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MLRC Media Law Resource Center

MEDIALAWLETTER

Associate Member Edition Spring 2004

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MEDIA LAW RESOURCE CENTER

TWENTY-FOURTH ANNUAL DINNER

WEDNESDAY, NOVEMBER 17, 2004

WITH PRESENTATION OF THE

WILLIAM J. BRENNAN, JR. DEFENSE OF FREEDOM AWARD

TO

TED TURNER

WHO WILL BE INTERVIEWED ON THE OCCASION OF THE AWARD BY

Tom Brokaw
NBC News

6:00 p.m. Reception
Sponsored by Media/Professional Insurance

7:30 p.m. Dinner

MLRC's Annual Study of Media Trials Shows 14 Trials in 2003, With Media Winning 57 Percent

There were 14 cases against media defendants based one editorial content that went to trial in 2003, according to MLRC's annual report on Trials and Damages, and media defendants won eight (57.1 percent).

The 57.1 percent media victory rate in 2003 was lower than the victory rate in 2002 (83.3 percent), but it is still the third highest victory rate since 1980.

Details on the 14 trials, and analysis of their results and the results of 494 media trials since 1980, are included in MLRC's 2004 REPORT ON TRIALS AND DAMAGES.

2003 Cases

Seven of the 14 trials in 2003 involved television defendants, five involved newspapers, one involved a radio defendant, and one case was against an Internet web site. The web site case, which involved www.newsok.com, the combined web site of The Oklahoman newspaper and KWTV News9, is the second Internet content case to qualify for inclusion in the MLRC REPORT.

Twelve of the 2003 trials were in state court; two, in federal court. All of the cases were tried before juries, although judges issued directed verdicts in two of the cases. Media defendants won both federal cases, and half of the state cases.

Of the six verdicts for plaintiffs in 2003, three involved awards of over $1 million; of these, two exceeded $10 million. The average of the six trial awards is $5.4 million, while the median is $2 million.

Compensatory and Punitive Damages

Besides the analysis of results at trial and on appeal in cases against the media since 1980, this year's REPORT also evaluates cases in light of the U.S. Supreme Court's statement in *State Farm Mutual Ins. v. Campbell*, 123 S.Ct. 1513, 1524 (U.S. April 7, 2003) that punitive awards that exceed compensatory awards by more than a nine-to-one ratio are unlikely to survive constitutional scrutiny. MLRC's analysis of the 153 verdicts with both types of damages since 1980 found that 27 of these verdicts (17.6 percent) included punitive damages that exceeded compensatory awards by more than a nine-to-one ratio.

Overall Results

The overall results of the MLRC study show that plaintiffs have won about 61.3 percent of cases that have gone to trial since 1980. But plaintiff victories were modified by post-trial motions in 24.5 percent of cases, and almost half (45.8 percent) of the awards that survive post-trial motions in some form are modified on appeal.

In the end, of the 275 awards won by plaintiffs at trial that survived post-trial motions, plaintiffs appear to have held on to their awards in 96 cases (34.9 percent): 63 (22.9 percent) were affirmed on appeal, while 33 (12.0 percent) were not appealed. Awards were reversed or modified on appeal in 126 cases (45.8 percent). Appeals are currently pending in four cases (1.5 percent). There were settlements after trial in 38 cases (13.8 percent), and the final dispositions of eight cases (2.9 percent) are unknown.

Best Courts for the Media

The REPORT also examines the results of all trials since 1980 to determine media defendants' track record in various courts. Among the federal district courts, those within the Third Circuit produced the best victory rate at trial for media defendants since 1980, 66.7 percent (six of nine trials). The media fared worst in the district courts within the Tenth Circuit, where media defendants lost both of the trials that have since 1980.

Alabama ($40,000) and Hawaii ($40,138) vied among states with more than one trial for the lowest average initial trial award. Meanwhile, Ohio had the highest average initial award, $9.1 million. Among states with more than three cases since 1980, Connecticut and Oregon shared the highest media victory rate at trial, 83.3 percent, while in Kansas media defendants lost all six cases.

Any developments you think other MLRC members should know about?

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Australian Attorney General Pushes for Uniform Libel Laws or National Legislation

By Peter Bartlett

Australia presently has eight separate sets of libel laws covering the various states and territories. There are some significant differences between them. Some jurisdictions are largely common law, with relatively minor statutory additions, while others have a completely statutory basis.

The state and territory borders are now largely irrelevant to the media. Thus there has been a realization for some time that Australia should seek more uniform libel laws. Many previous attempts failed because of the difficulty in obtaining the agreement of the eight separate governments, which all tend to favor their existing laws.

The Australian Attorney General Philip Ruddock has recently announced that if the states and territories cannot agree on uniformity, he will introduce legislation in September or October 2004 covering the whole of Australia. This is the first time that an Australian government has seriously contemplated using its limited constitutional powers to introduce national libel laws.

While the move to a national scheme is welcomed, the devil is in the detail. Australia's present libel laws are perceived as pro-plaintiff. The Attorney General's Discussion Paper foreshadows a position even more favorable to plaintiffs.

While the move to a national scheme is welcomed, the devil is in the detail. Australia's present libel laws are perceived as pro-plaintiff. The Attorney General's Discussion Paper foreshadows a position even more favorable to plaintiffs.

The law firm Minter Ellison has made a submission to the Attorney General raising concerns about the following proposals.

DEFAMATION OF THE DEAD

It has always been accepted in Australia that living relatives of the deceased can bring an action for defamation if the living relative can establish that the defamation injures the reputation of the living relative. The Discussion Paper, however, contemplates creating a cause of action for a deceased.

TRUTH AND THE PUBLIC BENEFIT

Some states and territories presently have truth alone as a defense. That is the preferred position. The Attorney General wants to add an additional requirement that the publication is in the public benefit. This is a vague concept. It seeks to introduce a privacy element to the libel laws.

FAIR COMMENT

The present common law defense of fair comment provides that if the facts are accurately set out in the publication, the reader has the ability to decide whether they agree or disagree with the comment. This is a fundamental aspect of freedom of speech.

The Attorney General seeks to introduce a defense of honest and reasonable opinion. Thus he says that "prejudiced, biased and grossly exaggerated opinions will receive no protection."

Such a defense would severely inhibit freedom of speech. It seeks to take political correctness too far and would set a precedent forcing publishers into bland reporting of and comment on issues in a manner that may offend no one but will neither inform the reader.

QUALIFIED PRIVILEGE

The Attorney General seeks to introduce a statutory qualified privilege based on the publication being reasonable in the circumstances. The suggested defense is modeled on Section 22 of the *New South Wales Defamation Act*. That section has been interpreted in such a way that very few media defendants have succeeded under it.

JURIES

The Attorney General also seeks to abolish all trials by juries.

Position of the States and Territories

The State and Territory Attorneys General have met and decided to seek more uniform laws rather than a national libel law. There is some consensus between them on the following issues:

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Australian Attorney General Pushes for Uniform Libel Laws or National Legislation

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There would be an Objects clause introduced to set out the balance between reputation and freedom of speech. Legislation would seek to limit the damages that would be recovered in a libel action by providing that such damages would be linked in some way to the damages recoverable in a personal injury action. An Offer of Amends process would be introduced to encourage early settlement.

CORPORATIONS

A provision similar to that recently introduced in New South Wales would provide that corporations could not sue for libel.

A PUBLIC FIGURE DEFENSE

The State and Territory Attorneys are against a public figure defense. We have referred them to the Reynolds decision in the United Kingdom.

JUDGE / JURIES

They favor a judge deciding damages.

LIMITATION PERIOD

They favor a one year limitation period.

ISSUES IN DISPUTE

There is still no agreement between the various State and Territory Attorneys on the following: 1) whether truth alone or truth and public benefit would form a defense; 2) whether there should be a definition of "libel" in the legislation; and 3) whether the New South Wales position of imputations forming the cause of action, should remain or whether the common law position of looking at the entire publication should be introduced.

CHOICE OF FORUM

There is also no agreement on whether there should be a provision limiting the right of a plaintiff to choose the forum in which to sue.

INJUNCTIONS

Some attorneys seem to support increasing the right of someone to obtain an injunction against the media, prior to publication. This again is strongly opposed. The courts presently in Australia take the view where monetary damages are an adequate remedy, an injunction, for freedom of speech reasons, should not be granted.

We have spent some considerable time with State and Territory Attorneys stressing the difficulties faced by the media following the *Gutnik v. Dow Jones* decision. The Attorneys are reviewing this position.

What to Expect

It is difficult to see the State and Territories Attorneys agreeing on uniform legislation. Thus the Australian Attorney General may indeed introduce legislation later this year to create a national libel law.

His Discussion Paper is now open for submissions. He intends to consider those submissions and then release a draft Bill in July. The difficulty he faces is time. The Australian Government must face an election later this year. It is difficult to see that any legislation could be passed before the election.

If the Attorney General is intent on passing new libel laws this year, he will need to delete many of the controversial issues presently raised in his Discussion Paper. As the Government does not have a majority in the Upper House, those controversial issues which impact on freedom of speech are likely to sink or at least delay, passage of the Bill.

That said however, the Australian Attorney General appears intent on this national approach succeeding.

Peter Bartlett is a partner in Minter Ellison in Melbourne, Australia and head of the firm's Media Group.

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Canadian Court Denies Motions to Compel ISPs to Disclose Identities of Peer to Peer File Swappers

By Rebecca Brackley

On March 31, 2004, Ontario Federal Court Justice von Finckenstein denied motions to compel Internet service providers (ISPs) to reveal the identities of 29 alleged "uploaders" of copyrighted musical works using popular peer-to-peer (P2P) file-sharing programs, such as KaZaA. *BMG Canada v. John Doe*, No. T-292-04 (Ont. Fed. Ct.).

In addition to finding that the evidence lacked the required reliability to justify invading the privacy of Internet users, the Court held that the applicant music companies had failed to make out a *prima facie* case of copyright infringement under Canadian law.

Names of Alleged Infringers Requested

The Canadian Recording Industry Association (CRIA) – following the lead of its U.S. counterpart, the Recording Industry Association of America (RIAA) – took the first step in its strategy to file suit against individual users of P2P file-sharing programs by attempting to obtain from ISPs the names of alleged infringers.

CRIA invoked the traditional procedure of seeking a court order for disclosure (sometimes called a Norwich order) – not having the benefit of the streamlined subpoena procedure under section 512(h) of the Digital Millennium Copyright Act, 17 U.S.C. (DMCA) (a procedure that was, until the recent decision in *Recording Industry Ass'n of America, Inc. v. Verizon Internet Services, Inc.*, 351 F.3d 1229 (D.C. Cir.2003), widely used by the RIAA). The Electronic Frontier Foundation and the Canadian Internet Policy and Public Interest Clinic intervened in the case.

Evidence Lacked Reliability

In denying the applicant's motion to compel the ISPs to divulge the names of Internet users, the Court called into question the reliability of the applicant's evidence on several fronts.

First, the Court found that there was insufficient evidence linking the pseudonyms of the P2P users with the Internet protocol addresses that ISPs were in turn asked to link to account holders. The Court also noted that the ISPs were limited in their ability to reliably retrieve older data from their systems. The Court acknowledged that retrieving data was not easy and that the costs of doing this should be borne by the party making the request.

Similarly, the Court found that while ISPs may be able to generate the names of account holders, this would not necessarily reveal the actual computer users responsible for file sharing. The widespread practice of sharing an Internet connection and the increasing popularity of wireless networks mean that the account holder's identity may no longer be a reliable indicator of the Internet user.

With respect to the role of the Internet intermediary, the Court held that the person from whom discovery is sought must be the "only practical source of the information" and that the applicants had not provided sufficient evidence to allow the Court to make this determination. It suggested that the operators of the KaZaA and iMesh websites were another possible source.

Privacy Outweighs Interest in Disclosure

With regard to the privacy of Internet users, the Court acknowledged the privacy interest of the individual (particularly in the context of the Internet and in light of Canada's new federal privacy legislation [the Personal Information Protection and Electronic Documents Act, S.C. 2000, c. 5]) and found that these concerns outweighed the public interest in favor of disclosure in this case, where the reliability of the evidence and the requested information was in question.

The Court noted that third parties have in the past been compelled to disclose the name of a defendant identified by an Internet protocol address and that "in no [other] case have privacy or other concerns weighing against disclosure outweighed the interest in obtaining documents and information necessary to identify the defendants," making this case the first to tip the balance in favor of Internet privacy.

P2P File Sharing Does Not Violate Copyright Law

The Court further held that a *prima facie* case of copyright infringement had not been proved. Citing section 80 of the Canadian Copyright Act, R.S.C. 1985, c. C.-42, the Court found that downloading a song for personal use was not an infringement.

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Canadian Court Denies Motions to Compel ISPs to Disclose Identities of Peer to Peer File Swappers

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Section 80 imposes a levy on the manufacturers and importers of blank recording media (e.g., recordable compact discs) and in exchange exempts from copyright infringement the reproduction of a musical work onto an audio recording medium for private use. The levy, which has been in place since 1999, is collected by the Canadian Private Copying Collective and redistributed to authors, performers and makers of musical works.

This so-called private copying regime was Canada's solution to the difficult enforcement challenge posed by widespread copying of music. Although largely expected, the Court's decision removed any doubt that the exemption applied to digital music copied from the Internet.

The Court went on, however, to consider whether uploading infringed copyright. It found that the "mere fact of placing a copy on a shared directory in a computer where that copy can be accessed via a P2P service" (so-called uploading) does not amount to reproducing, or authorizing the reproduction, or to distributing unauthorized copies under the Copyright Act.

The Court held that simply setting up facilities that allow copying does not amount to authorizing infringement. The Court held that "distribution" requires some positive act by the user.

Citing the recent decision of the Supreme Court of Canada in *CCH Canada Ltd. v. Law Society of Canada* (2004 SCC 13) (holding that a library does not authorize copyright infringement by providing self-service photocopiers for use by its patrons), the Court held that simply setting up facilities that allow copying does not amount to authorizing infringement. The Court held that "distribution" requires some *positive* act by the user (such as sending out copies or advertising that they are available for copying).

Moreover, making copies available was not a right recognized under Canadian copyright law. Finally, the Court rejected the claim of secondary infringement, finding that users lacked the necessary knowledge of infringement. In short, uploading was not an infringement of Canada's distinctive copyright laws.

Looking Forward

CRIA has filed an appeal. The decision will therefore be considered by the Federal Court of Appeal, and may have important implications for the future of Canadian copyright law in the digital environment.

For the moment, the decision appears to have blocked the Canadian music industry's enforcement efforts through this avenue. It may also force copyright policy-makers to once again rethink the way the Copyright Act balances interests in the digital era.

Indeed, a broader Canadian copyright reform agenda for the digital era is already on the horizon. Proposals for copyright reform that were first introduced in 2001 include protection for digital rights management technologies and the expansion of copyright holders' rights (including the addition of a "making available" right) to comply with World Intellectual Property Organization treaties (which have been signed by Canada but have yet to be implemented), as well as establishing safe harbors for ISPs that participate in enforcement efforts.

These proposals largely track reforms that have already been instituted in the United States (e.g., DMCA). However, the process of legislative reform has been slow and appears to be stalled in debate and controversy.

Also eagerly awaited is the Supreme Court of Canada's decision (expected this summer) in the appeal of *Society of Composers, Authors and Music Publishers of Canada v. Canadian Assn. of Internet Providers*, [2002] 19 C.P.R. (4th) 289 (F.C.A) (the "Tariff 22" case). Tariff 22 was proposed by the Society of Composers, Authors and Music Publishers of Canada (SOCAN), which is the Canadian copyright collective for the public performance of musical works.

It sought to compensate copyright owners by charging ISPs a royalty for the communication of musical works over the Internet. The Canadian Copyright Board found, however, that ISPs were not liable for royalties (*SOCAN Statement of Royalties, Public Performance of Musical Works 1996, 1997, 1998 (Tariff 22, Internet) (Re)* (1999),

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Canadian Court Denies Motions to Compel ISPs to Disclose Identities of Peer to Peer File Swappers

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1 C.P.R. (4th) 417) and the Federal Court of Appeal largely agreed (except with respect to ISPs' caching activities). Now under appeal to the Supreme Court, the case is expected to clarify the liability of ISPs and further define the roles and responsibilities of Internet intermediaries.

Conclusion

The Canadian response to the digital music conundrum is unquestionably unique. The focus to date (unlike its American counterparts) has largely been on developing a broad-based tariff and levy structure to compensate rights holders, not on strengthening enforcement tools to prevent online infringements.

