Judge John Woodcock preliminarily enjoined the Maine law. *IMS Health, Inc. v. Rowe*, 532 F. Supp. 2d 153, 162 (D. Me. 2008). Like Judge Barbadoro, he found the law did not advance the interest of prescriber privacy because the information was in the hands of both insurance companies and government agencies. *Id.* at 170. He also held Maine could achieve its objectives in other ways that would not restrict speech.

As appeals from these ruling progressed, U.S. District Judge J. Garvan Murtha conducted a one-week bench trial on the constitutionality of Vermont's opt-in law. Before he ruled, however, the First Circuit reversed the ruling on the New Hampshire law. Senior Circuit Judge Bruce Selya wrote that "data mining" receives no First Amendment protection or, if treated as commercial speech, the law could be upheld under the *Central Hudson* test. *Ayotte*, 550 F.3d 42. In lengthy opinions, he and concurring Judge Kermit Lipez endeavored to explain why they should defer to the legislature's judgment that the law might work and alternatives less restrictive of speech would not.

That ruling persuaded Judge Murtha to uphold the Vermont law under *Central Hudson*. *IMS Health, Inc. v. Sorrell*, 631 F. Supp. 2d 429 (D. Vt. June 5, 2009).

The First Circuit then overruled the injunction against enforcement of the Maine law, finding that prescriber privacy is an appropriate justification. *Mills*, 616 F.3d 7. Chief Judge Sandra Lynch analogized the law to an ordinance protecting patients from entering abortion clinics from harassment. But the Second Circuit then overturned Judge Murtha's ruling and upheld the Vermont law in light of its conclusion that Vermont had not shown its law would reduce costs or protect legitimate privacy concerns. *IMS Health, Inc.*

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*v. Sorrell*, 631 F. Supp. 2d 429 (D. Vt. June 5, 2009), *rev'd*, 2010 WL 4723183. Judge Debra Ann Livingston dissented.

In all, eleven federal judges participated in the *IMS Health* litigation over the course of four years and, as can be seen, they have been deeply divided regarding the level of scrutiny to apply and whether these laws can survive judicial scrutiny. The need for nine justices to weigh in is evident.

The correct constitutional framework, in my view, has not been adopted in any of the decisions rendered to date. Regulation of “data mining” on the basis of its content is censorship in its most dangerous form. Although it is supported by companies that use it to decide marketing strategies, it is not itself advertising and should not therefore be regarded as commercial speech that, at least for now, receives less First Amendment protection than noncommercial speech. It should be treated like any other form of news reporting because that is what it is.

A strong case also can be made here for abolishing the distinction between commercial and noncommercial speech altogether. As several Supreme Court justices have pointed out, there is no philosophical or historical basis for the distinction. *See, e.g., 44 Liquormart, Inc. v. Rhode Island*, 517 U.S. 484, 521 (1996) (Thomas J., concurring).

A law banning or restricting data mining about specified subjects should be subjected to strict scrutiny and cannot be upheld unless warranted by a compelling government interest and it is the least restrictive means of achieving that interest. None of the laws at issue in any of the *IMS* cases could survive that scrutiny. Staving off the impact of targeted marketing is far from a compelling government interest. It certainly is not the only means of eliminating wasteful prescribing practices of doctors and it does nothing to protect anyone’s legitimate privacy concern such as a right not to be harassed in one’s own home.

In short, the *IMS* cases should have been easy. They were made difficult by cautious judges who felt obliged to test the laws first against the lower level of scrutiny applicable to regulations of advertising and then found themselves conflicted with respect to whether slapdash predictions that the laws would work and that alternatives would not should be accepted. The Supreme Court should clarify that strict scrutiny is required for any content-based restrictions on data mining whatever its ultimate use.

What does all this tell us about a hypothetical federal Do Not Track Act?

First, as difficult as the laws in the *IMS Health* cases have been for the courts to evaluate, a Do Not Track Act may present an even thornier thicket.

Should the law be treated as content-based? The law would not apply to all information about any consumer who clicks on a Do Not Track icon. Instead, it would restrict only certain types of content referred to as “covered” or “sensitive” information. This would include medical history, race, religious beliefs, sexual orientation, financial status, precise geolocation, and unique biometric data.

Further, the Act would be triggered by content -- not a given search term or the visit to a particular website, but the very fact that the consumer asked that his or her activities not be tracked. A law that prohibited reporters from publishing articles about people who ask not to have their names appear in print plainly would be no less of a content regulation. Why should a Do Not Track act be seen any differently?

Should the Act be analyzed as a regulation of commercial speech? No. Data mining, as discussed, is not itself advertising. It is a form of reporting truthful, lawfully-obtained information. The fact that I visited the Home Depot website and clicked on a hammer, you may react, hardly qualifies as information warranting First Amendment protection. In the Digital Age, that simply is no longer true.

Information about individual web activities is a critical link in a global economy that is striving to produce goods and services that consumers want and need in the most efficient means possible. Knowledge of the visit helps not only Home Depot to deliver information to you about other materials you may need for a construction project, but it also helps it to make better decisions about inventory and suppliers because it has a connection with you. This, in turn, leads to other efficiencies all along a supply chain that lowers prices not just for the any individual, but for many.

If treated as a regulation of commercial speech, could the government show that the Act directly advances important government interests? While the law might slow consumer spending because ads no longer would be tailored to interests, this seems contrary to important government interests, not in support of them. Would the annoyance some feel by being targeted be outweighed by the joy others experience when information they need about things they want appears on their computers? Who is to say?

Could the Do Not Track Act be justified on privacy grounds? Some of the information affected indeed would be

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of a private nature, but other information that a consumer might ask not to have tracked could be well known. As in the *IMS* cases, all of the information would be in the hands of third parties from its entry or transmission. It therefore would be difficult to uphold the law as properly tailored to protect real privacy interests. The federal Do Not Call law is much more easily justified on this ground because it does block telephone calls to a residential phone. The Do Not Track Act would have no similar impact.

