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UK Court of Appeal Dismisses Saudi Libel Claim Against Dow Jones

Suit over limited publication would be an abuse of process

By Stuart Karle

In a February 3 decision that may start making the libel courts in London safe for publishers with limited circulation in England and Wales, the English Court of Appeal effectively ended a libel action against Dow Jones & Company that was based on five hits by UK-based subscribers on a PDF image available to subscribers to the *WSJ.com* website. *Youssef Jameel v. Dow Jones*, [2005] EWCA Civ. 75 (Phillips, Sedley, Parker, JJ.).

Noting that the case raised issues of particular significance for internet publishers, the Court unanimously held that a libel suit in the High Court over an item published globally, but with such a limited circulation within the jurisdiction, was an abuse of process and permanently stayed the case. The Court overturned a ruling by the trial judge and permanently stayed the action while awarding Dow Jones 2/3 of its costs on the application and appeal. The claimant's counsel has stated that his client will not be appealing the decision.

Background

The claimant was Youssef Jameel, a Saudi Arabian living in the Emirates who has no residence in the United Kingdom. Jameel complained about an article posted on *WSJ.com* reporting on a document U.S. prosecutors had filed in a terrorism and fraud case in Chicago against the head of U.S. charity accused of helping to finance Al Qaeda.

The document, labeled the "Golden Chain" by prosecutors, was a list of 20 prominent Saudis who prosecutors said in papers were early financiers of Osama bin Laden. Jameel's name did not appear in the article, but the phonetic equivalent of his name did appear in the Golden Chain itself.

A PDF image of the government's Golden Chain exhibit was posted on the website and could be accessed by clicking on a link embedded in the article; the link quoted the prosecutor's description in its brief to the District Court in Chicago

of the Golden Chain. While the article was published in all print editions of the *Journal* around the world, the image of the Golden Chain was published only on the website.

The article, along with PDF, had been posted on the website March 18, 2003, and remained on *WSJ.com* through some time in July 2003, when it was moved to the *Journal's* archives, which are available through the database distributor Factiva. Those archives never include PDF images, and therefore the link to the Golden Chain was no longer available at the time Jameel filed his lawsuit, or since.

The Court unanimously held that a libel suit in the High Court over an item published globally, but with such a limited circulation within the jurisdiction, was an abuse of process.

Trial Court Ruling

In the summer of 2004, Mr. Justice Eady of the High Court had struck out much of Dow Jones' defense to the libel action. In particular, he rejected Dow Jones' pleading that Jameel would be unable to prove a substantial tort had occurred within the jurisdiction because an examination of Dow Jones' records proved that only five subscribers who had provided addresses within the court's jurisdiction had accessed the Golden Chain PDF. The evidence showed that of those five subscribers, three worked for the claimant either as his lawyer or in a business controlled by a family trust.

Court of Appeal Ends Lawsuit

The Court of Appeal stayed the lawsuit - thereby effectively killing it - because the small publication within the court's jurisdiction was insufficient to justify the expenditure of the High Court's resources on hearing Jameel's libel claim. As the Court of Appeal summed it up, if the case were tried and Jameel won, he could perhaps claim vindication of his reputation,

but both the damage and vindication will be minimal. The cost of the exercise will have been out of all proportion to what has been achieved.

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The game will not merely not have been worth the candle, it will not have been worth the wick.

¶ 69.

The court quoted with approval Lord Justice Hoffmann's minority opinion in *Berezovsky v. Forbes* describing those libel plaintiffs as:

forum shoppers in the most literal sense. They have weighed up the advantages to them of the various jurisdictions that might be available and decided that England is the best place in which to vindicate their international reputations. They want English law, English judicial integrity, and the international publicity which would attend success in an English libel action.

¶ 65.

But the High Court could not under English law make an affirmative declaration of falsity even had Jameel prevailed at trial, and therefore the most Jameel could get from a trial would be "very modest damages indeed. These should reflect the fact that the publications can have done minimal damage to the claimant's reputation." ¶ 68.

Such a tiny award would have followed a "lengthy and expensive trial" that would have been necessary to hear Dow Jones' defense that the publication of the PDF image was justified under the qualified privilege established in *Reynolds*. The Court of Appeal explicitly rejected the claimant's entreaty that he be allowed to proceed even though publication within the jurisdiction was limited because if he won he would be able to "vindicate" his reputation throughout the world. ¶ 66.

Limited Publication in the UK

The Court of Appeal at no point relied on Jameel's lack of a residence in the UK or his Saudi citizenship to support its decision to permanently stay his lawsuit, focusing only on the limited publication within the jurisdiction.