In essence a form of compulsory license or tax, the initial Canadian response attempts to balance 1) the concern of the creative industries that the enforcement challenges and economic realities of P2P file sharing endanger the industry – and with it creative production; 2) the public interest in preserving the openness of the Internet and in safeguarding an Internet user's ability to speak and associate anonymously; and 3) the interests of the Internet intermediaries that are caught in the middle.

As a testing ground for a novel solution, Canada's experience will undoubtedly be closely watched in the United States.

Dimock Stratton Clarizio LLP represents the applicant.

Rebecca Brackley is an associate at Torys LLP in Toronto, Canada. Torys LLP represents one of the respondents (an ISP).

Non-Media Libel Case in Canada Cites Place of Publication for Jurisdiction

On February 2, 2004, the Ontario Superior Court ruled it has jurisdiction to hear defamation and related claims against a New York investment company. *Trizec Properties, Inc. v Citigroup Global Markets Inc.*, Court File 03-CV-253286CM1.

Plaintiffs, a Toronto business executive and his companies, sued Citigroup over statements made by a stock analyst in a telephone conference call and in a "Research Note" sent to clients. In the Research Note, the analyst criticized company management, citing a "complete absence" of corporate governance.

The analyst distributed the Note to 1,153 clients – only nine in Ontario. The Note was available on the Web to over 100,000 subscribers, 1,300 of whom were in Ontario, although there was no evidence at this stage that anyone in Ontario actually accessed the Note.

Rejecting defendants objections to jurisdiction and forum, the court concluded that plaintiffs' interest in protecting their Ontario reputations and publication in Ontario justified taking jurisdiction in the case. As to choice of law, the court held that New York law applies to claims for injurious falsehood, interference with contract and negligence since these torts were committed in New York. But the defamation claims would be governed by Ontario law because "in actions for defamation, the applicable law is the law of the jurisdiction where the publications were received or accessed." *Trizec Properties* at ¶ 63.

Plaintiffs are represented by Ronald G. Slaght QC and Linda Fuerst. Defendants are represented by Paul Schabas and Ryder Gilliland of Blake, Cassels & Graydon LLP in Toronto.

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Tokyo High Court Overturns Restraint on Magazine

The Tokyo High Court this month reversed a lower court injunction against the Japanese weekly magazine *Shukan Bunshun*, published by Bungeishunju Ltd., that barred the magazine from further distributing a story that allegedly violated the privacy of the daughter of a former government official.

The plaintiff, who was not specifically named, is the daughter of Japan's former Foreign Minister Makik Tanaka. The magazine reported that the daughter married against her parents' objections, divorced after only one year and is now back in Japan.

Nearly 740,000 copies of the magazine were distributed before the injunction was issued, which apparently only applied to 30,000 copies still held by the publisher.

According to news reports, the Tokyo High Court agreed that the disclosures in the article constituted a violation of plaintiff's privacy, "But we cannot say that the privacy violations were bad enough to seriously damage (the woman's) reputation." It was also reported that plaintiff would not appeal the decision.

The right to privacy in Japanese law is grounded in Article 13 of the Constitution which provides:

> All of the people shall be respected as individuals. Their right to life, liberty, and the pursuit of happiness shall, to the extent that it does not interfere with the public welfare, be the supreme consideration in legislation and in other governmental affairs.

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English Trial Court Rejects Qualified Privilege Defense in *Jameel v. Wall Street Journal Europe*

By Meryl Evans

The hurdles which journalists in the UK are required to overcome in order to defend their journalism are getting so high, they'll soon be in need of vaulting poles! As if the standards set by the House of Lords in *Reynolds v Times Newspapers Ltd* [1999] 3 WLR 1010 (28th October, 1999) were not high enough, the recent judgment delivered by Mr Justice Eady in *Jameel v The Wall Street Journal Europe,* (QB Jan. 19, 2004) confirms the fear that UK judges will reject the *Reynolds* defense if there is the slightest flaw in the journalism.

Then hard on the heels of the *Jameel* decision came the Hutton Report and its condemnation of the BBC for what it concluded was an error in its reporting on the lead up to the Iraq War. Lord Hutton glibly stated that the media's right to publish matters of public interest "is subject to the qualification…that false accusations of fact impugning the integrity of others, including politicians, should not be made by the media." (The Hutton Report is available online at www.the-hutton-inquiry.org.uk).

This does not accurately reflect our law, either pre- or post-*Reynolds* but perhaps gives us an insight into the prevailing attitudes amongst the UK judiciary.

UK Law as it Currently Stands

The main defense to a libel action involving political speech remains "justification" *i.e.* to prove the truth of the allegation made. The burden is on the defendant to prove that what it published – and the defamatory meaning which emerges from it – is true.

Alternatively, where the libel arises from the expression of an opinion, the comparable defense is "fair comment" in which the defendant must satisfy the court that the view expressed was honestly held, was based on facts which were true, and which pertained to a matter of public interest.

We have no "public figure" defense. Politicians start their libel actions on precisely the same footing as ordinary citizens and the media must defend them in the same way. But the House of Lords in *Reynolds* confirmed that there might be occasions when material which cannot be proved to be true is still worthy of a defense if, putting it shortly, the material is in the public interest and the journalism which produced it is "responsible."

However, anyone reading the judgment in *Jameel* might be hard pressed to believe the contents of the preceding paragraph.

Saudi Company Sued WSJ Europe

The Wall Street Journal Europe published a front page article on February 6, 2002 headlined "Saudi Officials Monitor Certain Bank Accounts: Focus Is on Those With Potential Terrorist Ties." The Jameel Group was identified as being among those whose accounts were supposed to be monitored.

The newspaper raised a defense of *Reynolds* privilege. The defense failed. That was unsurprising as the jury had made a number of findings of fact which severely undermined the defense.

For example, the jury did not accept the journalist's evidence that 4 sources on whom the journalist relied to "firm up" his story had confirmed the crucial facts; nor did they accept his evidence on his contact with the claimant's representative in the days and hours leading up to publication.

Judge Applied Narrow Test for Privilege

As noted by Eady, "Even though the defense is left appearing somewhat forlorn, however, the jury's decisions were not necessarily, as a matter of law, fatal" and there was still a possibility that, having weighed up all the factors which make up a *Reynolds* defense, the Judge would rule in the Defendants' favor. That he did not is not particularly surprising.

What is surprising is the judgment's virtual silence on the Court of Appeal's decision in *Loutchansky v Times Newspapers Ltd* , [2001] EWCA Civ 1805 (Court of Appeal 2001), which recognized *Reynolds* privilege as a free-standing defense. The Court of Appeal said:

> Once *Reynolds* privilege is recognised as a different jurisprudential creature from the traditional form of privilege from which it sprang, the particular nature of the "interest" and "duty" which underlie it can more easily be understood.

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English Trial Court Rejects Qualified Privilege Defense in *Jameel v. Wall Street Journal Europe*

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In contrast, Eady in *Jameel* says that

> it is not possible to construe [their Lordships' speeches in *Reynolds*] as supplanting the common law touchstones of "social and moral duty" by a different test such as "responsible journalism" or the exercise of "due professional skill and care."

The Court of Appeal in *Loutchansky* viewed it differently. Following immediately from the extract quoted above, the Court of Appeal said:

> The interest is that of the public in a modern democracy in free expression and, more particularly, in the promotion of a free and vigorous press the keep the public informed. The vital importance of this interest has been identified and emphasised time and again in recent cases and needs no restatement here. The corresponding duty on the journalist (and equally his editor) is to play his proper role in discharging that function. His task is to behave as a responsible journalist. He can have no duty to publish unless he is acting responsibly any more than the public has an interest in reading whatever may be published irresponsibly. That is why in this class of case the question whether the publisher has behaved responsibly is necessarily and intimately bound up with the question whether the defence of qualified privilege arises. Unless the publisher is acting responsibly privilege cannot arise.

There is no mention of this passage in Eady's judgment in *Jameel*. He sticks instead to the speeches in *Reynolds* and goes through the various elements of the case as they apply to the 10-point list in Lord Nicholls's speech in *Reynolds*. But there are a number of observations in this part of the judgment which might cause alarm bells to ring in the minds of journalists and the lawyers who represent them.

Duty to Publish

The Court of Appeal in *Loutchansky* reversed as too narrow the following test applied by the trial court:

> I take that form of duty, albeit one not owed in law, to be a duty such that a publisher would be open to legitimate criticism if he failed to publish the information in question.

Nevertheless, in *Jameel* Mr. Justice Eady relies upon this very passage. He says:

> A useful cross-check may sometimes be to ask whether the journalists concerned might be the subject of legitimate criticism if they withheld the *ex hypothesi* false allegations

Although, he adds, "This should not, however, be elevated into a test, in its own right, of comparable status to those identified by Lord Nicholls."

> There are other elements in Eady's judgment which are disquieting.

Public Interest

When weighing up the "public interest" in publication, Eady considered not only the subject matter of the article but went further to take into account an inter-governmental agreement between the United States and Saudi Arabia not to reveal the names of those being investigated in the fight against terror. He considered that "cogent grounds [were] required to show why the public interest called for that agreement to be breached" but could fine none in this case.

Considering the government's interest in withholding information from the public in determining how "public interest" is judged is, as far as we know, unprecedented in *Reynolds* privilege jurisprudence.

"Right to Know" or "Need to Know"

Eady also narrowly interpreted the "public's right to know" as being the "need" to know, stating:

> Whatever defamatory imputation one derives from the words complained of in this case, it is hard to see what public interest would be served by this exposure on 6 February 2002…I cannot see any basis for saying that the public in England and Wales *needed* to know, or were entitled to be told, that the Jameel group (or accounts "associated with" the group) were being monitored…" (emphasis added).

He then goes on to deal with the somewhat hypothetical (in that it seems to have been rejected by the jury) possibility that officials in Saudi Arabia and in Washington might have sanctioned publication and says: "Even if [they] did reveal

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English Trial Court Rejects Qualified Privilege Defense in *Jameel v. Wall Street Journal Europe*

(Continued from page 12)

the information quasi-officially…it does not seem to me that this affects my assessment of urgency or the public's *need* to know" (emphasis added).

Gravity of the Allegation

When weighing up the first of Lord Nicholls's ten factors – the gravity of the allegation – Eady notes, entirely correctly, that the graver the allegation, the greater the damage to reputation and, correspondingly, the greater the responsibility which needs to be exercised before deciding to publish. But it is surely also right that the graver the allegation, the greater the defendant's obligation to publish and the public's right to know.

The Court of Appeal has granted the Wall Street Journal permission to appeal.

Conclusion

There is a nervousness in media circles in the wake of the Hutton Report that the standards for journalists are being set unrealistically high and that, as a result, the public will suffer. Matters which ought to see the light of day will remain in the shadows, with editors too nervous to run the risk of publishing for fear of the criticism that will be heaped upon them if there proves to be the slightest flaw in the story.

The judgment in *Jameel* provides no comfort. Our judges seem unlikely at the moment to allow principles of freedom of expression and the public's right to know to outweigh *any* short-comings in the journalism. Lord Hutton's remark that the media's right to publish matters of public interest "is subject to the qualification…that false accusations of fact impugning the integrity of others, including politicians, should not be made by the media" adds weight to the impression that, in practice, the degree of public interest or the fact that the journalism is responsible will cut little ice.

The plaintiffs in *Jameel* were represented by James Price QC and Justin Rushbrooke, 5 Raymond Buildings, and the firm Peter Carter-Ruck & Partners. The Wall Street Journal Europe was represented by Geoffrey Robertson QC, Doughty Street Chambers, and the firm Finers Stephens Innocent.

Meryl Evans is a partner in Reynolds Porter Chamberlain in London.

Fleet Street Lawyers Program Explores Terror-Link Libel Claims in England

By Alastair Brett

On February 25, the Fleet Street Lawyers, a group of UK press and television in-house lawyers, and law firm DLA presented a program exploring the problems in reporting suspected links to terrorism under UK law.

The program revolved around a hypothetical situation in which the media were anxious to report links between a senior politician, a Saudi businessman, a charity and the funding of Palestinian terrorists.

Hypothetical Explored Reporting Terror Links

Playing the role of a shadowy British politician and minister, sympathetic to the Palestinian cause, was real life MP, Peter Bottomley. According to the script for the evening, he also chaired a dodgy charity funded by an extremely rich Saudi businessman. The charity was already under investigation by the Charity Commission but there was increasing interest from investigative journalists looking at the politician, the charity, the Saudi businessman and links with Palestinian terrorists. As the evening wore on the charity came under closer and closer scrutiny.

The highly respected author Tom Bower played the role of a fearless investigative journalist while his wife, [in real life] Veronica Wadley, the editor of the *Evening Standard* in London, played the role of the Editor of a fictional newspaper, The Globe. She and her paper were determined to publish as much as possible in the public interest using the developing defense of *Reynolds* or common law qualified privilege.

As editor of the fictional newspaper, Veronica was advised by Victoria Sharp QC a specialist in libel law from one of the leading chambers in London, 1 Brick Court. Peter Bottomley was advised by Mark Warby QC of 5 Raymond Buildings, the other main set of libel chambers in the City.

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Fleet Street Lawyers Program Explores Terror-Link Libel Claims

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Officiating over the parties was the former High Court judge, Sir Oliver Popplewell the only High Court Judge so far to have upheld a *Reynolds* defense in real life and allowed a story to be published because it was in the public interest and a matter of responsible journalism.

Heather Rogers, a barrister from Matrix Chambers and Martin Soames, a solicitor and partner at DLA moderated.

Charity Supporting al-Qaeda?

The script began with Tom Bower investigating suspicions that money from the charity might have found its way to an al-Qaeda group. There were also indications that the Charity Commission in London had questions to ask the businessman about his attendance at a meeting at which calls had been made for Muslims to send donations supporting jihad; there were also indications that the Commission might be about to investigate the UK branch of the charity.

As would happen in reality, the newspaper sought and was given advice on the ways in which it could build and formulate its story from what looked like rather a weak starting point. At the same time the Minister was advised on how he should respond.

The temperature rose quickly as the newspaper moved swiftly towards publication – a step accelerated by a terrorist attack at Heathrow, London's main airport, and further investigations into the charity.

The Minister increased the pressure by retaining his legal advisors on a conditional fee basis backed with "after the event" insurance, steps which would more than double the costs which his advisors would recover if their client won.

Newspaper Relies on Reynolds Defense

Because a number of Tom's sources were highly confidential and unable to give evidence, the newspaper had to rely entirely on qualified privilege, trying to meet the tests of public interest revelations coupled with responsible journalism set out in the case of *Reynolds v. Times Newspapers*.

As the media often suspect, this had the effect of turning the spotlight away from the claimant and onto the methodology and integrity of the media. Door-stepping (ambushing) the Minister was frowned on as an unattractive journalistic tactic to try to get a quick answer out of a politician who the newspaper suspected of being linked to terrorism and Palestinian suicide bombers.

Judge Rules Against Newspaper

At the end of the evening both Sir Oliver Popplewell and the audience ruled against the story. This was a surprising result from an audience made up not only of the Fleet Street Lawyers but also of many other DLA clients representing publishing and other media interests.

The issue of reporting "links" between high profile people and possible terrorists is a serious topic which will not go away. While many such reports may well be in the public interest, the courts in the UK will focus heavily on the reasonableness or otherwise of the journalism and the tactics used by journalists to try to get to the truth.

If the criteria set out by Lord Nicholls in the leading case of *Reynolds v. Times Newspapers* are not rigorously followed, the defence of qualified privilege may well be lost. This is because allegations of funding terrorism are extremely serious and newspapers should not rush into print before they have been able to corroborate key facts, speak to the target of the article and fully check out what their source or sources have told them.

Recent cases demonstrate how close real life is to the fictional facts of a hypothetical evening and how difficult it can be to succeed in using a defence of qualified privilege alone.

The judgment in *Jameel v. Wall Street Journal Europe* arose out of allegations of terrorist funding. After a jury had cast serious doubt on the methods used by the journalist and what he had said in court, the judge held that while it was a proper subject for journalistic investigation, there was no proper public interest defence which could be deployed in the circumstances. Once again the clock was turned back to days before *Reynolds v Times Newspapers* and London started to restore its reputation as "the libel capital of the western world"!

Alistair Brett is Legal Manager of The Times newspaper in London.

Canadian Developments in Seizure of Reporter's Materials

Anti-terror Law to Come Under Constitutional Scrutiny; Ontario Court Applies Privilege Protecting Confidential Sources

By Damion K.L. Stodola

In a move that troubled many in the Canadian media community, Canadian federal police raided a Canadian reporter's home and office hoping to uncover information about a source who leaked to a reporter information from a Canadian security dossier on Maher Arar, a Canadian citizen deported by U.S. officials to Syria in 2002.