Do consumers have the right to control information about their Internet transactions an appropriation of name or intellectual property theory? That would not make much sense. When I walk out my front door and people see me on the street or at the mall, I have no right to stop others from taking my photograph, talking about the fact that they saw me, or trying to sell me something. Why then should one be able to prevent others who “see” me on the Internet from using that information?

Could the Act be regarded as simply preventing access to information in the first place? The government generally has the right to deny release of information requested from it, but it cannot constitutionally ban one private person who receives information from another from using that information for any lawful purpose, including marketing, even when the person giving the information asks that it not be republished or used otherwise.

None of this means that consumers must abandon Internet use if they wish to remain private. Competition is now developing among companies to provide them the sort of privacy they want. Microsoft has taken initial steps in that regard. The Digital Advertising Alliance has designed an “advertising option icon” that participating companies can use to alert consumers to their information collection and use policies. Others driven by market forces likely will provide consumers the options they want and those options likely will evolve as consumers weigh the advantages and disadvantages of tracking over time.

The right not to be tracked probably is best delivered through private competitors and unconstitutional when delivered by government fiat. The Supreme Court should target that message to the FTC by granting certiorari in *IMS Health v. Sorrell* and affirming the Second Circuit’s decision.

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# Law Professors Win \$5 Million in Libel and False Light Damages Against West Publishing

## *Professors Injured By Being Listed as Authors of Pocket Part Update*

In an unusual libel and privacy claim over attribution, a Pennsylvania federal court jury awarded two law school professors \$2,590,000 each in damages, finding they were defamed and placed in a false light by being credited as the authors of an out-of-date criminal law pocket part. [\*Rudovsky and Sosnov v. West Publishing Corp. et al.\*](#), No. 09-cv-00727 (E.D. Pa. jury verdict Dec. 16, 2010) (Fullam, J.).

### Background

Plaintiffs, Professors David Rudovsky and Leonard Sosnov, are the authors of the treatise *Pennsylvania Criminal Procedure: Law, Commentary and Forms* published by West Publishing in 1987, with a second edition published in 2001. Under a publishing contract, the professors provided annual pocket part updates through 2007 until a dispute over compensation. In 2008, West distributed a pocket part and credited it to the plaintiffs and “the publisher’s staff.” Plaintiffs had no part in updating their work for the 2008 pocket part.

In 2009, plaintiffs [sued](#) West for libel, false light, misappropriation, and statutory claims under the Lanham Act and the Pennsylvania right of publicity statute, 42 Pa. C.S. § 8316. Plaintiffs argued that their reputations were damaged because the pocket part was out-of-date and did not include significant updates on Pennsylvania criminal law.

The complaint also alleged that the use of their names on the update constituted false advertising under the Lanham Act, and misappropriation under state common and statutory law.

In July, Judge John P. Fullam granted summary judgment dismissing the Lanham Act claim, but held that the libel and false light claims could go to a jury. [\*Rudovsky and Sosnov v. West Publishing Corp. et al.\*](#), No. 09-cv-00727 (E.D. Pa. July 15, 2010).

The Lanham Act claim was barred by the Supreme Court’s decision in *Dastar Corp. v. Twentieth Century Fox Film Corp.*, 539 U.S. 23, 36-37 (2003), holding that “communicative products,” such as books, were not “goods” for the purposes of the Lanham Act. As to the libel and false light claims, West argued they were barred by the parties’ publishing contract. The court found that issues of fact

precluded summary judgment and that a jury should decide whether a contract was in force or had lapsed prior to the creation of the disputed pocket part.

West also argued that the libel and false light claims should fail because it was true that the plaintiffs were the authors of the update since it consisted primarily of their prior work. “That is precisely the problem,” the court stated, adding: “By its very nature, a pocket part is presumed to be current as of its publication date, and so the alleged harm comes from the possibility that a subscriber could interpret the pocket part as a representation by plaintiffs that the pocket part is an accurate analysis of Pennsylvania criminal law and procedure as of December 2008.”

The court also held that a jury could conclude that the pocket part injured plaintiffs’ professional reputation as authorities on Pennsylvania criminal law and procedure. The misappropriation and right of publicity claims appear to have been dropped before trial.

### Trial

The case was tried over four days in December. The actual malice standard was applied. The key issue at trial, however, was whether a contract was still in place allowing West to use the professors’ name on the pocket part. West also argued that plaintiffs suffered no damages to their reputation. In a [decision](#) issued on the eve of trial, Judge Fullam ruled with respect to damages that if the jury found that the audience for the pocket part believed that plaintiffs authored an inaccurate update that would constitute defamation per se and injury could be presumed. The jury was given a general verdict form with three questions: 1) whether plaintiffs were defamed; 2) whether they were placed in a false light; and 3) damages. The jury awarded the professors \$90,000 each in compensatory damages and \$2.5 million each in punitive damages.

*Plaintiffs were represented by Richard L. Bazelon of Bazelon Less & Feldman, Philadelphia, PA. Defendants were represented by James F. Rittinger and Aaron Zeisler, Satterlee Stephens Burke & Burke LLP, New York, NY; and Matthew J. Borger, Klehr Harrison Harvey Branzburg LLP, Philadelphia PA.*

## JNOV For Massachusetts Newspaper Affirmed

The Massachusetts Court of Appeal affirmed JNOV in favor of the *Brockton Enterprise Newspaper* for lack of actual malice. *Mazetis v. The Enterprise of Brockton, Inc.* 2010 Mass. App. Unpub. LEXIS 1375 (Dec. 22, 2010).

At issue in the case was a 2004 newspaper article accusing a court officer of failing to assist a disabled attorney in the court parking lot. In an article entitled “Disabled Lawyers Get Cool Reception,” the reporter, an eyewitness to the event, wrote, among other things, that the court officer “turned his back” and “refused to listen” to the disabled attorney and wife’s request for help. In 2007, the trial court denied summary judgment, holding there was sufficient evidence of actual malice based on the discrepancies between the plaintiff and reporter’s version of the event, coupled with the reporter’s friendship with the disabled attorney. *Mazetis v. Enterprise Publishing*, 22 Mass. L. Rep. 380 (2007).