The Court did not explicitly quantify the amount of circulation in England that would have been sufficient to justify continuing the action in the High Court, but it did

quote with approval *Chadha v. Dow Jones*, in which a lawsuit against *Barron's* by a Californian was dismissed on *forum non conveniens* grounds. Of the approximately 300,000 copies of the print edition of *Barron's* that included the article at issue in that case, 1,257 had been sold in England.

WSJ.com charges its subscribers, and therefore has name and address information that must match with a credit card. This was obviously a great advantage in tracking the actual hits on the article from UK-registered subscribers. Websites that don't charge but that collect address information from users that can be used to show limited circulation within England and Wales should be able to make the same point.

Internet publishers should focus on including as persuasively as possible whatever information they have about hits from within England in response to the letters plaintiffs' libel lawyers are pretty much required to send publishers before filing lawsuits in the High Court. Putting plaintiffs on notice that they may face a serious prospect of their case being tossed from the High Court on the grounds of abuse of process, and being tagged with a costs bill, may discourage the more ridiculous forum shoppers from trying out the English courts.

The Court made clear that a challenge to a libel claim as an abuse can be made at the beginning of the proceedings as well. In fact, Jameel's counsel had claimed that by not making an application to set aside service on the grounds of *forum non conveniens* - an application that must be filed within 14 days of the defendant filing an appearance - Dow Jones had effectively waived any challenge that the case was an abuse of process.

The Court of Appeal rejected that argument, although it noted that "had a *forum non conveniens* application been made to set aside service out of the jurisdiction, it should have been granted as there was no real and substantial tort within the jurisdiction."

This holding undercuts the decision of Justice Eady in *Harrods v. Dow Jones* in 2003 rejecting a *forum non conveniens* application that had been based in part on the limited circulation in England of an article that was published in the print U.S. edition of the *Journal* and on *WSJ*.

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com. Justice Eady held in *Harrods* that because there was no such thing as *de minimis* publication, only a single downloading of an article in England, even as against 1.8 million print copies in the United States, was sufficient to justify the High Court hearing that case. (Dow Jones ultimately won a jury verdict in that case.)

The Court of Appeal rejected Jameel's claim that his effort to obtain an injunction against further publication of the Golden Chain justified the continuation of his lawsuit. The Court noted that Dow Jones had argued as an "American news organisation," that it was and must be free

to report both in the US and world-wide two things. First of all, the fact of the existence of a document of major public importance (that is the list; the golden chain list itself) and, secondly, what the US Government has repeatedly said about it in public, having itself, that is the government, put the document into the public domain.

¶ 73.

Putting aside whether the High Court could issue an effective order that would bar global republication by Dow Jones of the Golden Chain, the Court of Appeal found that it was unlikely that Dow Jones would report on the document with the same accompanying article, and it was impossible to anticipate how the document would become relevant to future coverage. Based on that finding, the Court of Appeal held that the prospect of an injunction could not have motivated the action and was not a likely enough outcome of the case to justify allowing it to continue.

Online Archives

Perhaps the most important potential the case holds is to provide a foundation for protecting electronic archives, which had been badly exposed in the English Court of Appeal's 2001 decision in *Loutchansky v. The Times Newspapers Ltd*, [2001] EWCA Civ 1805 (2001).

In that case, the Court of Appeal held that each downloading of an article from a database amounted to a new publication, and therefore a new tort under the multiple publication rule that applies in libel cases in England and throughout the Commonwealth.

The effect of that decision was that all of the publisher's defenses would have to be examined as of the date of the downloading from the database, not from the date an article was first published.

The impact on publishers was clear from the facts in *Loutchansky*. The plaintiffs had sued over publication of an article in the print edition of the *Times*. Several months later, after the *Times* had filed a defense to the libel claim that did not plead truth, or "justification" in

English terms, but instead pleaded a *Reynolds* qualified privilege based on the importance of the article, the quality of the journalism and a belief in the truth of the article, the plaintiffs downloaded the same article from the on-line archives of the *Times* and sued on that new publication.

The *Times* again pleaded qualified privilege but both the trial court and the Court of Appeal dismissed the defense because at the time of the downloading the *Times*, by failing to plead justification in defense of the claim against the print publication, had essentially admitted that it did not have a reasonable basis for believing the article true.

Therefore, the Court of Appeal held, the *Times* could not *as a matter of law* have had a good faith belief in the truth of its article at the time it was downloaded from its database, and so could not plead a qualified privilege defense.