The Royal Canadian Mounted Police ("RCMP"), which admitted having kept the journalist under close scrutiny for at least a month prior to the raid, seized the journalist's rolodex, address books, and other materials. The journalist, Juliet O'Neill, and CanWest, owners of the Ottawa *Citizen*—in which the leaked information was published—are challenging the constitutionality of the warrant and of the statute upon which the warrant was issued.

Two warrants were issued on the basis of alleged violations of Canada's Security and Information Act (the "Act"), which criminalizes the communication, receipt and retention of information relating to Canada's national security issues, including information classified as "official secrets." A violation of the Act carries a sentence of up to 14 years in prison. The Act was initially adopted in 1939 during World War II but it was rarely, if ever, used against media defendants. (In 1978, journalists for the *Toronto Sun* were charged under the Act's predecessor statute for allegedly publishing classified information obtained from the RCMP about KGB activities in Canada. *R. v. Toronto Sun Pub'g Co.* (1979), 98 D.L.R. (3d) 524 (Ont. Prov. Ct.). The judge in that case dismissed the charges on grounds that the allegedly "secret" information had been previously published.) Its ambit was significantly broadened in 2001 in response to the September 11 World Trade Center attacks.

As amended, the Act provides sweeping investigatory powers to law enforcement officials whenever acts "prejudicial to the safety or interests of the State" are committed. Theoretically, unpopular speech or speech inciting protest could be interpreted as prejudicial to Canada's security or economic interests and thereby justify the enforcement provisions of the Act. Moreover, a news report identifying weaknesses in Canada's borders would theoretically run afoul of the Act's prohibition against communicating to potential terrorists information useful to carry out a potential attack.

As amended, the Act provides sweeping investigatory powers to law enforcement officials whenever acts "prejudicial to the safety or interests of the State" are committed.

The practical effects of the Act are indeed onerous for the media: journalists must seek out legal counsel more frequently the minute they receive any information which might qualify as an "official secret." Equally chilling is the prospect of lengthy and expensive legal proceedings to quash meritless warrants.

Canada's leading print, TV and radio media outlets have requested permission to intervene in the case, including the *Globe & Mail*, *Toronto Star*, CTV, and the Canadian Broadcasting Corporation. A selection of the pleadings is available at: www.gowlings.com/news/index.asp.

Lawyers argue that the search warrants were issued contrary to Ms. O'Neill's and CanWest's constitutional free press rights. Likewise, a constitutional challenge to the Act's overbroad language is being submitted as well.

Search warrants typically must meet a reasonableness standard under Canada's *Charter of Rights of Freedoms* ("Charter"). Because of its important role, the media is entitled to "special consideration" in determining the constitutional reasonableness of a search warrant. *Canadian Broadcasting Corp. v. Lessard,* [1991] 3 S.C. R. 421, 533. However, doubt as to the extent of those special considerations has resulted in mixed results for media defendants. Early case law suggested that the

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Canadian Developments in Seizure of Reporter's Materials

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State had to demonstrate that a warrant against a media entity was being sought only as a matter of last resort. *See Pacific Press v. R.* [1977] 5 W.W.R. 507 (B.C. Sup. Ct.) (quashing warrant seeking reporters' notes for purposes of identify protesters because government was unable to prove that it had attempted to locate the information through other channels).

The Supreme Court, however, later held that the failure of police to demonstrate the exhaustion of all other remedies is not *constitutionally* required. *Canadian Broadcasting Corp. v. Lessard*, [1991] 3 S.C.R. 421; *Canadian Broadcasting Corp. v. New Brunswick*, [1991] 3 S.C.R. 459. The cases before the Supreme Court involved the seizure of video tapes of public demonstrations which had already been broadcast. Ms. O'Neill's materials relating to her leak were kept confidential. Of course, the contexts are very different – Ms. O'Neill's materials allegedly concerned matters of national security.

An Ontario court in a decision – ironically issued the same day the RCMP raided Ms. O'Neill's home – quashing a search warrant for a journalist's notes relating to a confidential source.

Ontario Court Quashes Warrant Seeking Journalist's Confidential Source

The importance of confidential sources was alluded to in the Supreme Court's decision in *Lessard*, and most recently by an Ontario court in a decision – ironically issued the same day the RCMP raided Ms. O'Neill's home – quashing a search warrant for a journalist's notes relating to a confidential source. *R. v. National Post, et al.*, No. M86/02 (Ont. Sup. Ct., Jan. 21, 2004) (Benotto, J.) *available at* http://www.canlii.org/on/cas/onsc/2004/2004onsc10117.html.

In this case, a reporter was ordered to produce to authorities a leaked document and the envelope that contained it. The journalist received the document only upon a promise of confidentiality to his source. Underscoring the importance of news gathering to the Charter's free press guarantee, Benotto, J. noted that a judge must consider a warrant's effect on the media's ability to fulfill its function.

Citing examples of the public interest in protecting the media's ability to uncover political and corporate wrongdoing, he noted the importance of confidential sources:

> "[t]o compel a journalist to break a promise of confidentiality would do serious harm to the constitutionally entrenched right of the media to gather and disseminate information."

As such, Charter values, including those relation to the freedoms normally associated with the press, must be considered a judge's decision to issue a warrant. *Id*.

The Canadian Supreme Court's only decision on the existence of a reporters' privilege for confidential sources has much in common with the approach adopted by most lower courts in the United States after *Branzburg v. Hayes* – claims for testimonial privileges are decided on a case by case basis and balance the freedom of the press against the need and relevance of the information being sought in testimony. *See, e.g*, *Moysa v. Alberta (Labour Relations Board)*, [1989] 1 S.C.R. 1572 (reporter ordered to testify about confidential source to labour relations board).

Judge Benotto's decision in *R. v. National Post* provides strong constitutional language protecting reporters' from the issuance of warrants which seek to identify confidential sources.

Richard G. Dearden of Gowlings, and Michael Edelson and David Paciocco of Edelson & Associates are representing CanWest and Juliet O'Neill.

In *R. v. National Post*, Scott C. Hutchison, Sarah Gray, and William Rolls of the Attorney-General's office represented the Crown. Marlys Edwardh and John Norris of Ruby & Edwardh represented the *National Post*.

Damion Stodola is an associate in the New York office of Coudert Brothers LLP.

Don King's Libel Suit Against New York Lawyer Can Go Forward in London

Motion to Set Aside Service in the U.S. Denied

On February 6, 2004, a London trial court ruled that a libel suit by boxing promoter Don King against New York lawyer Judd Burstein, boxer Lennox Lewis and a Nevada-based promotions company can go forward in England, denying defendants' motion to set aside service abroad *Don King v. Lennox Lewis, Lion Promotions and Judd Bernstein,* No. HQ03 X03064 (High Court Feb. 6, 2004). The decision is available online through www.courtservice.gov.uk.

At issue are statements by Burstein accusing Don King of anti-Semitism that were made in the context of an ongoing New York litigation between the parties, and which were published on U.S. boxing websites. The court also held that at the preliminary stage the alleged defamatory statements by Burstein could be attributed to his clients, Lewis and Lion Promotions, under the theory that they directed or endorsed the statements as part of their litigation strategy against King.

The decision appears to combine the worst of Gutnick with England's notorious accommodation of forum shopping.

The decision appears to combine the worst of *Gutnick* with England's notorious accommodation of forum shopping. The decision cites with approval the holding of *Gutnick v. Dow Jones*, that a statement on the Internet is "published" for purposes of a libel suit where ever it is downloaded. Moreover, on the motion there was apparently no direct evidence that anyone in the UK even read the articles. The court accepted as proof of publication witness statements that the websites "are popular and frequently accessed by people interested in boxing within this jurisdiction." ¶ 26.

The decision also seems to allow a blatant case of forum shopping – at least at the initial stage of litigation. Although there is no real connection between the alleged defamatory statements and England, the court held that because Don King is well-known in England and the defamation was "published" in England, he is entitled to rely on the general presumption that England is the "natural forum" to try the dispute.

New York Litigation

New York lawyer Judd Burstein represents heavyweight champion Lennox Lewis and Lion Promotions in an ongoing lawsuit in New York against boxing promoter Don King alleging that he interfered with an agreement reached with Mike Tyson to have the fighters meet again in a rematch. Lewis had soundly defeated Tyson in a 2002 fight. This lawsuit seeks $35 million in compensatory damages and ten times that in punitive damages. King countersued Lewis for interfering with licensing agreements King had with HBO.

Controversy Was Covered in U.S. Newspaper and Websites

On July 4, 2003, the New York Daily News published a column by sports writer Tim Smith who talked to King about the Lewis litigation. Under the headline "No ifs ands or bouts" Smith reported that :

> After months of harsh, and failed, negotiations with some of his high-profile clients and former clients, boxing promoter Don King broke his silence and came out verbally swinging yesterday. In a wide-ranging interview, King took shots at Lennox Lewis and the heavy-weight champ's lawyer, Judd Burstein .... 'What they (Lewis and Burstein) have done is despicable and reprehensible,' King said. ... 'I'm hurt and humiliated that Lewis would prostitute his name with that shyster lawyer. Everything Burstein has claimed has been fabricated.

A copy of the article is available online at www.nydailynews.com/sports/v-pfriendly/story/97871p-88591c.html.

On July 9th Smith reported in his column that "Burstein felt the [shyster] comment was anti-semitic." Burstein was also quoted saying "Unfortunately, this is not first time I have encountered such bigotry by Don."

The controversy was also covered by two U.S. websites www.fightnews.com and www.boxingtalk.com – and these statements form the basis of King's English libel action.

In a statement entitled "My Response to Don King" published in July 2003 on fightnews.com, Burstein stated that:

> I have read Don King's recent interviews with Tim Smith and others with great amazement. But for his

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King's Libel Suit Against NY Lawyer Can Go Forward in London

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> plainly anti-semitic remark – calling me a 'shyster lawyer' – I would have been merely amused by his desperate and ridiculous charges. Unfortunately, this is not the first time I have encountered such bigotry by Don.... Don apparently believes that insulting Jews is appropriate conduct (indeed, he reportedly has even playfully imitated Hitler during a press conference)….

That same month boxingtalk.com published an interview with Burstein about the "ongoing verbal warfare" between the two. Burstein repeated his claims against King, adding "He is quite plainly an anti-semite and that kind of conduct and attitude has no place in the modern world.... [I]t's not an isolated incident and I've seen him play the race card before ...."

King commenced his libel action in London on October 2, 2003.

Internet Posting is Published Where Downloaded

In denying defendants' motion to set aside service, Mr. Justice Eady noted that "the common law currently regards the publication of an Internet posting as taking place when it is down-loaded." ¶ 15 citing *Godfrey v. Demon Internet* [2001] QB 201; *Loutchansky v. Times Newspapers Ltd.*, [2002] QB 783 at [58]; and *Gutnick v. Dow Jones Inc.,* [2002] HCA 56 at [44].

He also found that King "has a substantial reputation in England," including frequent appearances on the media, in advertisements, and through his management and promotion of British boxers, including, at one time, defendant Lennox Lewis. ¶ 23-24. Of "particular concern" is that King also has friends in the "Jewish community in England." ¶ 25.

As to forum, Judge Eady concluded that in seeking to vindicate his reputation in England "the courts of this jurisdiction would appear to be the natural forum." ¶ 20 Without addressing the full merits of whether England or New York is the more convenient forum for the suit, the judge observed preliminarily that King would have a number of UK witnesses on his reputation in the country and on his links to Jewish charities in London.

In addition, the fact that King's action would not likely survive under U.S. defamation law counted in favor of England as the appropriate forum. ¶ 37.

Finally, as to defendants' objection that "there has never been another case where a United States resident obtained permission to serve out against another United States resident in respect of a United States based publication," Judge Eady responded that:

> It seems to me that this misses the point about the nature of internet publications and the fact that English law regards the particular publications which form the subject matter of these actions as having occurred in England. ¶ 39.

Burstein is reportedly considering filing a declaratory judgment action in New York to enjoin this case from proceeding in London.

Don King is represented by Desmond Browne QC of 5 Raymond Buildings and the firm Morgan Lewis & Bockius. Judd Bernstein and the other defendants are represented by James Price QC of 5 Raymond Buildings and the firm Forbes Anderson.

Alberta Court Awards Damages in Stock Chat Room Libel Case

On January 29, 2004, an Alberta, Canada trial court awarded $75,000 (Cdn) to a company and its president over a series of anonymous e-mails posted on a group of chat rooms discussing publicly traded stocks. *Vaquero Energy Ltd. v Weir*, 2004 ABQB 68. Available online at: www.albertacourts.ab.ca/jdb/2003-/qb/civil/2004/2004abqb0068.pdf

The e-mails accused the company president of being "insane, retarded and managing the company for his own benefit" and compared him to Hitler, Saddam Hussein and Osama bin Laden. The court accepted the testimony of a computer forensics expert who traced the e-mails to the computer of defendant, a financial consultant. Defendant denied sending the e-mails and argued that others in his office must have sent the e-mails, but the court found sufficient circumstantial evidence that the e-mails were sent by defendant.

The corporate plaintiff recovered $10,000 general damages; the individual plaintiff $40,000 generals and $25,000 punitive.

Plaintiff was represented by Tony G. Bell of Burnet, Duckworth & Palmer LLP. Defendant was represented by C. Richard Jones of Vipond Jones LLP.

Wall Street Journal Wins Harrods Libel Case

On February 17th, after hearing two days of testimony, a jury in London returned a verdict in favor of the *Wall Street Journal* in a highly publicized libel suit brought by Harrods department store. *Harrods Ltd. v Dow Jones & Co.*, HQ02 X01736 (High Court, jury verdict Feb. 22, 2004) (Eady, J.)

On March 31, 2002 Harrods published a gag press release on its website stating that the store, privately owned by Mohammed Al Fayed, was going to "float shares" to the public. The release was signed "Loof Lirpa" (April Fool spelled backward). Another gag press release the next day explained that Al Fayed was planning to build a floating version of the store that would be docked on the Thames. The Wall Street Journal was fooled by the first press release and published an item on April 1st that the store was planning to go public. The next day it published a correction.

At issue in the libel suit was an April 5 follow up article published only in the U.S. edition of the *Journal.* The article, entitled "The Enron of Britain?"discussed the gag. The *Journal* argued it was intended as a humorous response.

Prior to the libel action being commenced in London, Dow Jones sued in New York under the Declaratory Judgment Act to obtain an order enjoining Harrods from suing in London. The motion was denied by a federal district court in New York in October 2002. In a lengthy opinion, Judge Victor Marrero noted that while Harrods' claim was frivolous by U.S. standards, a declaratory judgment was not the appropriate device to protect the newspaper. *Dow Jones v. Harrods,* 237 F. Supp.2d 394 (S.D.N.Y 2002), *aff'd*, 346 F.3d 357, 31 Media L. Rep. 2402 (2d Cir. 2003). *See also MediaLawLetter* Oct. 2002 at 29; October 2003 at 23.

The trial in London began on February 16, 2004. According to news reports, Harrods argued that the comparison to Enron was "an extraordinary attack" on the store. Dow Jones argued that the article was a tongue in check response to Harrods' April Fool press release; that there was no evidence that anyone in England had even read the article; that Harrods suffered no damages; and that it sued because owner Al Fayed could simply "not take a joke."

The jury reportedly voted 10-2 in favor of Dow Jones. The Wall Street Journal was represented by Gavin Millar QC, Doughty Street Chambers, and Mark Stephens of Finers Stephens Innocent. Harrods was represented by James Price QC, 5 Raymond Buildings, and the law firm Kendall Freeman.

The Right of Reply in Europe – A Bold Resolution or a Resolution Re-bowled?

By Timothy J. Pinto

The Council of Europe is currently finalising a draft recommendation on a right of reply rule designed to cover online publications. The draft is available online through www.coe.int/media.

The Council of Europe was set up after the Second World War to achieve a greater unity between its members by defending human rights, parliamentary democracy and the rule of law. It is based in Strasbourg and currently has 45 Member States. The United States and Canada have, amongst others, been granted observer status. The Council has been responsible for 193 legally binding treaties and also a large number of (nonbinding) recommendations to Members States.

Although the Council of Europe is currently finalising a draft recommendation on "the Right of Reply in the New Media Environment," its interest in the matter is not new. In 1974 it passed Resolution (74) 26 - On the Right of Reply – Position of the Individual in relation to the Press (the "1974 Resolution"). This recommends to Members States that individuals be given "an effective possibility for the correction, without undue delay, of incorrect facts relating to him which he has a justified interest in having corrected, such corrections being given, as far as possible, the same prominence as the original publication." (article 1). Consequently, individuals should be given "a means of redress, whether legal or otherwise, such as a right of correction, a right of reply or a complaint to press councils." (article 4(iii)).