The case was tried in 2008 and a jury awarded plaintiff a modest \$28,000 in damages. *Mazetis v. Enterprise Publishing*, No. 04-0036-A (Mass. Sup. Dec. 9, 2008). See also “Massachusetts Court Officer Wins Libel Trial Against Newspaper,” *MediaLawLetter* Jan. 2009 at 5. The trial court, however, granted defendant’s motion for JNOV, finding plaintiff failed to present clear and convincing evidence of actual malice where the reporter interviewed all of the participants (including plaintiff), and presented both sides of the event in the article.

On appeal, plaintiff argued that the trial court erred in applying the “clear and convincing” standard of evidence on the JNOV motion and only should have decided whether the jury could have rationally decided in plaintiff’s favor. In a short opinion, the appellate court dismissed this argument.

As it was Mazetis’s duty to prevent “clear and convincing” evidence, the trial judge’s review for sufficiency would necessarily have to address that duty, not simply the “preponderance of evidence” duty typical in a civil action. In short, we think the judge could correctly determine that the record does not establish actual malice with convincing clarity. On our independent review of the case under the same standard, we reach the same conclusion.

*Jonathan M. Albano, Bingham McCutchen in Boston, represented the defendants. Plaintiff was represented by Philip N. Beauregard of Beauregard, Burke & Franco in New Bedford, MA.*

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## Britney Spears’ Former Manager Not a Libel-Proof Plaintiff

A California appellate court undertook a lengthy analysis of the libel-proof plaintiff doctrine, concluding that it is not a bar to a libel suit brought by Sam Lufti, former manager of pop star Britney Spears. *Lufti v. Spears*, 2010 Cal. App. Unpub. LEXIS 9310 (Nov 23, 2010) (Chavez, Boren, Ashmann-Gerst, JJ.). The court found that the libel-proof plaintiff doctrine is to be sparingly applied – if used at all.

Lufti brought a libel suit against Spear’s mother over statements made in her 2008 memoir “Through the Storm: A Real Story of Fame and Family in a Tabloid World.” The book includes discussion of a tumultuous six month period in which Lufti acted as Spears manager until a restraining order was issued against him. Among other things, Lufti was accused of drugging and abusing Britney Spears. The press reported these allegations at the time the restraining order was issued. Lynne Spears moved to dismiss the complaint under the libel-proof doctrine, arguing that plaintiff’s reputation was already so tarnished that nothing in the book could injure his standing in the public eye.

The court noted that no published state court decision in California has yet applied the libel-proof doctrine and it declined to apply it in this case. Plaintiff had no prior criminal convictions showing a propensity towards the type of behavior described in the book; and prior media coverage simply reported allegations from court documents not facts. Plaintiff, the court concluded, “should not be precluded from seeking damages for being defamed by the Book merely because he was the subject of critical discussion on tabloid television and in celebrity gossip magazines.” *Quoting Stern v. Cosby*, 645 F.Supp.2d 258, 270 (S.D.N.Y. 2009).

*Plaintiff is represented by Joseph D. Schleimer. Defendant is represented by Michael S. Adler and Joel M. Tantalo, Tantalo & Adler, Los Angeles, CA.*



# Alabama Court of Appeals Reinstates Public Official Libel Claim *Newspaper Applies for Rehearing*

By Dennis R. Bailey

In a 3 to 2 opinion, the Alabama Court of Civil Appeals has held, as a matter of first impression in Alabama, that clear and convincing evidence of malice can be established by reporting the existence of a rumor about a politician on a matter of public concern which the reporter did not know was false but did not verify to be true. [\*Benjamin L. Little v. Consolidated Publishing Company and Megan Nichols\*](#), No. 2090705 (Ala. App. Dec. 3, 2010).

In *Little* the court reversed summary judgment for The Anniston Star and one of its reporters as to libel claims related to the publication of a rumor the plaintiff, an Anniston city councilmember, had a “personal relationship” with a city contractor. The opinion affirmed summary judgment on a tort of bad faith claim. An Application for Rehearing was filed by the newspaper on December 17, 2010.

## Application for Rehearing

The application for rehearing argues that the plurality opinion misapprehended Alabama cases regarding actual malice by holding that a jury could find Little established clear and convincing evidence of malice upon proof that *The Anniston Star* accurately quoted and named one of Little’s political adversaries asserting there was a “buzz” in the community questioning whether a “personal relationship” between Little and a female contractor had led to the expenditure of city funds when it is undisputed that:

1. The newspaper had no knowledge the statement was false;
2. The newspaper accurately quoted and named the source of the statement as being another city councilmember;
3. The newspaper described the information as unverified;
4. The newspaper accurately quoted the plaintiff’s denial of the rumor;
5. The article involved a matter of public concern; and
6. The newspaper made several attempts over a period of time to interview the contractor rumored to have had a “personal relationship” with Little.

The application also contends the opinion was in error in noting but refusing to apply common law defenses to libel by republication of a rumor and declining to apply the neutral reportage doctrine first named in *Edwards v. National Audubon Soc.*, 556 F.2d 113 (2d Cir. 1977) *cert. denied sub nom., Edwards v. New York Times Co.*, 434 U.S. 1002 (1977).

Finally, the application also argues that the opinion was in error in finding, as a matter of first impression, that the statement that plaintiff had a “personal relationship” with a contractor or the city contract with the contractor was a “sweetheart deal” was reasonably capable of having a defamatory meaning.

If the court of civil appeals fails to grant the application, the newspaper is expected to file a petition for certiorari with the Alabama Supreme Court.

*Dennis R. Bailey, General Counsel Alabama Press Association and of Counsel at Rushton, Stakely, Johnston & Garrett, P.A., Montgomery, AL, represents the media defendants in this matter. Plaintiff is represented by William E. Rutledge and Gregory F. Yaghamai, Rutledge & Yaghamai, Birmingham, AL.*

# Appeals Court Affirms Dismissal of Libel Claim Against the *New York Post*

## *Article Protected by Fair Report Privilege*

**By Theresa M. House**

In May 2007, a Brooklyn Muslim minister or imam was introduced to a young Egyptian woman through an on-line dating service that catered to followers of the Islamic faith. Over the next few weeks, the couple engaged in a brief, but troubled courtship that ultimately left the young woman allegedly fearing for her life, left the imam defending against a civil lawsuit that the woman brought against him for libel, false imprisonment, and intentional or negligent infliction of emotional distress, and left the *New York Post* with a story about an unusual civil proceeding in the Supreme Court in Brooklyn.

On March 25, 2008, the imam, Tarek Youssef Hassan Saleh, filed a lawsuit (in the same court) against the publisher of the *Post*, its corporate parents, and one of its reporters. Saleh claimed the group committed acts of libel, intentional infliction of emotional distress, and prima facie tort based on their publication of an article that detailed the circumstances of the suit of the young woman, named Cherine Allaithy, against him. After defendants won a motion to dismiss at the trial court level, in [Saleh v. New York Post](#), No. 2009-05413, 2010 WL 4907859 (2d Dep't Nov. 30, 2010), the Appellate Division affirmed the lower court's dismissal of all of the imam's claims.

### **Background**

Each of Saleh's claims was based on a January 27, 2008 article published in the *Post* entitled, "IMAM E-DATE FROM HELL: Muslim Web match ends in \$50 mil suit." The article detailed factual allegations underlying Allaithy's claims in her civil complaint against Saleh. Those allegations concerned events that took place between the pair leading up to and following Saleh's failed "court[ship]" of Allaithy, including allegations that Allaithy rejected multiple marriage proposals – such as a proposal for a so-called "temporary" marriage – from Saleh because of his conservative views of traditional gender roles, that Saleh interrogated Allaithy about her sex life when she went to him for religious guidance, and that the couple got involved in a physical altercation when Allaithy tried to damage laptops owned by Saleh by running

water over them in a sink.

Saleh sued the *Post* for thirteen statements in the article, including its headline and a photo caption. On September 10, 2008, defendants moved to dismiss the complaint in its entirety on grounds that the challenged statements were privileged as a fair and true report of the Allaithy complaint and were constitutionally protected opinion, and that Saleh's other claims failed as a matter of law. Saleh argued that the statements were not protected because (1) the article allegedly omitted information that was favorable to him, and (2) certain of the challenged statements in the article described the allegations in the Allaithy complaint such that Saleh's conduct appeared to be more egregious than it actually was. On May 6, 2009, however, the New York Supreme Court for the County of Kings (Vaughan, J.) issued an order granting defendants' motion in full.

### **Appellate Court Decision**

After Saleh appealed, the Supreme Court of the State of New York, Appellate Division, Second Department affirmed the lower court's dismissal. The court affirmed the dismissal of four of the challenged statements as protected opinion. The bulk of the Court's decision, however, focused on Section 74 of New York's Civil Rights Law. It reaffirmed that the section offers absolute protection for fair and true reports of judicial proceedings and ruled that comments that summarize or restate the allegations in a pleading are precisely the type of statements that fall within its privilege.

Applying the statute's protections, the court agreed that the balance of the challenged statements in the article constituted a fair and true report of the Allaithy complaint and found that that protection was not stripped based on Saleh's allegations that it omitted certain information in the complaint and contained some purported errors. In so doing, the Court made clear that, under Section 74, what matters is whether the challenged statement substantially reflects statements that were made in an official proceeding – not whether the challenged statement is free of alleged errors and

*(Continued on page 31)*

(Continued from page 30)

not whether the challenged statement also tells plaintiff's side of the story. Plaintiff has since filed a motion for reconsideration of the Appellate Division's decision and for leave to appeal to the New York Court of Appeals.

*Defendants NYP Holdings, Inc., News America*

*Incorporated, News Corporation, and reporter Janon Fisher were represented by Slade R. Metcalf and Theresa M. House of Hogan Lovells US LLP, New York City. Plaintiff Tarek Youssef Hassan Saleh was represented at the trial court level by Bryan Ha of New York City and on appeal he appeared pro se.*

## First Circuit Holds Maine Anti-SLAPP Statute Applies in Federal Court

In a non-media defamation case, the First Circuit held that the Maine anti-SLAPP statute, Me. Rev. Stat. 556, is applicable in federal court. [\*Godin v. Schencks\*](#), No. 09-2324, 2010 U.S. App. LEXIS (1st Cir. Dec. 22, 2010) (Lynch, Torruella, Howard, JJ.). Addressing an issue of first impression in the Circuit, the court looked to California and Louisiana precedent to hold that the anti-SLAPP statute can "exist side by side" with federal procedural rules for motions to dismiss and summary judgment "each controlling its own intended sphere of coverage without conflict."

After plaintiff was terminated as a school principal she sued the local school district and individual employees for defamation and constitutional rights violations. She alleged that the individual defendants falsely accused her of being abusive to students thereby causing her termination. The individual defendants moved to dismiss under the Maine anti-SLAPP statute.

The statute provides for an expedited motion to dismiss claims against protected petitioning activity. The court shall grant the special motion "unless the party against whom the special motion is made shows that the moving party's exercise of its right of petition was devoid of any reasonable factual support or any arguable basis in law and that the moving party's acts caused actual injury to the responding party."

Plaintiff did not dispute that her claims against the individual defendants fell within the scope of the statute, but argued that the law did not apply in federal court. The district court agreed and denied the anti-SLAPP motion, holding the statute conflicted with Rules 12 and 56 of the Federal Rules of Civil Procedure.

The First Circuit first held that it had jurisdiction to hear the defendants' appeal, concluding it fell under the collateral order doctrine. It then undertook a detailed analysis of issues of preemption and the Eire doctrine.