It is recommended that all natural or legal persons as well as other bodies irrespective of nationality or residence, with the exclusion of the state and other public authorities, have the right (article 4(i)). Importantly, the 1974 Resolution applies to "any means of communication for the dissemination to the public of information of a periodical character, such as newspapers, broadcasting or television." (article 4(ii)).

At the request of the person concerned, the medium in question "shall be obliged, without undue delay, to make public the reply which the person concerned has sent in." (Appendix, clauses 2 and 4). There are exceptions such as where the reply is: (a) not sent within a reasonable time, (b) excessive in length, (c) not limited to the correction of

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The Right of Reply in Europe

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facts, or (d) contrary to the legally protected interests of a third party. (Appendix, clause 3). Many continental European countries have codified a right of reply – and it is a well-known feature in the media law landscape of Germany and France. The UK has never adopted the European Council's 1974 right of reply recommendations, although a voluntary and less robust form exists through the Press Complaints Commission

The Draft Recommendation Extends Right of Reply to the Web

The draft recommendation is stated to be necessary due to the adoption of a number of major technological developments since 1974 – clearly the Internet.

The draft's recitals state that "the right of reply is a particularly appropriate remedy in the on-line environment due to the possibility of instant correction of contested information and the technical ease with which replies from concerned parties can be attached to it." As with the 1974 Resolution, only factual inaccuracies are covered, not opinions.

One unresolved issue is which websites will be subject to the new Right of Reply. The Draft Explanatory Memorandum explains that in the hard copy world regular publication, or "periodicity," is generally required for there to be a right of reply. In this context, the reply would be likely to reach the same public which had seen the contested information. The notion of periodicity is less relevant to online publications which are updated whenever there is something new on which to report.

Newspaper and news service websites which disseminate information to the public and are frequently updated and edited are certainly encompassed in the Draft Recommendation. But it is less clear whether the Draft Recommendation would apply to the websites of NGO's, political organizations and other entities that publish information to the public, or to the burgeoning realm of personal blogs that contain a mix of public and personal information, or to search engines which are not "edited" in the journalistic sense of the word but may contain information or links to information.

Practical Implications

In some circumstances, a newspaper's or website's publication of a reply can be a cheap and easy solution for complainants. In contrast to the costs and time of legal proceedings, the right of reply is an attractive solution. However, there is a consequent burden for publishers in terms of cost, time, content space and resources. Content space will not be such a problem for online publishers (where a link could be implemented between the contested information and the reply). Moreover, online publishers should not need to spend much time in posting an email reply onto their website once a system is in place. The real difficulty lies in a system which compels people to publish material which they do not wish to.

Radical Change or Much Ado About Nothing?

Whatever the final draft of the recommendation looks like, it will be up to member governments to implement the right of reply accordingly. Although the recommendation will not be binding on Member governments, there is potential for an individual who is not provided with an adequate remedy to take a government to task in the European Court of Human Rights for failure to provide an adequate right of reply (as part of an argument based on Articles 8 (right to private life) and 10 (freedom of expression) of the Convention.

Although publishers may be concerned about how the proposed recommendation will affect their business, it is not something that should be particularly surprising. For off-line publishers, the draft recommendation provides little different from the 1974 Resolution.

The 1974 Resolution was directed to all media (albeit of a periodical character) and so may have applied to online news publishers in any event. Under the draft recommendation (which could be adopted by the end of 2004), there will be no doubt that online news services are subject to the right. To what extent smaller, private or special interest websites are covered is yet to be seen. However, there will probably be opportunity for such publishers to argue that the right does not apply to their websites if they are not frequently updated and/or edited or if they do not disseminate information to the public.

The next important step on the draft recommendation will a meeting in May 2004 of the Steering Committee on the Mass Media with all 45 Council of Europe Member States represented. The Group will meet again in June to try to finalize the draft, which might then be adopted by the Committee of Ministers before the end of 2004.

Timothy Pinto is media and entertainment lawyer at Taylor Wessing in London.

Austrian Journalist Wins Appeal to European Court of Human Rights over Defamation Conviction

By Anastasia Heeger

An Austrian journalist's description of a politician as a "closet Nazi" was protected opinion, the European Court of Human Rights has ruled, rejecting a determination by the Austrian courts that the comment was defamatory. *Scharsach and News Verlagsgesellschaft v. Austria*, Application
no. 39394/98 (ECHR Nov. 13, 2003) (available online at ht tp://hudoc.echr.coe.int).

The case involved a 1995 article by Hans-Henning Scharsach in the weekly magazine *News*, which is owned and published by News Verlags-gesellschaft mbH. In a story entitled "Brown instead of Black and Red?," Scharsach criticized the inclusion of right-wing politician Jörg Haider's Austrian Freedom Party (FPÖ) in a coalition government. Scharsach described several FPÖ members as "old closet Nazis," including Barbara Rosenkranz, an FPÖ official, who is a member of the Austrian National Assembly and the wife of a right-wing politician who publishes an extreme right-wing publication.

The European Court of Rights held that the Austrian courts had failed to take sufficient account of the political context in which the term "closet Nazi" was used when assessing its meaning.

Rosenkranz filed a private prosecution for defamation under Austria's Media Act against the reporter and magazine. In 1998 a regional court convicted both; fining the reporter 60,000 Austrian Schillings (approximately $5,500) or 20 days in prison (suspended for a three year probationary period). The magazine was fined approximately $2,750.

The court held that "closet Nazi" was an unproven statement of fact that implied Rosenkranz was involved in neo-Nazi activities. On appeal, Scharsach argued that the term "closet Nazi" was actually coined by a leading FPÖ politician to describe party members who publicly claim support for democracy, but actually fail to dissociate themselves from neo-Nazi ideas. The description was appropriate, Scharsach argued, since Rosenkranz approved her husband's activities and, on some level, contributed to the editing of her husband's xenophobic magazine.

The Vienna Court of Appeal dismissed the appeal and upheld the regional court's judgment. Scharsach and the publishing company then appealed to the European Court of Human Rights, arguing that the conviction and fines infringed on their right to freedom of expression under Article 10 of the European Convention on Human Rights.

Both parties stipulated that the defamation judgment was an "interference" of Scharsach's right to freedom of expression under Article 10. The primary issue for the court was whether the interference was "necessary in a democratic society" – a country's affirmative defense to a claimed Article 10 violation.

The European Court of Rights held that the Austrian courts had failed to take sufficient account of the political context in which the term "closet Nazi" was used when assessing its meaning. &37.

"Considering that Mrs Rosenkranz's name in the article was mentioned together with other FPÖ politicians in the phrase criticising their failure to dissociate themselves from the extreme right, i.e. to take a stand against extreme-right positions, the Court considers that the term 'closet Nazi,' which appears in inverted commas in the article, taken in its context, was to be understood ... [as] describing a person who had an ambiguous relation to National Socialist ideas." &38.

The Court further noted that the Austrian courts had "never examined" whether "closet Nazi" could have been considered fair comment. Considering the defamation plaintiff's relationship to a well-known right-wing politician, that she had not disassociated herself from his views, and had, in fact, publicly criticized the Austrian law banning Nazi activities, the Court found there were sufficient facts to conclude that the reporter and newspaper "published what may be considered to have been their fair comment, namely the ... personal political analysis of the Austrian political scene." ¶ 40 Therefore the article was "a value judgment on an important matter of public interest."

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Austrian Journalist Wins Appeal to European Court of Human Rights over Defamation Conviction

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The Court concluded that the Austrian courts had overstepped the "margin of appreciation" for restricting speech and therefore violated Article 10. The Court awarded the applicants approximately $25,000 in costs and compensatory damages.

The reporter and newspaper were represented by the firm Lansky, Ganzger & Partner, in Vienna. The government of Austria was represented by Ambassador H. Winkler, Head of the International Law Department at the Federal Ministry for Foreign Affairs.

Anastasia Heeger is a student at Brooklyn Law School and was an intern at MLRC in the summer of 2003.

MLRC 2003 Annual Dinner Transcript Available

"In the Trenches Revisited"

To view, please visit our web site
www.ldrc.com

MEDIA LAW RESOURCE CENTER

TWENTY-FOURTH ANNUAL DINNER

WEDNESDAY, NOVEMBER 17, 2004

WITH PRESENTATION OF THE

WILLIAM J. BRENNAN, JR. DEFENSE OF FREEDOM AWARD

TO

TED TURNER

WHO WILL BE INTERVIEWED ON THE OCCASION OF THE AWARD BY

Tom Brokaw
NBC News

6:00 p.m. Reception
Sponsored by Media/Professional Insurance

7:30 p.m. Dinner

2004 NAA/NAB/MLRC
MEDIA LAW CONFERENCE

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PROBLEMS, POSSIBILITIES, AND ANSWERS

Alexandria, Virginia
September 29, 30 and October 1, 2004

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International Libel Roundup: Recent Cases of Note

By Charles Glasser

Canada Follows Gutnick, Asserts Jurisdiction over US Business for Press Releases Available on Internet

The Ontario Superior Court of Justice issued a ruling on December 9, 2003 holding that a U.S. company whose allegedly defamatory press releases were available online in Canada was subject to jurisdiction there. *Barrick Gold Corporation v. Blanchard & Company*, 03-CV-244956CM3. The U. S. company had only minimal non-speech related contacts with Canada. The parties are competitors in the investment-grade gold coin market.

In denying defendant's motion to dismiss on jurisdiction and *forum non conveniens* grounds, the court examined Canada's multi-factored jurisdictional test which considers whether the forum court has a "real and substantial connection" with the subject matter of the litigation. *See, e.g., Muscutt v. Courcelles* (2002) 60 O.R. (3d) 20 (C.A.). The court found that the availability of the press releases in Ontario through the Internet and its alleged damaging effect in Canada were sufficient grounds for asserting jurisdiction.

Citing favorably the Australian High Court's decision in *Dow Jones v. Gutnick*, the Court added that the *Gutnick* approach "establishes a rule that would have as its effect a strong incentive for people who do post such material to ensure that it is fair and accurate and responsible in its content." In addition, the court recognized that although the Canadian libel judgment may not be enforceable in the U.S., it nevertheless "may have real value" because "the vindication of one's reputation is as important as any monetary award of damages."

Ex-Jamaican P.M. Loses Two Libel Cases in Same Week

In mid-December Jamaican courts rejected the qualified privilege defense in two separate libel cases brought against former Prime Minster Edward Seaga, a current member of Parliament and leader of that nation's JLP opposition party. Both cases turned on the occasion of the statements, neither of which were found to be privileged, despite being arguably matters of public interest. In one case, Seaga attacked a local businessman's intelligence and integrity at a political rally. The businessman, Kenneth Black, is a contributor to the ruling PNP party. The trial court rejected Seaga's qualified privilege defense that Seaga "had a responsibility to pronounce on the issues which were of public importance." Seaga has agreed to pay Black $500,000 JMD (approximately $8,000 USD) in damages.

Seaga's other loss also came from comments made in non-governmental but public meetings. The Supreme Court ordered Seaga to pay $3.5 million JMD (approximately $58,000 USD) to a retired police commissioner who Seaga claimed was fired from his job because of his political bias. These comments were made by Seaga at a JLP party meeting. Rejecting Seaga's claim of qualified privilege, the Court noted that the privilege would have attached had Seaga made the comments in the legislative chamber in his role as a member of Parliament. Seaga is expected to file an appeal to the Privy Council, the ultimate appellate court for Commonwealth countries.

Philippine Radio Station Pays for Insulting Words; Senate Eyes Decriminalizing Libel

A Philippine radio station was ordered to pay 76,000 PHP (approximately $1,300USD) for insulting the manager of a competing station on the air. The December 6, 2003 ruling found that calling the plaintiff "stupid," "a moron," "a braggart" an "ugly fool" and a "coward" was motivated by hate and malice, and "served no purpose but to malign the complainant." Philippine law has no protection for opinion or epithets that are not addressing matters of public interest.

That nation's senate has introduced revisions to its libel statutes, most notably removing the sentencing provisions from the penal code which provide for jail sentences against persons found guilty of libel. Under the new bill, libel would be subject to civil fines, coextensive with a private right of action. "We are pushing for the passage of this bill to do away with a situation where the law of libel is being used, especially by people in authority, to stifle the freedom of expression," Senator Aquilino Pimentel said in a public statement.

Charles Glasser is Media Counsel at Bloomberg News.

Paris Court Convicts Journalist for Receiving Documents in Violation of Judicial Confidentiality

Decision Conflicts with ECHR Rulings

By Julie Herzog

On October 23, 2003, the Paris Criminal Court convicted journalist Gilles Millet for knowingly receiving documents in violation of judicial confidentiality after he was found in possession of a judicial investigation report that he knew was covered by judicial confidentiality. He was fined 1,000 Euros. Under French law most aspects of judicial proceedings, including statements and documents actually filed with the court, are generally deemed to be secret

Millet was investigating the February 1998 murder of Corsica prefect Claude Erignac for the French newspaper *L'EvPnement du jeudi*. Rejecting his claim that the prosecution violated Article 10 of the European Convention of Human Rights (the "Convention"), the court held that Millet's prosecution was:

> "a necessary measure in a democratic society to protect the reputation and rights of others, one of which being the presumption of innocence, to prevent the disclosure of confidential information, and to guarantee the authority and impartiality of the judiciary."

TGI Paris, 17th chamber, October 23, 2003.

The conviction illustrates the strong protection afforded judicial confidentiality under French law, and the looming clash between such protection and Article 10 of the Convention.

ECHR Case Law

The ECHR considered the issue of liability for receiving of documents covered by judicial confidentiality in the case of *Fressoz and Roire v. France*. (*Fressoz and Roire v. France*, No. 29183/95 January 21, 1999) (available at www.echr.coe.int). This case arose out of a labor conflict in the French motor company Peugeot. Claude Roire, a journalist at the French satirical newspaper *Le Canard enchaîné*, published an article titled "Calvet turbo-charges his salary" illustrated by a copy of three tax assessment forms detailing the company chairman and managing director's "total taxable income," documents that are normally held by the tax authorities. The article explained that, while refusing his employees a pay rise of less than 2%, Mr Calvet awarded himself an increase of 45.9% in two years.

Roire and the newspaper's publishing director, Roger Fressoz, were then charged with handling copies of tax returns obtained through a breach of professional confidence. Reversing the judgment of the Paris Criminal Court, the Paris Court of Appeals sentenced Mr Fressoz and Mr Roire, respectively, to fines of 10,000 and 5,000 FRF (approximately $1,500 and $750). The decision was affirmed by the French Supreme Court, the *Cour de Cassation*.

The French Court concluded that while Mr Roire claimed he received the documents by anonymous mail, the tax assessments must have been obtained through a breach of professional confidence by an unidentified tax official. Therefore, the French Courts convicted Fressoz and Roire not for disclosing information about Calvet's income but for receiving a confidential document. It is relevant to note that the income of major company managers is published regularly in the financial press. Therefore, the information disclosed in the article was not secret.

ECHR Held Punishment of Reporters Violated Article 10

Reversing, the ECHR disregarded the distinction made by the French authorities between the information and the document in which it is contained, arguing that the conviction of the journalists for the technical offence of wrongful handling "disguised what was really a desire to penalize them for publishing the information."

Article 10 of the Convention authorizes restrictions to freedom of expression when they are "necessary in a democratic society" to protect the reputation and rights of others, to prevent the disclosure of confidential infor-

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Paris Court Convicts Journalist for Receiving Documents in Violation of Judicial Confidentiality

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mation, and to guaranty the authority and impartiality of the judiciary. It is not enough that a restriction pursues a legitimate aim, it must correspond to a "pressing social need" – a particularly relevant limitation in press cases.

In *Goodwin v. The United Kingdom*, No. 00017488/90 (March 27, 1996) (available at www.echr.coe.int), the ECHR recognized the important role of the press as a public watchdog, and ruled that the strongest protection should be afforded to journalistic sources to preserve the free flow of information. Although journalists have "duties and responsibilities" and must abide by the law, a journalist's conviction can only be upheld if an "overriding requirement in the public interest" is at stake. While national authorities generally enjoy a margin of appreciation to determine what is a "pressing social need," when the press is involved, the "margin of appreciation is circumscribed by the interest of democratic society in insuring and maintaining a free press." As a result, the court in *Goodwin* concluded that "limitations on the confidentiality of journalistic sources call for the most careful scrutiny by the Court."

ECHR cases suggest that it should be irrelevant whether a journalist's source obtained information through the infringement of national regulation so long as the information disclosed is of interest to the public.

Protection for Judicial Confidentiality Under French Law

In contrast, French law has generally approved the punishment of journalists to maintain judicial confidentiality. In 2001, the *Cour de Cassation* upheld the conviction of the French newspaper *Paris Match* for publishing pictures taken by the police in the course of an investigation of an armed robbery. It held that the publication of the pictures:

> far from enlightening the readers on a subject of general interest, contributes on the one hand to disclose information that were to remain secret… and on the other hand to a lack respect and to infringe on the presumption of innocence...the pictures' legend mentioning expressly that the individuals could play an essential role in the commission of the offences.

Cass. crim., 13 novembre 2001, Legipresse No. 188-III, p. 3 (available at www.legifrance.gov.fr).

In another recent decision, the *Cour de Cassation* upheld the conviction of the author of "Les Oreilles du Président," for reproducing reports of phone taps that were part of a judicial investigation file on phonetapping at the Elysée palace in Paris. Cass. crim. 19 juin 2001, Legipresse No. 185-III, p. 161 (available at www.lexinter.net).

The conviction of Gilles Millet is consistent with this precedent and the emphasis given by French Courts to judicial secrecy. The position that such secrecy is necessary in a democratic society and that it preserves the authority and impartiality of the judiciary and the presumption of innocence remains to be tested before the ECHR.

Gilles Millet was represented by Georges Kiejman. The public ministry was represented by Béatrice Angelelli, vice attorney general. The Court was composed of Judge Anne-Marie Sauterant, Judge Catherine Beziot and Judge Philippe Jean-Draeher.

Julie Herzog is an associate with Willkie Farr & Gallagher in Paris.

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No Jurisdiction over German Publishers in Texas

By Marc E. Ackerman and Jennifer Johnson Millones

A U.S. District Court judge in Texas has dismissed on personal jurisdiction grounds a lawsuit alleging libel, intentional infliction of emotional distress, tortious interference with prospective business relations and civil conspiracy claims against Gruner + Jahr AG, Bunte Entertainment Verlag GmbH and related entities, including among others, Bertelsmann AG. *Fielding v. Hubert Burda Media, Inc.,* No. 2:03- CV-0872-K (N.D. Tex. Feb. 11, 2004) (Kinkeade, J).

Articles Discussed Ambassador's Alleged Affair with Model

Thomas Borer, formerly the Swiss ambassador to Germany, and his wife, former Miss Texas Shawne Fielding, sued defendants after several articles detailing an alleged affair between Plaintiff Borer and Ms. Djamila Rowe, a former nude model, appeared in the German magazines *Stern* and *Bunte*. The story was originally published in Switzerland, but was picked up by the media world wide, including in Germany and the U.S. The defendant publishers were all organized under the laws of Germany.

Plaintiffs suffered the "brunt of the harm," both emotionally and professionally, in Europe… Europe, not Texas, was the "geographic focus" of the articles.

Decision Focused on Lack of Specific Jurisdiction

The 17-page decision focused on the court's lack of specific jurisdiction over defendants, finding that plaintiffs suffered the "brunt of the harm," both emotionally and professionally, in Europe and that Europe, not Texas, was the "geographic focus" of the articles.

The court relied on *Calder v. Jones*, 465 U.S. 783 (1984), the seminal Supreme Court case on specific jurisdiction in a libel suit, and *Revell v. Lidov*, 317 F.3d 467 (5th Cir. 2002), the Fifth Circuit's primary case interpreting *Calder*. The district court rejected plaintiffs' argument that specific jurisdiction may be predicated on the republication of defendants' allegedly defamatory articles by the Texas media because of the lack of authority for predicating jurisdiction on republication, among other things.

The Court also found that it lacked general jurisdiction over defendants, rejecting the argument that BMG, a Bertelsmann affiliate, has a registered agent in Texas, and, therefore, Bertelsmann and Gruner + Jahr should be subject to jurisdiction in Texas under the single enterprise theory.

No Texas Contacts

The Court stated,

> "In order for the theory to apply ... some party must have minimum contacts in the first place. As Plaintiffs' only evidence of any contacts in Texas by any defendant in this case is the employment of a registered agent by BMG, a nonparty to this case, there are no contacts that could even potentially be attributed to the other Defendants."

Because the Court lacked personal jurisdiction over Defendants, it did not decide the other grounds for dismissal raised by defendants, namely, improper service of process, forum non conveniens, or failure to state a claim. Defendant Gruner + Jahr AG was represented by Robert L. Raskopf, Marc E. Ackerman and Jennifer Johnson Millones of White & Case LLP, in New York and Mark L. Mathie of McKool Smith P.C., in Dallas, Texas. Defendants Hubert Burda Media, Inc., Hubert Burda Digital, Inc., Burda Media, Inc., Burda Publications, Inc., Bunte Entertainment Verlag GmbH and Hubert Burda were represented by Thomas S. Leatherbury and Michael L. Raiff of Vinson & Elkins L.L.P., in Dallas.

Defendants Bertelsmann AG and Bertelsmann, Inc. were represented by Charles L. Babcock and Kimberly Van Amburg of Jackson Walker L.L.P., in Dallas. Plaintiffs were represented by Kent C. Krause of Speiser Krause and Larry M. Lesh in Dallas.

Marc E. Ackerman is a partner and Jennifer Johnson Millones is an associate with White & Case LLP in New York.

Patient's Online Complaints Not Actionable Under Lanham Act

A federal court in Pennsylvania dismissed for failure to state a claim a Lanham Act claim over a "sucks.com" website – the common url variant used by consumers to register their complaints about products and services. *Nevyas v. Morgan*, No. CIV.A. 04-CV-421, 2004 WL 547525 (E.D. Pa. March 11, 2004).

Plaintiffs, laser eye surgeons, sued a former patient who complained of his treatment online at <www. lasiksucks4u.com>, and the patient's lawyer. Among other things the site contains letters of complaint to the FDA about plaintiffs, and information about a prior malpractice suit between the parties.

Emphasizing that "[t]he Lanham Act is primarily intended to protect commercial interests ... harmed by a competitor's false advertising," Judge Joyner held that plaintiffs failed to state a claim where there was no allegation that the "defendants sought to divert the plaintiffs' business to themselves or to personally reap any financial benefit from their actions."

In addition, the website did not constitute false or deceptive advertising within the meaning of the Lanham Act. Thus, even if "plaintiffs may have suffered an injury to their commercial interests, they have not sustained competitive harm."

Having dismissed the federal claim, the court declined to exercise supplemental jurisdiction over plaintiffs' state law defamation claim.

Plaintiffs were represented by Stein & Silverman in Philadelphia. Defendants were represented by F. Michael Friedman and McKissock & Hoffman PC in Philadelphia.

Survey Confirms Internet Jurisdiction Concerns

By Jon Hart and Steve Blumenthal

On April 3, 2004, at the spring meeting of The American Bar Association Business Section in Seattle, the ABA Cyberspace Law Committee presented the results of an international Internet jurisdiction survey. The survey examined the practical effects on businesses throughout the world of uncertainty relating to the appropriate jurisdiction in which to resolve disputes arising out of Internet-related activity.

The ABA, the International Chamber of Commerce, an international business organization based in Paris (CC), and the Internet Law and Policy Forum, a global consortium of technology companies, jointly conducted the survey. A copy of the ABA/ICC report on the survey can be found at: http://www.abanet.org/buslaw/committees/CL320060/projects/jurisdiction/ 20040406000000.pdf.

The survey found that North American companies especially media companies are concerned about being sued in foreign courts and/or subjected to foreign laws as a result of their Internet activities. According to the survey, three-quarters of North American respondents indicated concern about Internet jurisdiction issues. Fewer than half of European respondents expressed similar concerns.

The survey found that North American companies especially media companies are concerned about being sued in foreign courts and/or subjected to foreign laws as a result of their Internet activities.

The survey respondents included media companies, information technology firms, financial institutions, retailers, professional service firms and industrial companies. The survey results are sorted by geographic region and by business sector. However, business sectors are not further sorted by geographic region, and, therefore, the survey results for each business sector include worldwide responses.

Of the various business sectors polled, media company respondents voiced the strongest concerns about Internet jurisdiction risks. Nearly 60% of media company respondents worldwide indicated that they are concerned about being sued in foreign courts and/or being subjected to foreign laws as a result of their Internet activities. Worldwide, 50% of all respondents expressed this concern.

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Survey Confirms Internet Jurisdiction Concerns

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Among North American respondents, the principal areas of jurisdiction-related concern are litigation, privacy and regulation of e-commerce and industry, with litigation being the chief concern. Media company respondents worldwide identified consumer protection laws as their chief source of concern. Other concerns identified by media companies include e-commerce regulation, taxation, litigation and defamation claims.

Consistent with their heightened concerns, media companies were the most active of the respondents in adjusting their businesses to address Internet jurisdiction concerns. Over half of media company respondents worldwide said they had made changes to their businesses to alleviate Internet jurisdiction concerns, as opposed to only 36% of all respondents.

According to the survey, media companies have attempted to reduce exposure by targeting their websites to particular jurisdictions that are perceived to be low-risk.

According to the survey, media companies have attempted to reduce exposure by targeting their websites to particular jurisdictions that are perceived to be low-risk. A popular technique for targeting websites, according to the survey, involves identifying, and providing website access only to users in particular jurisdictions, often through user registration or self-identification. More than any other business sector, media companies have implemented procedures on their websites to identify the physical locations of their website users.

The survey identified other techniques used to target websites to particular jurisdictions, including identifying location by country-code top-level domains. Respondents also indicated that they tailor the content of their websites, including the language in which text appears, to particular jurisdictions.

Another tactic that survey respondents employ to address their Internet jurisdiction concerns involves eliminating or reducing business activity in jurisdictions where they perceived the risk of liability to be higher. Technical access blocking, user registration requirements, self-identification, and password protection were identified as common techniques to limit exposure in higher risk jurisdictions. North Africa, the Middle East, and Asia were identified as the most frequently avoided regions.

The respondents, particularly North American businesses, also indicated that they use legal tools to address Internet jurisdiction issues. Nearly 70% of North American respondents (and nearly three-quarters of media company respondents worldwide) include user agreements on their websites. Media companies, along with retailers, most frequently included choice of forum and choice of law provisions in their website user agreements.

The survey results are expected to help facilitate the consideration by the European Commission and the Hague Conference on Private International Law (the ague Conference of international jurisdictional rules for non-contractual claims that are based on the country-of-origin jurisdictional principle. In 2003, the EC approved the so-called Rome II regulation, which provides that, in general, the law applicable to a non-contractual obligation arising out of a tort is the law of the country in which the loss is sustained. Since 1997, the Hague Conference has been negotiating a multilateral treaty that would enable a plaintiff to bring a tort claim in the jurisdiction in which the alleged injury occurred. The ICC, which seeks to have the EC reevaluate the Rome II regulation, intends to present the survey results to the EC.

Jon Hart is a member in the Washington, D.C. office of Dow, Lohnes & Albertson, PLLC. Steve Blumenthal is an associate in the firm's Atlanta office.

Any developments you think other MLRC members should know about?

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DMCA Safe Harbors May Require Careful – If Not Strict – Compliance

By Michael Fleming

The safe harbor protection under the Digital Millennium Copyright Act did not protect AOL from all claims in a copyright infringement action, the Ninth Circuit held in mid-February, partially reversing a district court decision. *Ellison v. Robertson and America Online Inc.*, No. 02-55797, 2004 WL 235466 (9th Cir. Feb. 10, 2004), reversing in part and affirming in part, *Ellison v. Robertson*, 189 F. Supp. 2d 1051 (C.D. Cal. 2002).

Although the decision by Judge Harry Pregerson seems to strike a blow against Internet providers' use of the safe harbor provisions of the DMCA, the reasoning of the opinion may be subject to criticism for its suggestions about duties of the service provider that may not necessarily be justified by the text of the statute.

Plaintiff argued that AOL had failed to fully comply with the conditions applicable to the safe harbors under § 512.

Copyright Infringement Claim Against Internet Poster and AOL

Author Harlan Ellison brought suit against a poster of materials to a Usenet newsgroup alleging he had uploaded copies of the author's short stories to the newsgroup. He also sued America Online, alleging direct, contributory and vicarious infringement of those same copyrighted works, basing those claims on AOL's redistribution of the same Usenet newsgroup materials via the AOL service.

AOL asserted that it qualified for the DMCA safe harbor limitation of liability under 17 U.S.C. § 512(a). This particular safe harbor is designed to offer, in most instances, a nearly complete liability shield for entities such as Internet service providers where the defendant has merely retransmitted material that came from another source on the Internet. The district court granted summary judgment in favor of AOL, among other grounds, based on the safe harbor defense.

Plaintiff Argued AOL Failed to Comply with Safe Harbor Conditions

On appeal, plaintiff argued that AOL had failed to fully comply with the conditions applicable to the safe harbors under § 512, and argued further that his contributory infringement claim should stand because AOL should be held to have knowledge that the infringing materials were available over AOL servers.

Both arguments proceeded from problems with AOL's implementation and maintenance of the Section 512(c)(3) DMCA Notice and Takedown procedure. The undisputed facts were that AOL, some months prior to the incidents, displayed a notice on the AOL site stating where a copyright owner could e-mail a notice to AOL of possibly infringing materials, and had also filed a notice with the Copyright Office stating the e-mail address – both conditions are required to use the 512(c) safe harbor.

However, just prior to the incidents, AOL changed the email address of its copyright notice agent. While it appears from the opinion that AOL had updated the e-mail address information displayed on its own Web site, it had not yet sent an updated notice to the Copyright Office concerning the new e-mail address. When the plaintiff's attorney sent a copyright infringement notification to AOL, he apparently sent it to the old address — by then a dead address that neither forwarded to anybody at AOL nor bounced back a non-receipt notice to the sender. When AOL failed to respond to the emails sent by Ellison's attorney, Ellison in turn sued AOL.

These circumstances hurt AOL on two fronts — in the standing of the contributory infringement claim, as well as the viability of the safe harbor defense. As to the contributory infringement claim, the court held that, in effect, there was a sufficient question of fact as to whether AOL's non-diligence in maintaining the Copyright Office's directory of the e-mail address, and the resulting inability of Ellison to give notice to AOL, should be held against AOL. The court held that AOL should be held to constructive knowledge of the notice of infringement because AOL made it too difficult for Ellison to give notice to AOL. With that constructive knowledge, there would be a sufficient basis to bring a claim for contributory infringement, because the court

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DMCA Safe Harbors May Require Careful Compliance

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found that all of the other elements of the claim were well-stated.

The safe harbor defense was also potentially scuttled. Rather than begin its analysis by looking at the individual safe harbors on their own, the court went first to a lesser known part of Section 512 — the 'Conditions of Eligibility' found at Section 512(i):

> "The limitations on liability established by [Section 512(a) — (d)] shall apply to a service provider only if the service provider … has adopted and reasonably implemented, and informs subscribers and account holders of the service provider's system or network of a policy that provides for the termination, in appropriate circumstances, of subscribers and account holders of the service provider's system or network who are repeat infringers."

Jury Could Conclude AOL Had Not Implemented Policy

The court concluded that

> "AOL allowed notices of potential copyright infringement to fall into a vacuum and to go unheeded; [and] that fact is sufficient for a reasonable jury to conclude that AOL had not reasonably implemented its policy against repeat infringers."

Such a conclusion could be subject to some criticism. The essence of Section 512(i) seems to focus not on how the service provider responds or treats copyright owners, but rather on how the service provider deals with its own subscribers and users.

There is no allegation that AOL had failed to promulgate a policy to its own subscribers, and moreover AOL's own subscribers were not even involved with this incident. Co-defendant Robertson posted his infringing materials to a Usenet server that is not part of AOL — AOL's Usenet servers had simply automatically uploaded the infringing materials to the AOL Usenet system, just as the Usenet system is designed to do.

Thus, even if AOL had received the notice about Ellison's claims, there was no subscriber for AOL to have terminated. (In fact, once AOL did get actual notice of the claims as a result of being sued, AOL chose to shut off its feeds from the particular Usenet group that had the postings — a blunt but effective method.)

Further, the court proceeded to state that if the jury concluded that AOL was not blocked from using safe harbors under 512(i), then the particular safe harbor AOL would qualify for — *as a matter of law* — is the one at Section 512(a), the safe harbor for transitory communications. One feature of the 512(a) safe harbor is that it does not mention the copyright owner notice and takedown procedure — that requirement only appears explicitly in another of the safe harbors, 512(c) (involving materials posted on a service provider's own servers but at the direction of its user), and is somewhat incorporated into one of the other safe harbors at 512(b) (involving the short-term caching of materials by a service provider).