Rule 12(b)(6) serves to provide a mechanism to test the sufficiency of the complaint. See *Iqbal v. Ashcroft*, 129 S. Ct. 1937, 1949 (2009). Section 556, by contrast, provides a mechanism for a defendant to move to dismiss a claim on an entirely different basis: that the claims in question rest on the defendant's protected petitioning conduct and that the plaintiff cannot meet the special rules Maine has created to protect such petitioning activity against lawsuits.

The federal summary judgment rule, Rule 56, creates a process for parties to secure judgment before trial on the basis that there are no disputed material issues of fact, and as a matter of law, one party is entitled to judgment. Inherent in Rule 56 is that a fact-finder's evaluation of material factual disputes is not required.

But Section 556 serves the entirely distinct function of protecting those specific defendants that have been targeted with litigation on the basis of their protected speech. When applicable, Section 556 requires a court to consider whether the defendant's conduct had a reasonable basis in fact or law, and whether that conduct caused actual injury. Fed. R. Civ. P. 56 cannot be said to control those issues.

*Plaintiff is represented by Sandra Hylander Collier. Defendant Patty Schencks is represented by John Paterson, Bernstein Shur, Portland, ME. Other defendants were represented by Richardson Whitman Large & Badger; and Fisher & Phillips, LLP.*

# A Nominal Win Against Google's Street View

By Jennifer A. Klear

In stark contradiction to the privacy concerns raised and restrictions imposed by European countries on Google's Street View — a feature on Google Maps that offers panoramic, navigable views of streets in and around major cities — a similar challenge in the U.S. ends in a victory on the papers only. On November 30, 2010, the United States District Court for the Western District of Pennsylvania entered a consent judgment in *Boring v. Google, Inc.*, No. 08-cv-6894 (November 30, 2010) thereby terminating Aaron and Christine Borings' suit against Google for its alleged intrusion onto their private property when representatives of Google's Street View service photographed the Boring's property. The consent judgment entered in favor of the Borings for the sole remaining count of trespass notably states that Plaintiffs consented to nominal damages in the amount of one dollar. While the *de minimus* settlement amount is of interest, it is particularly interesting that the Borings even received nominal damages. In a prior ruling in this case, the Third Circuit had effectively dismissed the Boring's invasion of privacy, unjust enrichment, punitive damages claims and request for injunctive relief, but permitted the Borings to proceed against Google for trespass despite their failure to have pled nominal damages.

## Background

The Borings initiated suit against Google on April 2, 2008 in the Court of Common Pleas of Allegheny County, Pennsylvania. In the suit, the Borings asserted claims for (1) invasion of privacy, (2) trespass, (3) injunctive relief, (4) negligence, and (5) conversion, and claimed compensatory, incidental, and consequential damages in excess of \$25,000 for each claim plus punitive damages and attorneys' fees. The Borings later amended their Complaint substituting the conversion claim for an unjust enrichment claim.

On February 17, 2009, after removal to the United States District Court for the Western District of Pennsylvania, the court dismissed the Amended Complaint. The Borings filed a motion for reconsideration arguing that the Court erred in dismissing their trespass and unjust enrichment claims, and their request for punitive damages. The District Court denied the Borings' motion. *Boring v. Google*, Civ. A No. 08-694, 2009 WL 931181 (W.D. Pa. Apr. 6, 2009). In its opinion, the

court addressed the Borings' trespass claim to “eliminate any possibility that the language in its opinion might be read to suggest that damages are part of a prima facie case for trespass.” *Id.* at \* 4-5. In doing so, the Court clarified that “it had dismissed the trespass claim because the Borings had ‘failed to allege facts sufficient to support a plausible claim that they suffered any damage as a result of the trespass’ and because they failed to request nominal damages in their complaint.” *Id.*

The Borings then appealed to the Third Circuit where they argued that the District Court erred when it dismissed their trespass claim for failure to plead nominal damages. Google, conversely, argued that (1) that the District Court correctly held that the trespass claim must fail where plaintiffs failed to plead nominal damages; and (2) the compensatory damages were not the natural or proximate result of the trespass. On January 28, 2010, the United States Court of Appeals for the Third Circuit issued a decision affirming in part and reversing in part the lower court decision. *Boring v. Google, Inc.*, No. 09 Civ. 2350 (January 28, 2010) (Rendell, Jordan, Padova, JJ.).

In its opinion, the Third Circuit rejected both Google's interpretation and the lower court ruling. In doing so, the Court announced that by simply alleging that Google entered upon their property without permission the Borings have pled a trespass – pure and simple. The Court rejected the notion that Pennsylvania required that either nominal or consequential damages be pled. Notably, the Third Circuit remarked that while it was improper for the District Court to dismiss the trespass claim, “it may well be that, when it comes to proving damages from the alleged trespass, the Borings are left to collect one dollar and whatever sense of vindication that may bring.” *Id.* at \* 13.

Since Third Circuit's decision, the Borings requested a rehearing of the appeal, which was denied by Order dated March 3, 2010 and then filed a petition for writ of certiorari to the United States Supreme Court, which was denied on October 5, 2010. Having exhausted all legal remedies, the Third Circuit's premonition for the Borings, thus, rang true as reflected in the consent judgment evidencing that the Borings settled the case with Google for merely one dollar on the remaining count of trespass.

*Jennifer A. Klear is a lawyer at the Law Offices of Jennifer A. Klear, NY, NY.*

# Goodbye Fair Comment (and Honest Opinion) Hello Honest Comment

## *UK Supreme Court Issues Its First Libel Decision*

By David Hooper and Jaron Lewis

The new UK Supreme Court has considered its first libel claim. In a unanimous decision, the Court has decided that the defense of fair comment should be modified, and renamed as "honest comment." [Spiller v. Joseph](#), [2010] UKSC 53. Lord Phillips also took the opportunity to call for jury trials in defamation to be abolished, and for other aspects of libel law to be reviewed.

The main issue before Court was to what extent the defense of fair comment should require the factual basis of the comment to be set out within the words complained of.