In short, 512(a) protection seemingly does not require that the service provider set up a system that allows damaged copyright owners to give notice to the service provider. Yet, even though there is no mention of the notice and takedown procedure in 512(a), the court used evidence of how poorly AOL implemented its 512(c) procedure to present a question of fact that AOL's entire copyright infringement prevention system was unreasonably implemented. That would be enough for this court to conclude that AOL might have been unreasonable in implementing its obligations under 512 (i) — and hence would be a dispositive factor against AOL using *any* of the safe harbors.

The possible practical ramifications of this decision are not entirely clear. Maybe the court has now suggested that, in effect, in order to qualify for 512(a) protection the service provider needs to set up the 512(c) notice and takedown procedure — and do it correctly! But, Congress did not impose such a requirement within the text of 512(a), and it is hardly clear how some of the processes in 512(c) are applicable where the service provider is merely transmitting information rather than storing it on its own servers.

Alternatively, maybe the court is suggesting that although taking advantage of Section 512(a) may not require implementing some form of a 512(c) notice system, if a service provider has chosen to tell the world that it

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has a 512(c) notice system, then whatever happens on the 512(c) system will be imputed to the question of the reasonability of the service provider's entire system of terminating its own subscribers or users — possibly triggering the 'no safe harbor' condition of 512(i).

Practice Tips

Of the two alternatives above, one is potentially erroneous; while the other is troubling in how it seems to create a very broadly defined 'reasonable implementation' standard — importing concepts from many different parts of the statute — that one might argue goes beyond Congress' intent.

Section 512(n) states Congress' rule of construction that the safe harbors should each be analyzed on their own criteria, and that a failure to meet one of the safe harbors should not affect a determination under a different safe harbor. Although 512(i) applies across all of the safe harbors, to import facts concerning compliance with a duty under 512(c) into a determination that 512(a) protection should be lost seems to be outside the statutory intent.

The nuances of the ever-more controversial DMCA seem to be getting more and more inscrutable as time goes by.

Similarly, in a case involving a different DMCA concern, the 512(h) subpoena power, another appellate court admonished its district court for ignoring the differences between 512(a) and 512(c). *See Recording Industry Association of America, Inc. v. Verizon Internet Services, Inc.*, 2003 U.S. App. LEXIS 25735, 69 U.S.P.Q.2D 1075 (D.C. Cir. 2003) (512(h), which requires use of 512(c) notices, not applicable where the service provider is only providing services described under 512(a)).

To the degree that this decision fails to appreciate the differences between the 512(a) and 512(c) safe harbors or tries to import 512(c) duties into the 512(a) safe harbor, Section 512(n) and the *Verizon* case could be instructive to the court if it should have reason to rehear this matter.

However, AOL might have avoided the result by simply being more diligent in updating its notices and filings. Safe harbor defenses, as a rule, tend to be interpreted narrowly and relatively strictly, since many courts are reluctant to shut out a damaged party on a seeming technicality.

Therefore, service providers that wish to take advantage of the DMCA safe harbors should be especially careful in implementing and maintaining all systems, notices, filings and processes – even where those things may not be technically or logically related to a particular safe harbor or practice of the service provider — and particularly where one might be considered a tempting target because of deep pockets. Unfortunately, this may lead to more direct attorney involvement in the day to day operation of the service provider than one might normally like.

But, the nuances of the ever-more-controversial DMCA seem to be getting more and more inscrutable as time goes by, and that is usually a call for more lawyers. Plaintiff was represented by Charles Petit, Urbana, Illinois, and Glen Kulik, John Carmichael and Brigit Connelly of Kulik, Gottesman and Mouton LLP, Sherman Oaks, California. AOL was represented by Daniel Scott Schecter and Belinda Lee of Latham & Watkins, Los Angeles.

Michael Fleming is special counsel at Faegre & Benson LLP in Minneapolis.

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Cal. Court Affirms Narrow Sec. 230 Interpretation on Rehearing

On rehearing, a California appellate court reissued its controversial ruling on the scope of Section 230 immunity. *Barrett v. Rosenthal,* 114 Cal. App.4th 1379, 9 Cal. Rptr.3d 142 (Cal. App. Feb. 3, 2004). Rejecting the decision in *Zeran v. America Online*, 129 F.3d 327 (4th Cir. 1997), the court held that Section 230 does not apply when the defendant asserting immunity knew or had reason to know that the content at issue was defamatory. See MLRC *MediaLawLetter* Nov. 2003 at 57.

The defendant in this case is not an Internet service provider but a "user" who selected allegedly defamatory e-mails and republished them on an Internet newsgroup. Although the statute appears to apply equally to a "provider" or "user" of interactive computer services, the decision by Judge Kline of the First Appellate District holds that Congress did not intend to abrogate the common law principle that one who republishes defamatory matter originated by a third person is subject to liability if he or she knows or has reason to know of its defamatory character.

Plaintiffs were represented by Christopher E. Grell, Richard F. Rescho, Ian P. Dillon, Law Offices of Christopher E. Grell, Oakland. Defendant was represented by Mark Goldowitz and Jesper Rasmussen of the California Anti-SLAPP Project. Amicus Curiae in support of defendant were represented by Lee Tien, Electronic Frontier Foundation, San Francisco, and Ann Brick, American Civil Liberties Union Foundation of Northern California.

UPDATE:

In April 2004, the California Supreme Court announced it will review this decision. *Barrett v. Rosenthal*, 9 Cal. Rptr.3d 142 (Cal. App. 2004), *rev. granted*, 2004 WL 840678 (Cal. April 14, 2004).

The court asked the parties to brief: (1) What is the meaning of the term "user" under section 230 of the Communications Decency Act (47 U.S.C. section 230)? (2) For purposes of the issue presented by this case, does it matter whether a user engaged in active or passive conduct?

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Canadian Court Takes Jurisdiction in Internet Libel Case

Ramifications May Be Similar to Gutnick

By Paul Schabas and Ryder Gilliland

On January 27, 2004 the Ontario Superior Court in Toronto released a decision in an Internet libel case that may have ramifications similar to *Gutnick v. Dow Jones* for U. S. publishers. *Bangoura v. The Washington Post et al,* [2004] O.J. No. 284 (S.C.). (The decision is available onl i n e at: www.canl i i .org/on/cas/onsc/2004/2004onsc 10181.html).

Justice Romain Pitt, accepted jurisdiction over a libel action commenced against *The Washington Post* despite the fact the newspaper had no connection to Ontario, and the plaintiff only moved to Ontario years after the articles sued upon were originally published. The decision raises the prospect of plaintiffs commencing libel actions against U.S. publishers in Canada to take advantage of libel laws which, like England, generally do not require proof of fault and also favor plaintiffs by putting the onus on defendants to prove truth.

The decision raises the prospect of plaintiffs commencing libel actions against U.S. publishers in Canada to take advantage of libel laws which, like England, generally do not require proof of fault and also favor plaintiffs by putting the onus on defendants to prove truth.

The articles were written by a Washington-based reporter, together with foreign correspondents in Ivory Coast and Kenya – and these reporters were also each named individually as defendants in the case. At the time, the *Washington Post* had only seven paid subscribers in Ontario. It was available free of charge over the Internet for fourteen days following publication and subsequently, by paying a fee to access the *Post's* online archive. Only one person (anywhere) had ever accessed the articles sued upon from the paid archive: Plaintiff's Ontario-based lawyer.

Canadian Jurisdiction Standards

Ontario courts apply a two-staged analysis to determine whether to accept jurisdiction. First, the court decides whether or not the action has a "real and substan-tial" connection to the jurisdiction. If not, the court must decline jurisdiction. However, even if the court finds that there is a real and substantial connection, it may refuse to accept jurisdiction on the basis of *forum non conveniens*, i.e. even though the action could be heard in the jurisdiction, there is another forum which is better suited to the trial of the action, having regard to issues such as location of the evidence, witnesses and general convenience.

Ontario courts consider eight factors when determining whether an action has a real and substantial connection to the forum:

1. The connection between the forum and the plaintiff's claim.
2. The connection between the forum and the defendant.
3. Any unfairness to the defendant in assuming jurisdiction.
4. Any unfairness to the plaintiff in not assuming jurisdiction.
5. The involvement of other parties to the suit.
6. The court's willingness to recognize and enforce a foreign judgment rendered on the same jurisdictional basis.
7. Whether the case is interprovincial or international in nature.
8. Comity and the standards of jurisdiction, recognition and enforcement prevailing elsewhere.

Justice Pitt's reasons center in particular around two findings: (i) that the plaintiff should be entitled to recover for damage to his reputation in Ontario where he resides, and (ii) that the *Post* is an internationally known newspaper that should be prepared to defend libel actions anywhere in the world. This second finding is quite startling, and troubling. As the judge states:

> Admittedly, the defendants have no connections to Ontario, but the Washington Post is a major newspaper in the capital of the most powerful country in a

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Canadian Court Takes Jurisdiction in Internet Libel Case

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> world now made figuratively smaller by, *inter alia*, the Internet. Few well-informed North Americans (including Canadians) do not encounter, at least indirectly, views expressed in the Post. The Post is often spoken of in the same breath as the New York Times and the London Telegraph. Frankly the defendants should have reasonably foreseen that the story would follow the plaintiff wherever he resided.
>
> …
>
> …the Post is a newspaper with an international profile, and its writers influence viewpoints throughout the English speaking world. I would be surprised if it were not insured for damages for libel or defamation anywhere in the world, and if not, then it should be.

His first point is also troubling. Since Bangoura only came to Ontario years after the publication, it is difficult to see how he had a reputation to be damaged in the province. The judge, however, seemed to be influenced by the fact that Bangorua was seemingly "stateless," and should be allowed to sue where he now lives.

Conclusion

The decision is being appealed to the Ontario Court of Appeal. However, if it stands, it could be more troubling for US publishers than the Australian decision in *Gutnick*. In *Gutnick* the plaintiff had a pre-existing reputation in Australia and at least an argument that Australian subscribers to wsj.com might have read the article. In addition, prospective U.S. plaintiffs can much more easily sue in Canada which is right next door (Toronto is about a one-hour flight from any city in the Northeast or Midwest) rather than far away Australia.

Kikélola Roach of *Roach Schwartz & Associates* represents the plaintiff.

Paul Schabas and Ryder Gilliland of Blake, Cassels & Graydon LLP in Toronto, represent The Washington Post defendants.

Summary Judgment for eBAY Under Sec. 230 Affirmed

Another California Appellate District affirmed dismissal of libel and related claims in favor of Internet auction site eBAY in a more routine application of Sec. 230. *Grace v. eBAY, Inc*., 2004 WL 214449 (Cal.App. Feb. 5, 2004) (unpublished).

Plaintiff was the successful bidder on items offered for sale on eBAY by a third party. The third party posted a negative feedback comment about plaintiff, stating he "should be banned from ebay!!!! dishonest all the way!!!!" Plaintiff asked that the posting be removed and eBAY refused. He then brought an action against eBAY for libel, unfair business practices and breach of contract (a claim dropped by plaintiff).

Judge Croskey, in the Second District, affirmed that the claims were were barred by Sec. 230, rejecting plaintiff's argument that "since defendant does not offer a connection to the internet as a whole, it cannot be an interactive computer service provider" covered by the statute.

Plaintiff was represented by Lisa Grace-Kellogg. Defendant was represented by Michael G. Rhodes and Andrea S. Bitar of Cooley Godward.

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Keyword-Based Bannner Ads on the Web May Infringe Trademark Rights, Ninth Circuit Holds

By Mark Sableman

The issue of web banner advertisements prompted by trademarks as key words advanced in January with the Ninth Circuit's decision in *Playboy Enterprises, Inc. v. Netscape Communications Corp.,* 2004 WL 57738 (9th Cir. Jan. 14, 2004). The decision reversed a simplistic and unsupportable lower court ruling, and introduced a credible (though arguable) approach to keyword-based advertisements.

And its concurring opinion invited reconsideration *en banc* of the Ninth Circuit's broad and widely criticized "initial interest confusion" doctrine – an invitation, that, if taken, could significantly redirect Internet law. The decision involved the practice of search engines selling banner advertisements linked to keyword searches where the words are trademarks. In particular, Playboy Enterprises ("Playboy" or "PEI") complained about the sale of advertisements by the Netscape and Excite search engines linked to user searches for "playboy" and "playmate."

Does the search engine's sale of a trademarked term constitute trademark infringement or dilution?

The district court had granted summary judgment to the search engines, but had done so on reasoning so flawed that the defendants abandoned it on appeal, and the appeals court dismissed it as "absurd" in a footnote. Specifically, the district court had concluded that because "playboy" and "playmate" were words in the English language, Playboy Enterprises could not claim infringement based on their use. For this logic to work, of course, one would have to believe that Internet users frequently searched for a man devoted to the pursuit of pleasure (the dictionary definition of "playboy") and for a child's play companion (the definition of "playmate"), and not photographs associated with *Playboy* magazine.

The Ninth Circuit easily found that Playboy Enterprises' trademarks had attained secondary meaning – thus showing that searches for those words could have trademark significance. Then, it confronted the important question raised by search engine sales of advertising tied to key words: Does the search engine's sale of a trademarked term constitute trademark infringement or dilution?

Background Facts

The case arose not long after Overture, the search engine that powers many branded search engine portals (including Netscape, Excite, AltaVista and others), began offering advertisements keyed to particular search words. Overture contracts with advertisers, and its advertisements are displayed on all of the branded search engines, though in different ways and with different headings. Netscape and Excite list the advertised links above the normal search result list, under the heading "Sponsored Links."

Non-Overture based search engines also sell ads keyed to key words. Google does so, although Google's placement of advertisements, to the right side of the screen, in shaded boxes, under the heading "Sponsored Links," more clearly distinguishes paid ads from normal search listings than the Overture-powered search engines. Google states that it avoids sales of key words that it knows to be trademarks, but late last year it filed a declaratory judgment action, *Google Inc. v. American Blind and Wallpaper Factory, Inc.*, No. C:03-5340 JF EAI (N.D. Cal. Filed Nov. 26, 2003), seeking a ruling that it need not steer clear of words that may have descriptive meaning even if they are also claimed as part of a trademark.

In the *Playboy* case, the search engines sold the keywords "playboy" and "playmate" to adult-oriented website owners as part of a package of more than 400 words. When Internet users searched for any of those words, the advertiser's site would be displayed in a banner advertisement. As is typical, a user who clicked on the banner ad would be taken immediately to the advertiser's website – in this case, an adult-oriented website.

Playboy argued that the practice meant that its "playboy" and "playmate" trademarks were being used to take Internet users to competitors' websites. It argued that some users would inevitably be confused – and the key likelihood of confusion element of trademark law thus satisfied – since some users would think that the banners were associated with Playboy Enterprises.

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The Ninth Circuit decision repeatedly referenced several facts that it obviously found important. First, the search engines mandated that adult advertisers buy a package of more than 400 keywords, which included "playboy" and "playmate"; these terms could not be deleted from the package (even though almost all of the other words in the package were descriptive non-trademark words). This apparently indicated to the court that the search engine insisted on profiting from Playboy's valuable mark. Second, many of the resulting banner advertisements are either "confusingly labeled" or unlabeled – thus promoting, or at least doing nothing to prevent, consumer confusion.

Trademark Analysis

In conducting its trademark analysis, the Ninth Circuit initially noted that Playboy's strongest argument was for "initial interest confusion," the doctrine first applied to the Internet in the Ninth Circuit's controversial ruling in *Brookfield Communications, Inc. v. West Coast Entertainment Corp.*, 174 F.3d 1036 (9th Cir. 1999). It summarized the *Brookfield* rule as follows: "Although dispelled before an actual sale occurs, initial interest confusion impermissibly capitalized on the goodwill associated with a mark and is therefore actionable trademark infringement."

Playboy argued that keyword-based advertisements initially confuse Internet users, who, after conducting a search for Playboy's trademarks, are confronted with unlabeled advertisements pertaining to adult material, which invite the user to "click here." As the court described Playboy's theory, "users may follow the instruction, believing that they will be connected to a PEI site." When they are connected to the advertiser's site, they will realize it is not Playboy's site, but, under the "initial interest confusion" theory, the harm is done at that point, because the advertiser has been introduced to a new potential customer. The court agreed with this theory, finding the keyword advertisement factually indistinguishable from the metatags involved in *Brookfield*.

Interestingly, the Ninth Circuit did not rest its decision solely on initial interest confusion. Rather, it determined that "to be certain" of the result, it needed to "test PEI's theory using this circuit's well-established eightfactor test for the likelihood of confusion." This referred to the *Sleekcraft* factors, the Ninth Circuit's version of the standard trademark infringement factors.

The court first focused on the most important factor, evidence of actual confusion. Playboy had submitted an expert consumer study that it asserted found 22 to 29 per cent of consumers confused (at least initially) by the keyword-based advertisements. The search engines had submitted no contrary study, and, though Playboy's study was subject to criticism, it clearly created a genuine issue of material fact on this key element. Thus, on this factor alone, the appeals court found the district court's summary judgment improper.

Its analysis on some of these factors may be challenged as results-oriented. For example, the court assumed that Internet users searching for adult-oriented material are "easily diverted."

The next factor addressed — the strength of the mark — gave the court the opportunity to comment on the theory (embraced by the district court) that the words "playboy" and "playmate" were used for their primary dictionary meaning, not for their trademark meaning. The court found the theory "absurd" since Internet users "obviously" did not use the words in those senses. The court also found sufficient evidence that Playboy's trademarks had attained secondary meaning (trademark meaning).

The court found most of the other trademark infringement factors to favor Playboy. Its analysis on some of these factors may be challenged as results oriented. For example, the court assumed that Internet users searching for adult-oriented material are "easily diverted." This assumption was based on no empirical evidence, and one could as readily assume that Internet users are savvy about banner advertisements and unlikely to be unwillingly diverted. Similarly, the court in somewhat circular fashion presumed that some banner ads infringed Playboy's mark, held that the search engine's intent to profit from such conduct was illegitimate, and then found that this intent supported a finding of infringement.

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Keyword-Based Bannner Ads on the Web May Infringe Trademark Rights, Ninth Circuit Holds

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At several points, the court pointed to facts that it found troublesome. Chief among these were the facts that the search engines required that "playboy" and "playmate" be purchased as part of the adult-oriented keyword package, and that the search engines did not either require the advertiser to label its advertisements, or provide such labels themselves. The court indicated that if the ads were labeled (for example, with the name of a Playboy competitor, such as Penthouse), such labels would dispel consumer confusion.

Trademark Defenses

After finding at least a genuine issue of fact on consumer confusion – under both the initial interest confusion test, and the standard multifactor test – the court then turned to the search engines' defenses.

The key defense was "nominative use." That defense, a subset of the broader "descriptive use" defense, refers to the situation where it is essential to use a trademark to identify what one is referencing. One cannot refer to "Disney World," for example, without using that trademark. In this case, the court found that the search engines were not using "playboy" or "playmate" in their nominative sense – for example, to compare their advertisers' products to those of Playboy Enterprises. Rather, the search engines and advertisers were using the marks "to identify consumers who are interested in adult-oriented entertainment."

The court also rejected a "fair use" defense on the ground that a confusing use can never be a fair one. And it found inapplicable the search engines' "functional use" defense; the doctrine prevents one party from monopolizing a functional design, and Playboy's trademarks contained no unprotectable functional attributes.

The court also dealt with Playboy's trademark dilution claim, and similarly found issues of fact that precluded the summary judgment that the district court had granted. On this point, it noted that on remand the district court will have to apply the new test dilution under the Supreme Court's decision in *Moseley v. V Secret Catalogue, Inc.*, 537 U.S. 418 (2003), which requires proof of actual dilution.

Status of Keyword-Based Advertising

Because of the summary judgment status of the case, the Ninth Circuit's decision does not definitively resolve keyword-based advertising. Both the trademark infringement and dilution issues have been remanded to the district court – albeit with a clear sign that the Ninth Circuit disfavors the practice, at least where the trademarks are sold in packages and the resulting banner ads are unlabeled or confusingly labeled. However, there will be room at trial for full evidence on consumer confusion, and the evidence could well develop differently from the Ninth Circuit's assumptions, particularly if it shows that Internet users understand that banner ads aren't necessarily sponsored by the companies whose marks were searched.

With the Ninth Circuit's ruling, U.S. law on keyword searching, like that of the first few decisions in Europe, tends to weigh against the sale of trademarks as keywords.

With the Ninth Circuit's ruling, U.S. law on keyword searching, like that of the first few decisions in Europe, tends to weigh against the sale of trademarks as keywords. In both Germany and France, trial courts have reportedly ruled in favor of trademark owners in similar situations. In one other U.S. case, filed around the same time as the Playboy case, Estee Lauder, the plaintiff, was reported to have worked out an early favorable settlement.

The *Google* case on the horizon, however, could bring a different perspective to this case. Cases like *Playboy v. Netscape* and the European cases, arising out of Overture's practices (such as the bundling that the Ninth Circuit found objectionable, and listing of advertised sites directly above the legitimate search results) presented the best case for trademark owners. Google's declaratory judgment action, based as it will be on Google's practices (including refusal to sell ads keyed to known trademarks, and clear separation between search results and advertisements), is likely to present the best case for search engines.

In short, in the keyword advertising, the Ninth Circuit's decision is an important step, but it leaves much still to be decided – and the incipient Google case could well contribute an altogether different perspective to this issue.

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Keyword-Based Bannner Ads on the Web May Infringe Trademark Rights, Ninth Circuit Holds

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Criticism of Initial Interest Confusion

Beyond its substantive conclusion, the *Playboy v. Netscape* decision may be significant for its concurring opinion by Judge Marsha S. Berzon, which is highly critical of the *Brookfield* "initial interest confusion" doctrine. That doctrine is significant in Internet law; it has been used by trademark owners in the context of challenging use of their marks in domain names, metatags, invisible text, and other contexts, including, of course, key word advertising. And *Brookfield* is the centerpiece case for this theory and its application to the Internet.

Brookfield involved two similarly named websites, with some overlapping coverage. The court found that the junior trademark user's use of the trademark MOVIE BUFF in metatags could lead users to the senior user's website, where they might linger, even though they would realize it wasn't their intended destination. The court in *Brookfield* analogized the situation to one where an ambiguous sign leads a driver off the highway, where he finds, instead of his commercial destination, a competitive establishment. The driver is not misled when he enters the establishment, but was diverted to its vicinity by trademark confusion.

But using real world analogies, Judge Berzon suggested that the initial interest confusion doctrine penalizes the sound retail practice of offering consumers useful choices.

Judge Berzon acknowledged, as the full panel had held, that the keyword advertising situation was "analytically similar" to the situation found to present initial interest confusion in *Brookfield*. But using real world analogies, Judge Berzon suggested that the initial interest confusion-doctrine penalizes the sound retail practice of offering consumers useful choices.

She asked the reader to consider a hypothetical shopping trip to Macy's, where a consumer looked for Calvin Klein goods, and on her way to that section, was deliberately confronted with Macy's cheaper house brand, deliberately designed to appeal to Calvin Klein buyers. Has Macy's infringed Calvin Klein's mark? More pointedly, Judge Berzon described Internet merchants like Amazon.com that deliberately present consumers with choices of other products based on consumers' searches. Her decision questioned whether the law should penalize such presentations of choices, particularly given, in the keyword advertisement context, "the minimal inconvenience in directing one's web browser back to the original list of search results."

While recognizing *Brookfield* as controlling law, Judge Berzon called it "unsupportable" and illogical, and openly invited *en banc* reconsideration of the decision. Given the extent to which *Brookfield* is relied on by trademark owners in Internet cases, if this invitation is accepted, it will be a major development with wide implications.

Playboy was represented by Barry G. Felder of Brown Raysman Millstein Felder & Steiner LLP, Los Angeles. Netscape and Excite were represented by Jeffrey K. Riffer of Jeffer, Mangels, Butler & Marmaro LLP, Los Angeles.

Mark Sableman is a partner with Thompson Coburn LLP in St. Louis.

Playboy and Netscape Settle Web Trademark Case

Playboy Enterprises and Netscape Communications settled a 5-year-old lawsuit over keyword-based banner advertisements just one week after the Ninth Circuit reversed a lower court grant of summary judgment in favor of Netscape.

The settlement cuts short an opportunity for the Ninth Circuit to consider an interesting issue in trademark and Internet law. In her concurring opinion for the Ninth Circuit, Judge Marsha Berzon was highly critical of the "initial interest doctrine" as applied in cyberspace, suggesting that rehearing en banc on the issue was warranted.

In 1999, Playboy brought suit against the now defunct Excite and Netscape Communications search engines for displaying banner ads for competing adult-oriented web sites whenever a user would search for the terms "playmate" and "playboy."

Court Holds Pop Up Ads Violate Trademark Law Under "Initial Interest Confusion" Test

Ruling Conflicts with Two Other Decisions with Same Defendant

By Celia Goldwag Barenholtz

Three different federal district judges considered the online advertising of WhenU.com, Inc. in 2003. WhenU won the first two rounds, when judges in Virginia and Michigan rejected challenges to WhenU's advertising under both the copyright and trademark laws. *See U-Haul Intern., Inc. v. WhenU.com, Inc.*, 279 F. Supp. 2d 723 (E.D. Va. 2003) and *Wells Fargo & Co. v. WhenU.com*, 2003 WL 22808692 (E.D. Mich. 2003).

On December 22, 2003, however, a New York federal district court took a different view and issued a preliminary injunction against WhenU. *1-800 Contacts, Inc. v. WhenU.com and Vision Direct, Inc.*, 02 Civ. 8043, 2003 U.S. Dist. LEXIS 22932 (S.D.N.Y. Dec. 22, 2003). Judge Deborah A. Batts agreed that WhenU's online advertisements do not violate the copyright laws. Invoking the initial interest confusion doctrine, however, Judge Batts held that the inclusion of the plaintiff's trademarked web address (or "URL") in WhenU's software directory is likely to constitute trademark infringement.

> ***Judge Batts held that the inclusion of the plaintiff's trademarked web address (or "URL") in WhenU's software directory is likely to constitute trademark infringement.***

WhenU is a marketing company which has developed a software called SaveNow which displays advertisements, including pop-up ads, on the computer screens of participating consumers. Consumers download WhenU's software from the Internet, generally as part of a package of revenuegenerating software that supports a free software product. The software includes a directory comprised of over 40,000 web addresses, search terms and key word algorithms sorted into various categories (for example, eye-care) in much the same way as the Yellow Pages indexes businesses. The directory uses these elements to analyze SaveNow users' Internet activity.

WhenU includes web addresses in the directory solely as an indicator of a consumer's interest. Thus, if a user typed www.1800contacts.com into his browser window, or attempted to search for 1-800 Contacts, the software woulddetect that activity, determine that the consumer was interested in eye-care products, and might — depending on various timing and other internal limitations of the system — display an ad for a competing eye-care product. The 1-800 URL is just one of hundreds of elements in the eye-care category that gauge consumer interests.

The advertisements generated by WhenU's software are clearly labeled. They all contain the SaveNow logo and other distinctive branding features and state on the face of the advertisement that they are a "WhenU.com" offer. They do not display anyone's marks other than those of WhenU and its advertisers.

The plaintiff in this case, 1-800 Contacts, sells replacement contact lenses through its 1-800 telephone line and through its website. On October 9, 2002, it filed a complaint and moved for a preliminary injunction against WhenU and Vision Direct, a former WhenU advertiser, alleging that the display of WhenU ads on a SaveNow user's computer screen at the same time as a 1-800 webpage was displayed infringed 1-800's copyright in its website and its trademark "1-800 Contacts."

The Copyright Claim

Judge Batts had no trouble disposing of the copyright claim. 1-800 argued that the display of a SaveNow advertisement on a user's screen in one window at the same time as the user was displaying content from plaintiff's copyrighted website in another window constituted both an unauthorized display of plaintiff's website and a derivative work. Noting that users have the ability to modify the appearance of a website on their computer screens in many ways, Judge Batts ruled that "to hold that computer users are limited in their use of Plaintiff's

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Court Holds Pop Up Ads Violate Trademark Law Under "Initial Interest Confusion" Test

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website to viewing the website without any obstructing windows or programs would be to subject countless computer users and software developers to liability for copyright infringement and con-tributory copyright infringement." Judge Batts also rejected the argument that WhenU's advertisements create derivative works, finding that WhenU's advertisements are neither "fixed" nor alter the plaintiff's website.

In so ruling, the court was clearly concerned about the implications of plaintiff's expansive reading of the copyright act given the ability of computer users to simultaneously display multiple applications on their desktops, including applications in overlapping windows. As the court explained, "if obscuring a browser window containing a copyrighted website with another computer window produces a 'derivative work,' then *any* action by a computer user that produced a computer window or visual graphic that altered the screen appearance of Plaintiff's website, however slight, would require Plaintiff's permission. A definition of 'derivative work' that sweeps within the scope of the copyright law a multi-tasking Internet shopper whose wordprocessing program obscures the screen display of Plaintiff's website is indeed 'jarring'. …"

Thus, the 1-800 decision is notable because it applies the initial interest doctrine to conduct which does not involve the direct diversion of consumers from one site to another.

Trademark "Use"

With respect to the trademark claim, however, Judge Batts took a different tack. Declining to follow the reasoning of the *U-Haul* and *Wells Fargo* opinions*,* Judge Batts found that 1-800 was likely to prevail on its claim that WhenU's inclusion of the 1-800 URL in its software directory and the resulting side-by-side display of WhenU advertisements with the 1-800 website constitute trademark infringement.

Judge Batts gave short shrift to WhenU's argument that it was not using the 1-800 mark within the meaning of the Lanham Act because it did not use the mark in the advertising of goods or services. Judge Batts held that by including the 1-800 URL in its directory and displaying advertisements at the same time as web pages bearing plaintiff's marks were on display, WhenU was effectively using the 1-800 mark to sell its advertisers' goods and services.

Judge Batts also brushed aside WhenU's contention that its advertising is at most a form of comparative advertising. Although Judge Batts did not expressly address the issue of comparative advertising, she clearly viewed WhenU's contextual advertising as an improper effort to take advantage of the plaintiff's good will. As Judge Batts put it:

> "WhenU's advertisements are delivered to a SaveNow user when the user directly accesses Plaintiff's website — thus allowing Defendant Vision Direct to profit from the goodwill and reputation in Plaintiff's website that led the user to access Plaintiff's website in the first place."

Initial Interest Confusion

Next, the court turned to the doctrine of initial interest confusion. Reading the doctrine expansively, Judge Batts applied the initial interest doctrine to conduct that admittedly does not involve the actual diversion of computer users. In previous cases applying the initial interest confusion doctrine to the Internet context, the defendant had either used the plaintiff's trademarked domain name in a misleading way that tricked consumers into accessing the defendant's site *or* used the plaintiff's trademarks in their metatags or keywords in order to generate misleading search results that caused the user to access the defendant's site believing it to be the plaintiff's. As Judge Batts acknowledged, WhenU software does not divert computer users from the plaintiff's site. A SaveNow user who types the 1-800 URL into his browser is connected to the 1-800 website.

While he might also be shown a SaveNow advertisement, the advertisement would not take him to a different web page unless he affirmatively elected to click on the ad itself. Thus, the *1-800* decision is notable because it applies the initial interest doctrine to conduct which does not involve the direct

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Court Holds Pop Up Ads Violate Trademark Law Under "Initial Interest Confusion" Test

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diversion of consumers from one site to another. Judge Batts explained her rationale inthese words: "[t]he harm to Plaintiff from initial interest confusion lies not in the loss of Internet users who are unknowingly whisked away from Plaintiff's website" but rather "the possibility that, through the use of pop-up advertisements" WhenU's advertisers would "gain crucial credibility" with consumers.

Finally, Judge Batts applied the eight "*Polaroid* factors" to WhenU's use of the 1-800 mark and concluded that a likelihood of confusion had been shown. In so doing, the judge compared the mark used by WhenU in its directory to the plaintiff's mark, even though consumers never see the directory. The court did not compare the plaintiff's mark to what consumers actually see, *i.e.* the SaveNow advertisements themselves. Acknowledging that in an ordinary trademark infringement case the consumer sees or hears the parties' marks, the court concluded that "[i]n the Internet context, the issue is not whether the WhenU or Vision Direct marks themselves are similar to the Plaintiff's marks, but whether the marks used by the Defendants (whether actually seen by the consumer or not) are so similar to Plaintiff's mark that similarity could ultimately cause consumer confusion." Not surprisingly, given its determination to compare identical marks without taking the setting in which they appear into account, the district court concluded that the "*Polaroid*" factors weighed in favor of the plaintiff.

WhenU has filed a notice of appeal in the *1-800* case, and argument in the Second Circuit is expected to occur as early as March 2004.

Plaintiff was represented by Marshall R. King and Terence P. Ross of Gibson, Dunn & Crutcher, L.L.P. in New York.