The Court has widened the scope of the fair comment defense by removing the requirement that the outline facts have to be spelt out in sufficient detail for readers to be able to judge for themselves whether the comment was well founded. Now the reader just has to be presented the gist of the facts to see on what the comment was based. This should make the law less complex and the defense easier to apply.

The Supreme Court allowed the appeal and reinstated the defense of fair comment whereas the lower Court (Mr Justice Eady) and the Court of Appeal had struck out the defense on fair comment for different technical reasons. The upshot therefore was that five judges (and crucially the judges that really mattered namely the Justices of the Supreme Court) found in favor of the defendant whereas four judges had for two different sets of reasons found against the defendants. The judgments are critical of the state of the English law of libel quoting comments by judges to the effect "the artificial and archaic character of the tort of libel" and "the tangled state of the law of defamation" and to "the horrific pleadings and interlocutory warfare" in another fair comment case called *Lowe*.

### Background

The facts which gave rise to all this litigation were of startling triviality. They concerned a previously unknown group known either as the "Gillettes" or "Saturday Night at the Movies" which was said to "perform in venues across the

country, at wedding receptions and other events." It seems that this group had the offer of a better gig which lead them to cancel previous arrangements. This lead their irate manager to write "*we will not be representing you any longer as we can only work with professional artists who can accept our terms and conditions.*" It appears that in February 2008 this posting was inadvertently uploaded onto the defendant's website where it remained until April 2008 before being removed following a solicitors letter sent on behalf of the claimants.

Mr Justice Eady struck out the fair comment defense because the words in issue were not in his view capable of being comment and because the comment was not upon a matter of public interest. The Court of Appeal however felt it was capable of being a matter of comment but nevertheless felt that the defense of fair comment failed, because the facts upon which the comment was said to be based were not sufficiently set out in the words complained of. When the Defendant's appeal to the Supreme Court, Associated Newspapers, Guardian News and Media Times Newspapers were granted permission to intervene to assist the Court in formulating the law of fair comment and in that regard they were represented by Andrew Caldecott QC.

In the 2001 case of *Tse Wai Chun Paul v Albert Cheng* [2001] EMLR 777, Lord Nicholls had set out a number of propositions for the defense of fair comment. Under the fourth proposition, he stated the following:

Next the comment must explicitly or implicitly indicate, at least in general terms, what are the facts on which the comment is being made. The reader or hearer should be in a position to judge for himself how far the comment was well founded.

The Supreme Court in *Spiller* has now re-written this proposition to read:

*(Continued on page 34)*



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Next the comment must explicitly or implicitly indicate, at least in general terms, the facts on which it is based.

The Court reached its decision after a detailed analysis of the historical development of the fair comment defense, and an earlier decision of the House of Lords in *Kemsley v Foot* [1952] AC 345

In *Kemsley*, the issue was whether the defense of fair comment could be maintained when the comment did not specify any particular matters to which it related. The House held that the defense of fair comment could be raised where the comment identified the subject matter of the comment generically as a class of material that was in the public domain. There was no need for the comment to spell out the specific parts of that material that had given rise to the comment. The defendant could plead particulars of these in order to support the comment. Lord Porter held that it was not necessary to prove that each of these facts was accurate provided that at least one was accurate and supported the comment.

### Supreme Court Decision

The Supreme Court held that in order to be protected by the defense of fair comment, the subject-matter should be sufficiently stated, but not so that readers should be in a position to evaluate the comment for themselves. They said it was fallacious to suggest that readers will be able to form their own view of the validity of the criticism of a matter merely because in the past it was placed in the public domain e.g. a play or a concert. The Court decided that the subject-matter should be sufficiently set out, but for the following reasons:

- ◆ Part of the justification of having a defense of fair comment is to allow one to comment freely on matters of public interest, if the subject matter of the comment is not apparent from the comment then this justification for the defense will be lacking
- ◆ The defense should be based on facts that are true. This is better enforced if the comment has to identify at least in general terms, the matters on which it is based.
- ◆ The same is true of the requirement that the defendant's comment should be honestly founded on facts that are true.
- ◆ It is desirable that the commentator should be required to identify at least the general nature of the facts that have led him to make the criticism.

In *British Chiropractic Association v Singh* [2010] EWCA Civ 350 the Court of Appeal had suggested that the defense should be called honest opinion. The Supreme Court prefers the term honest comment. Giving the leading judgment, Lord Phillips, the president of the Court, adopted the comment of Lord Justice Scott "*the right of fair comment has said to be one of the fundamental rights on free speech and writing.*" Essentially, the judges wished to make the defense of honest comment less objective and more subjective.

One hopes that in the future there will be less argument that what the man in the street would think of as a comment was in fact an allegation of fact which had to be justified. So one hopes also that there will be less esoteric arguments about the extent to which facts have to be identified in order to show that they were being commented upon. In future one is probably likely only to have to show the gist of the facts upon which comment is being made.

The Court stressed the point that defense does involve an element of fairness. Lord Phillips gave the example of a comment to the effect that a barrister was a disgrace to his profession. Those who heard such a criticism ought to know why the commentator reached such a conclusion. He should make it clear whether it is because he does not deal honestly with the Court or read his papers, is constantly late for Court or (and remember this is a British case) wears dirty collars and bands.

The short judgment of Lord Walker is also worth reading. He points out that the defense must meet the needs of the electronic age and the test for identifying the factual basis upon honest comment must be flexible enough to accommodate this type of case.

What does this mean?

In practice this means that comment does not have to identify matters on which it is based with sufficient particularity to enable the reader to judge for himself whether

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(Continued from page 34)

it was well founded. The comment must, however, identify at least in general terms what it is that has led the commentator to make the comment. The reader should understand what the comment is about and the commentator should, if challenged, give particulars of the subject matter in order to explain why he expressed the views that he did. A defendant may not rely in support of the defense of fair comment on matters that were not referred to, even in general terms, by the comment and he may not rely on a fact that was not instrumental in his forming his opinion.

#### Other changes...

The Supreme Court held that the defense of fair comment should be re-named "honest comment."