Celia Goldwag Barenholtz is a partner of Kronish Lieb Weiner and Hellman LLP in New York. She represents WhenU in the Wells Fargo and 1-800 cases.

Lawsuit Against Consumer Complaint Websites Dismissed

By Thomas Burke

A U.S. District Court judge in Wisconsin has dismissed on personal jurisdiction grounds, a lawsuit alleging unfair competition, false advertising, disparagement and trademark infringement claims against the operator of the BadBusinessBureau.com and RipOffReport.com consumer websites. *Hy Cite Corporation v. BadBusinessBureau, L.L.C.* No. 03-C-0421-C, 2004 WL 42641 (W.D. Wis.Jan. 8, 2004) (Crabb, J).

Hy Cite, a Wisconsin based marketer of china and porcelain dinnerware, sued the consumer-oriented websites after more than 30 complaints were submitted to the websites regarding its products. BadBusinessBureau.com and RipOffReport.com feature complaints submitted by consumers about various businesses. Businesses that receive complaints about them may post a rebuttal, but they are screened by the Defendant and charged a fee to post multiple rebuttals. (Hy Cite alleged that when it inquired about responding to the complaints that had been filed against the company, it was told that it would have to pay $50,000 to the defendant to respond.)

Neither the "purposeful availment" or the effects" test of jurisdiction could be satisfied.

The corporate defendant owner of the consumer websites — BadBusinessBureau.com LLC — is a limited liability company organized under the laws of St. Kitts/Nevis, West Indies. In support of its motion to dismiss, defendant established that it owned and operated no assets in Wisconsin, that it had accepted no donations from anyone in the state, sold no advertising to Wisconsin companies through either of its websites, didn't coordinate any class action lawsuits against Wisconsin-based companies, and had no office in the state. Other than Hy Cite's email communications with defendant and the sale of a single book to a Wisconsin resident through one of its websites, defendant had no "targeted contact" with the state of Wisconsin.

While the court's 13-page decision focused on defendant's lack of purposeful contact with the state — and in-

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Lawsuit Against Consumer Complaint Websites Dismissed

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deed, easily dismissed Hy Cite's claims on the grounds that neither the "purposeful availment" or the "effects" test of jurisdiction could be satisfied — the court also rejected plaintiff's defamation and trademark infringement theories for establishing jurisdiction based on content. "The facts of the record do not indicate that defendant creates the text of the consumer complaints. It is the consumers that are using plaintiff's name and making allegedly defamatory statements. If defendant is not creating the text, then defendant is not purposefully directing its activities toward any particular company or state," citing to *Nelson v. Bulso*, 149 F.3d 701, 704 (7th Cir. 1998). As to Hy Cite's inference that defendant created the headings for the consumer complaints "and that these headings themselves constitute trademark infringement," the court also denied that this alleged conduct was enough to show that defendant had targeted the state of Wisconsin. Finally, the court ruled that Hy Cite had failed to explain how defendant's alleged use of metatags supported the court's exercise of jurisdiction and had thereby waived this claim.

According to a published report, defendant is owned by Ed Magedson, a self-proclaimed consumer advocate. CNETNews.com reports that Magedson, an Arizona resident, incorporated his company in the Caribbean to avoid frivolous lawsuits. Ironically, federal law offers constitutional protection for libel claims and Section 230 of the 1996 Communications Decency Act provides broad immunity for tort claims based on online content that is prepared by third parties.

Plaintiff was represented by John C. Scheller of Michael Best & Freidrich, LLP, Madison, Wisconsin. Defendant was represented by Sonali S. Srivastava, Lafollette, Godfrey & Kahn, in Madison; and Maria Crimi Speth of Jabur & Wilk, P.C., Phoenix, Arizona.

Thomas Burke is a partner with Davis Wright Tremaine in San Francisco.

Internet Subscriber Not Entitled to Consequential Damages for Service Break

Description of User as "Spammer" Not Defamatory

A New York federal district court granted summary judgment to the ISP Earthlink on breach of contract, defamation, wire tap and related claims brought by a subscriber whose e-mail account was temporarily shut down after he was erroneously identified as a "spammer." *Hall and Big Bad Productions v. Earthlink Network, Inc.*, 2003 WL 22990064 (S.D.N.Y. Dec. 19, 2003) (Owen J.).

In 1997, Earthlink shut down plaintiff's e-mail account after a third party ISP, UUNet, erroneously identified plaintiff as a "spammer." Plaintiff's account name "lot99" was also posted on a web list of e-mail abusers. Plaintiff's service was restored after six days. Plaintiff, an independent film maker, alleged the shut down caused him $1 million in lost profits because it interfered with his marketing of a film; that being identified as a "spammer" was defamatory; and that the retention of his e-mails during the shut down was a violation of the wire tap act.

The court granted summary judgment to Earthlink on all claims. First, the court held that the claim for lost profits was "entirely too speculative." *Id.* at *2. Second, the court held that the term "spammer" was not defamatory per se– at least when used in 1997 before spam e-mail became the "subject of the major opposition it is today." *Id.* at *1 n. 1. Third, the court rejected plaintiff's argument that Earthlink intercepted his e-mails in violation of the Federal Wiretap Act. The court found that the e-mails were received and stored "precisely where they were sent." *Id.* at *2. Finally it rejected plaintiff's request that the court recognize two new related claims "negligent appropriation of electronic communications" and "intentional appropriation of electronic communications."

Plaintiff was represented by Andrew Grosso of Andrew Grosso & Associates, Washington, D.C. and Nicholas Damadeo in Smithtown, NY.

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Ninth Circuit Affirms Summary Judgment for "Food Chain Barbie" Artist

In what might be the end of a protracted legal battle between toy maker Mattel and the self-proclaimed "artsurdist" Tom Forsythe over his use of Barbie dolls in photographs, the Ninth Circuit affirmed summary judgment in favor of Forsythe on copyright, trademark and related state law claims. *Mattel Inc. v. Walking Mountain Productions*, 2003 WL 23018285 (9th Cir. Dec. 29, 2003). *See also MediaLawLetter* March 2001 at 25; and September 2001at 30. In a decision authored by Judge Harry Pregerson, joined by Judges Thomas and Oberdorfer, the court found that Forsythe's works were parodies protected by the First Amendment.

Photos of Barbie Dolls Were Non-infringing Fair Use

At issue were a series of 78 photographs entitled "Food Chain Barbie" that depicted Mattel's world famous Barbie doll in absurd and often sexualized positions. The court held that they were parodies protected by the fair use defense because they turned Barbie's meaning as "the ideal American woman" and a "symbol of American girlhood" literally and metaphorically "on its head." *Id.* at *7. The court rejected survey evidence from Mattel that some consumers did not interpret the photos as parodies, holding that whether a work is a parody is a question of law, not a matter of public majority opinion. *Id.* at *6.

Relying on its decision in *Mattel, Inc. v. MCA Records, Inc*., 296 F.3d 894 (9th Cir. 2002), *cert. denied*, 537 U.S. 1171 (2003) (rejecting trademark claims over use of Barbie in a song title and lyrics), the court held that defendant's photographs were protected commentary on the Barbie mark which has attained cultural significance and a "role outside the bounds of trademark law." *Id.* at 11.

Mattel was represented by Adrian M. Puretz, Michael T. Zeller, Edith Ramirex and Enoch Liang of Quinn Emmanuel Urquhart Oliver & Hedges in Los Angeles. Forsythe was represented by Annette L. Hurst, Douglas A. Winthrop and Simon J. Frankel, of Howard, Rice, Nemerovski, Canady, Falk & Rabkin in San Francisco and Peter J. Eliasberg, ACLU Los Angeles.

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FCC Fines Radio Broadcasters; Decides "F Word" is Indecent

Responding quickly to the politically charged issue of indecency on the airwaves, the Federal Communications Commission issued three indecency rulings on March 18 – fining two radio broadcasters, and reversing an earlier decision on the use of the "F word."

The FCC proposed fining Infinity Broadcasting Company $27,500 for material aired on Detroit station WKRK on the July 26, 2001 Howard Stern Show that involved a discussion of sexual and excretory matters. *Infinity Broadcasting Operations, Inc.,* Notice of Apparent Liability for Forfeiture, FCC 04-49 (March 18, 2004).

. In a separate order, the FCC proposed fining Capstar $55,000 for material broadcast on stations WAVW-FM and WCZR-FM in Florida that appeared to involve a live sex act. Capstar is indirectly owned by Clear Channel. Writing separately, Commissioner Michael Copps argued that "for repeat offenders as in this case, I believe the Commission should have designated these cases for license revocation hearings." *Capstar TX Limited Partnership.,* Notice of Apparent Liability for Forfeiture, FCC 04-36 (March 18, 2004).

The FCC's rulings are available at www.fcc.gov.

FCC Reverses its Decision on Indecency of "F Word"

In a separate decision, NBC and other licensees escaped being fined for U2 frontman Bono's use of the "F word" during his acceptance speech at the 2003 Golden Globe Awards ceremony. But the FCC reversed its previous rulings that an isolated use of the four-letter word as an intensifier is not indecent. *Complaints Against Various Broadcast Licensees Regarding Their Airing of the "Golden Globe Awards,"* File No. EB-03-IH-0110 (FCC rel. March 18, 2003).

During NBC's live broadcast of the Golden Globes in January 2003, Bono remarked "this is really, really fucking brilliant." The FCC received 234 complaints, most from the Parents Television Council, that the statement was obscene and/or indecent.

On October 3, 2003, however, the FCC's Enforcement Bureau issued an order finding that the statement, in context, did not violate the Commission's indecency standards.

> The word "fucking" may be crude and offensive, but, in the context presented here, did not describe sexual or excretory organs or activities. Rather, the performer used the word "fucking" as an adjective or expletive to emphasize an exclamation. Indeed, in similar circumstances, we have found that offensive language used as an insult rather than as a description of sexual or excretory activity or organs is not within the scope of the Commission's prohibition of indecent program content.

Complaints Against Various Broadcast Licensees Regarding Their Airing of the "Golden Globe Awards," 18 FCC Rcd 19859 (EB rel. Oct. 3, 2003).

The FCC granted the Parents Television Council's application for review and reversed.

The Commission concluded that prior decisions holding that isolated or fleeting use of the "F-word" is not indecent are no longer good law.

> We recognize NBC's argument that the "F-Word" here was used "as an intensifier." Nevertheless, we believe that, given the core meaning of the "F-Word," any use of that word or a variation, in any context, inherently has a sexual connotation, and therefore falls within ... our indecency definition.

> The "F-Word" is one of the most vulgar, graphic and explicit descriptions of sexual activity in the English language. Its use invariably invokes a coarse sexual image. The use of the "F-Word" here, on a nationally telecast awards ceremony, was shocking and gratuitous. In this regard, NBC does not claim that there was any political, scientific or other independent value of use of the word here, or any other factors to mitigate its offensiveness

The Commission emphasized that all broadcast licensees are on notice that use of the "F word" in similar contexts in the future will lead to fines and potential license revocation, if appropriate.

Treasury Department Regulations Threaten Publishing Activities

By Jonathan Bloom and Mark J. Fiore

The Treasury Department's implementation of trade embargoes imposed by the President pursuant to authority delegated by Congress has led to a confrontation with an unlikely enemy: publishers of scientific and other scholarly journals.

For decades, the United States has imposed trade embargoes on countries such as Iran, Cuba, Libya, and the Sudan, sanctioning these nations for their hostility to the U. S. and for their support of international terrorism. But in recent administrative rulings interpreting and applying regulations dating from 1989, the Treasury Department's Office of Foreign Assets Control (OFAC) has taken the position that the performance of such basic editorial functions as correcting grammar and syntax and fixing typos in scientific articles authored by nationals of embargoed nations is prohibited unless OFAC has issued a license authorizing such activities.

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Many in the publishing community believe this regulatory scheme exceeds OFAC's statutory authority and constitutes an unconstitutional prior restraint. As of this writing, a legal challenge was being considered.

First Amendment Related Materials Should Be Exempt from Embargo Rules

The issue crystallized in September 2003, when OFAC issued three advisory opinions regarding application of the Iran regulations to scientific publishing activities. The opinions, issued in response to requests from the Institute of Electrical and Electronics Engineers (IEEE), were based on Treasury Department regulations purporting to implement Presidential Executive Orders concerning Iran issued pursuant to, *inter alia*, the 1977 International Emergency Economic Powers Act (IEEPA), 50 U.S.C. § 1701 *et seq.*

The problem is that the regulations impose restrictions on transactions relating to First Amendment-protected materials that have no basis in the plain language of IEEPA.

In 1988, by means of the so-called Berman Amendment (named after its sponsor, Representative Howard Berman (D-Cal.)), Congress amended IEEPA in order to expressly protect transactions involving First Amendment-protected materials.

Specifically, the Berman Amendment limited the President's powers under section 1702(a) of IEEPA by prohibiting him from restricting "directly or indirectly, the importation from any country, or the exportation to any country, whether commercial or otherwise, regardless of format or medium of transmission, of any information or informational materials, including but not limited to, publications…."

A 1994 amendment to IEEPA clarified Congress's intent that "no embargo may prohibit or restrict directly or indirectly the import or export of information that is protected under the First Amendment to the U.S. Constitution."

The language of the Berman Amendment was incorporated into an Executive Order, issued by President Clinton in 1997, that prohibited "the importation into the United States of any goods or services of Iranian origin or owned or controlled by the Government of Iran, *other than information or informational materials*…."

Nevertheless, in 1989 OFAC issued regulations that embodied a puzzling qualification to the "information and informational materials" exemption: they prohibited all "transactions related to information and informational materials *not fully created and in existence at the date of the transactions, or to the substantive or artistic alteration or enhancement of informational materials*, or to the provision of marketing and business consulting services."

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Treasury Department Regulations Threaten Publishing Activities

(Continued from page 45)

OFAC: Embargo Rules Apply to Editing Scientific Publications

OFAC appeared to go even further in its September 30, 2003 letter to IEEE relating to manuscripts from Iranian authors. OFAC stated therein that even such activities as "the reordering of paragraphs or sentences, correction of syntax, grammar, and replacement of inappropriate words" in an Iranian article were prohibited. Further, apropos of peer review, OFAC stated that selection by a U.S. entity of reviewers and facilitation of review by its members of an Iranian manuscript "for the purpose of collaborating with Iranian authors on manuscripts resulting in substantive enhancements or alterations to the manuscript, would be prohibited."

Strangely, though, OFAC opined that unaltered, or "camera-ready," materials, were exempt. Needless to say, it is difficult to imagine how exempting the publication of "camera-ready" materials, while prohibiting any substantive alteration, could possibly serve the national security interests IEEPA is intended to advance.

Since becoming aware of the long-unnoticed OFAC regulations, a number of publishing entities have begun engaging in self-censorship – refusing to interact in a variety of contexts with authors and other entities in embargoed countries – rather than risk severe criminal and/or civil penalties. According to the IEEE, one organization has refused to send any publications to embargoed countries.

Others now agree to accept for publication only manuscripts submitted from embargoed countries that arrive in publishable form. And, it should be noted, the effects of the regulatory scheme extend beyond scientific and scholarly publishing; projects to translate literary works by, for example, Iranian authors also appear to be implicated.

Regulations Are a Prior Restraint

In addition to having no basis in the statutory authority delegated to the President, the OFAC regulatory scheme constitutes an unconstitutional prior restraint: it prohibits constitutionally protected publishing activities absent a license; it provides no criteria pursuant to which licensing decisions shall be made; it imposes no time restrictions on such determinations; and it contains no provision for prompt judicial review.

Illustrative of the problems, ten months passed before OFAC issued its September 30, 2003 opinion, and OFAC's request for a license remains pending.

Notably, Representative Berman recently weighed in on the controversy and rebuked OFAC. In a strongly worded March 3, 2004 letter to Richard Newcomb, OFAC's director, Berman stated that "the guidance issued by OFAC on this matter – and the underlying regulations on which it is based – are clearly inconsistent with both the letter and spirit of the law."

Against the backdrop of the First Amendment and, in particular, the need for "a robust peer review process" in scientific scholarship, Berman wrote, OFAC's interpretation of the statutory language was "patently absurd." He continued: "It is my understanding that OFAC's narrow and misguided interpretation of the law has threatened the publication of a number of worthy manuscripts, including a book of poems written by Iranian dissidents."

He added: "I fail to see how this serves the interests of the United States in any way, shape or form." It remains to be seen whether OFAC can be persuaded to reverse course by anything short of a court order.

Jonathan Bloom is Counsel, and Mark J Fiore, an associate, at Weil, Gotschal & Manges in New York.

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