Lord Phillips also suggested potential areas of reform, either to be resolved judicially, by the Law Commission or an expert committee. These included the following:

- ◆ In place of an objective test, the onus should be on the defendant to show that he subjectively believed that his comment was justified by the facts on which he based it.
- ◆ The scope of the defense of fair comment should be widened by removing the

requirement that it must be on a matter of public interest.

- ◆ Allegations of fact can be far more damaging, even if plainly based on inference, than comments on true facts. Therefore careful consideration should be given to whether the defense of fair comment should be extended to cover inferences of fact.
- ◆ Whilst fair comment can be based on a statement protected by Reynolds privilege, the commentator may well not be in a position to assess whether the statement in question is so protected.
- ◆ Defamation is no longer a field in which trial by jury is desirable. The issues are often complex and jury trial invites expensive interlocutory battles.

*David Hooper and Jaron Lewis are partners with Reynolds Porter Chamberlain in London. Jaron Lewis represented the media intervenors together with barristers Andrew Caldecott QC and Sarah Palin of Brick Court Chambers. Plaintiff was represented by barrister William Bennett and solicitors firm Pattinson & Brewer. Defendant was represented by David Price, David Price Solicitors & Advocates.*

## **MLRC UPCOMING EVENTS**

### **[MLRC/Southwestern Media & Entertainment Law Conference](#)**

January 20, 2011 | Los Angeles, CA

### **MLRC/Stanford Legal Frontiers in Digital Media Conference**

May 19-20, 2011 | Stanford, CA

### **MLRC London Conference**

September 19-20, 2011 (In-house counsel breakfast Sep 21st) | London, England

### **MLRC Annual Dinner**

November 9, 2011 | New York, NY

### **DCS Meeting & Lunch**

November 10, 2011 | New York, NY

# Government Must Have Warrant to Obtain Person's Emails From ISP

## *Fourth Amendment Must Keep Pace With Technological Progress*

The Sixth Circuit held that the government must obtain a warrant before it obtains a person's emails from their Internet service provider (ISP). *U.S. v. Warshak*, No. 08-3997 (6th Cir. Dec. 14, 2010) (Keith, Boggs, McKeague, JJ.). Describing email as the contemporary version of letters and telephone calls, the court stated "it is manifest that agents of the government cannot compel a commercial ISP to turn over the contents of an email without triggering the Fourth Amendment."

### Background

The issue arose in the context of a criminal appeal. Defendant Steven Warshak was convicted of fraud and money laundering, sentenced to 25 years in prison and forfeiture of approximately \$45 million in connection with the marketing and sale of an herbal supplement. Warshak was the man behind Enzyte, an herbal supplement promising male enhancement that was heavily advertised on television. As part of the evidence in the case, the government obtained 27,000 of Warshak's emails directly from his ISP and without his knowledge.

The Sixth Circuit affirmed the conviction, but found merit in Warshak's arguments regarding the Fourth Amendment's application to email. The court found that Warshak had a clear subjective expectation of privacy in the emails, as evidenced by their contents. The crucial inquiry was then whether such an expectation was objectively reasonable, thus triggering the warrant requirement.

Treating email as the modern equivalent of a letter or telephone call, the court found that an expectation of privacy was reasonable and a warrant was needed in order to "peer deeply" into someone's activities in such a way. "Given the fundamental similarities between email and traditional forms of communication, it would defy common sense to afford emails lesser Fourth Amendment protection...Email is the technological scion of tangible mail, and it plays an indispensable part in the Information Age."

The court went on to note, "It follows that email requires strong protection under the Fourth Amendment; otherwise, the Fourth Amendment would prove an ineffective guardian of private communication, an essential purpose it has long been recognized to serve."

The court further reasoned that email was equally private

in the hands of an indispensable third party, the ISP. "If we accept that an email is analogous to a letter or a phone call, it is manifest that agents of the government cannot compel a commercial ISP to turn over the contents of an email without triggering the Fourth Amendment. An ISP is the intermediary that makes email communication possible. Emails must pass through an ISP's servers to reach their intended recipient."

As the judges point out, it makes sense to treat an ISP like other intermediaries for Fourth Amendment purposes. "[T]he ISP is the functional equivalent of a post office or a telephone company...the police may not storm the post office and intercept a letter, and they are likewise forbidden from using the phone system to make a clandestine recording of a telephone call—unless they get a warrant, that is. It only stands to reason that, if government agents compel an ISP to surrender the contents of a subscriber's emails, those agents have thereby conducted a Fourth Amendment search, which necessitates compliance with the warrant requirement absent some exception."

The court dismissed the argument that the subscriber agreement between Warshak and the ISP, which included a potential right to access his e-mails in certain situations, defeated a reasonable expectation of privacy. The ability of someone to listen in on a phone call or the right of a phone company to listen to particular calls did not defeat the expectation for that medium. Neither did the ability of a mailman to open others' mail or the right of hotel staff to enter rented rooms. Similar reasoning applied to e-mail, though the court did leave open the possibility of a different subscriber agreement being so explicitly far-reaching as to defeat the expectation.

In procuring the emails, the government had relied on the Stored Communications Act, which allowed it to obtain emails stored for more than 180 days from the ISP without a warrant and under a lower burden of proof than probable cause. The court explicitly found this portion of the law unconstitutional. However, because of the officers' good faith reliance on the law, Warshak's conviction ultimately stood.

*Defendants were represented by Martin S. Pinales, Strauss & Troy, Cincinnati, OH.; and Martin G. Weinberg, Boston, MA. Assistant U.S. Attorney Benjamin Glassman argued the case for the government. The Electronic Frontier Foundation submitted an amicus brief on the issue of email privacy.*

## *Ethics Corner*

# ABA Issues Ethics Opinion on Lawyer Websites

**By Timothy J. Conner**

The American Bar Association has issued a formal opinion on lawyer websites providing general guidance on how to comply with a number of ethical requirements. The ABA's Model Rules of Professional Conduct have been adopted and followed in many jurisdictions, and are generally seen as a polestar for guidance to lawyers. The formal opinion applies several of those rules to lawyer websites. Recognizing that websites have become an important mode of communication between lawyers and the public, the ABA issued Formal Opinion 10-457 on September 29, 2010. The Opinion provides:

Websites have become a common means by which lawyers communicate with the public. Lawyers must not include misleading information on websites, must be mindful of the expectations created by the website, and must carefully manage inquiries invited through the website. Websites that invite inquiries may create a prospective client-lawyer relationship under Rule 1.18. Lawyers who respond to website-initiated inquiries about legal services should consider the possibility that Rule 1.18 may apply.

The ABA's Opinion recognizes that lawyer websites can provide valuable information to the public, and provide lawyers with a 24/7 means of marketing legal services. However, "[t]he obvious benefit of this information can diminish or disappear if the website visitor misunderstands or is misled by website information and features." The Opinion is broken down into separate sections that deal with issues regarding website content, and warnings or cautionary statements intended to limit, condition, or disclaim obligations to website visitors.

### **Website Content**

The Opinion first addresses website content that provides

information about the lawyer, the law firm, and their clients. Websites typically contain biographical information about lawyers, their educational background, areas of practice, contact details, publications, ratings, as well as information about the law firm, its history and culture, experience, and other matters. Many websites will also provide information about clients, cases handled and results obtained, including testimonials about the firm and its lawyers.

The Opinion states that any of this type of information constitutes a "communication about the lawyer or the lawyer's services" and is subject to Model Rules 7.1 (communications concerning a lawyer's services), 8.4(c) (false and misleading statements), and 4.1(a) (when representing clients). Taken together, the application of these rules to lawyer websites means that such communications may not be false, misleading, or omit material facts. These obligations extend to managerial lawyers and obligate firms to take reasonable steps to assure the firm and its lawyers are in compliance. Accurate information that is not misleading is allowed. It should be regularly updated to make sure it remains accurate.

Specific information concerning clients, or former clients, is allowed so long as informed consent for use of the information is obtained as required by Rules 1.6 (current clients) and 1.9 (former clients). The Opinion notes that disclosure of client identifying information is ordinarily not impliedly authorized since such disclosure generally is not made for purposes of representing the client's interests, but rather to promote the lawyer or firm. Accordingly, informed consent to use such specific client information is required.

Many lawyers' websites contain information about legal principles, case law, and other explanations of the law in a given area for the purpose of holding the lawyer or firm out as an expert in that area of law. The Opinion provides that such legal information must meet the requirements of Rules 7.1, 8.4(c), and 4.1(a) as well. The information has to be accurate, and to avoid misleading readers lawyers should include qualifying statements or disclaimers that "may preclude a finding that a statement is likely to create unjustified expectations or otherwise mislead a prospective

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client.” Rule 7.1 cmt. 3. The Opinion indicates that no exact line can readily be drawn here between legal information and legal advice, but that one will necessarily have to look to the context and content of the information conveyed in making that distinction.

Disclaimers related to general legal information may “include statements that characterize the information as general in nature and caution that it should not be understood as a substitute for personal legal advice.” The Opinion states that such a disclaimer may be necessary to protect website visitors who may be inexperienced legal consumers, and suggest that a disclaimer is a prudent way to avoid misunderstanding.

The Opinion also addresses website visitor inquiries. “Inquiries from a website visitor about legal advice or representation may raise an issue concerning the application of Rule 1.18 (Duties to Prospective Clients).” Among other things, Rule 1.18 protects confidentiality of prospective client communications. It also sets forth ways in which a lawyer may limit disqualification based on a prospective client disclosure. The Opinion states that an inquirer becomes a prospective client when the person “discusses with a lawyer the possibility of forming a client-lawyer relationship.” (emphasis supplied). The Opinion then goes into detail about what it means to *discuss* the possibility of forming a client-lawyer relationship.

For example, if a lawyer website specifically requests or invites submission of information concerning the possibility of forming a client-lawyer relationship with respect to a matter, a discussion, as that term is used in Rule 1.18, will result when a website visitor submits the requested information. If a website visitor submits information to a site that does not specifically request or invite this, the lawyer’s response to that submission will determine whether a discussion under Rule 1.18 has occurred.

The Opinion cautions lawyers to consider that a website generated inquiry may have come from a prospective client, and to include appropriate warnings to avoid an unintended disqualification.

### **Warnings and Cautionary Statements**

There has been much debate on whether cautionary

statements or disclaimers can protect lawyers from the establishment of an inadvertent attorney-client relationship, from being disqualified because someone has used the website to convey confidential information about a case which is “unsolicited,” among other potential risks. The ABA’s Opinion states that “[w]arnings or cautionary statements on a lawyer’s website can be designed to and may effectively condition, or disclaim a lawyer’s obligation to a website reader.” The Opinion requires that the statements must be in writing and designed to “avoid a misunderstanding by the website visitor that (1) a client-lawyer relationship has been created; (2) the visitor’s information will be kept confidential; (3) legal advice has been given; or (4) the lawyer will be prevented from representing an adverse party.”

The Opinion does not dictate the precise nature of how the warnings, cautionary statements or disclaimers should be communicated, but rather states that they should be conspicuously placed to assure a reader sees it before proceeding, and written in understandable language. In a number of footnotes, however, the Opinion cites to numerous cases where warnings and cautionary statements were either insufficient, or actions of a lawyer in responding to an inquiry undermined such statements so that they were not effective. The Opinion also cites to ethics opinions and case law indicating that websites requiring an affirmative act from the reader, such as a click through acknowledgement, or “clickwrap” agreement, that contain appropriate limiting language *before* being allowed to proceed to website content have been upheld as valid and enforceable.

### **Conclusion**

A myriad of decisions have been reached in ethics opinions and cases around the country on what may be required of lawyers who utilize websites to provide information to the public and attract business. Some of those decisions are inconsistent with each other as different states have grappled with the issues that lawyer websites present. The ABA Formal Opinion 10-457 provides much needed guidance in an area that is in need of a uniform approach.

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