Loutchansky created the nightmare scenario that scattered downloads – perhaps induced by plaintiffs – of older articles from databases would expose publishers to libel claims for failing to edit older articles in light of subsequent events. The Court of Appeal even noted this threat at the time, but dismissed it because while the maintenance of archives "whether in hard copy or on the internet, has a social utility," it is "is a comparatively insignificant aspect of freedom of expression."

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Perhaps the most important potential the case holds is to provide a foundation for protecting electronic archives.

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The holding in *Jameel* requiring some substantial publication to justify expending the resources of an English court in hearing a libel claim should be argued to have substantially limited the holding of *Loutchansky*. Individual articles that are weeks or months old are accessed relatively rarely from most databases, and therefore it should be argued that such publications simply aren't substantial enough to justify the expenditure of court resources.

In addition, because most news organizations charge for access to archived articles, either directly or through services like Factiva or Nexis, publishers should be in a better position to prove the limited downloading of archived articles in the jurisdiction of the English High Court.

Publication Rule

In a holding of great sentimental value to any libel defense lawyer who has worked on a case anywhere in the Commonwealth, the Court of Appeal also heaped scorn on one of the foundations of "modern" English libel law, *Brunswick v. Harmer*. This was the case from 1849 that established the multiple publication rule, and based upon which legions of Commonwealth judges, including the High Court of Australia in *Gutnick v. Dow Jones*, held not only that each accessing of an article is a new publication, but that even a single publication justifies the expenditure of court resources to allow a libel plaintiff to "vindicate" his reputation. No longer.

As the Court of Appeal stated in *Jameel*:

We do not believe that *Brunswick v. Harmer* could today have survived an application to strike out for abuse of process. The Duke himself procured the republication to his agent of an article published many years before for the sole purpose of bringing legal proceedings that would not be met by a plea of limitation. If his agent read the article he is unlikely to have thought the Duke much, if any, the worse for it and, to the extent he did, the Duke brought this on his own head. He acquired a technical cause of action but we would today condemn the entire exercise as an abuse of process.

¶ 56.

Conclusion

Any publisher seeking to rely on the holding of *Jameel* in the Commonwealth will need to be careful in explaining the legal basis for the Court of Appeal's holding that the case was an abuse. The Court first cites the Civil Procedure Rules in England, the "overriding objective" of which "requires an approach by the court to litigation that is both more flexible and more pro-active." ¶ 55.

Much of the Commonwealth has moved toward the concept of active case management to move cases along more efficiently, so the Court of Appeal's reliance on that concept may well be persuasive as a matter of common law throughout the Commonwealth.

The Court of Appeal also states that it is relying on the "Human Rights Act ... [which] requires the court, as a public authority, to administer the law in a manner which is compatible with Convention rights..." ¶ 55.

The problem with this outside of England is that decisions based on the Human Rights Act and the European Convention are frequently considered less persuasive as developments in the common law. (For example, the courts of Australia and other Commonwealth jurisdictions have made clear that they do not consider *Reynolds* a common law development that should be followed.)

Only an unthinking optimist would believe that the Court of Appeal's decision in *Jameel* will be adopted expansively and quickly by the judges who hear libel actions in the Royal Courts of Justice on the Strand.

But if the Court of Appeal remains willing to think seriously about these issues and the press is persistent and consistent, perhaps the English law of libel will finally start adapting to the realities of global publication over the internet.

Stuart Karle is inside counsel at Dow Jones and represented the company in this action together with Mark Stephens, Finers Stephens Innocent, in London and barristers Gavin Millar QC and Anthony Hudson of Doughty Street Chambers. Plaintiff was represented by solicitors Carter-Ruck and barristers James Price QC and Justin Rushbrooke of 5RB.

House Of Lords Rules that a Fugitive Can Give Evidence by Video-Link

By David Hooper

On February 10, 2005, the House of Lords decided by 3 to 2 to permit film director Roman Polanski to give his evidence by video from a luxurious hotel in Paris rather than a witness box in the Royal Courts of Justice in London in the libel action he is bringing against Condé Nast regarding an anecdote about him published in a *Vanity Fair* feature about Elaine's, a well-known New York restaurant. *Polanski v. Conde Nast Publications Ltd.*, [2005] UKHL 10.

Background

Polanski's reluctance to step on the Eurostar to London arises out of the fact that in August 1977 he had pleaded guilty before a California court to a charge of unlawful sexual intercourse with a girl aged 13. He was aged 43 at the time.

He spent 42 days in the state penitentiary undergoing tests ordered by the court. He was then released on bail but fled in February 1978 and has lived in France ever since. As a French citizen, he cannot be extradited from France to the U.S., but he could be arrested in England on an American fugitive warrant.

The article published in *Vanity Fair* magazine in 2002 was all about New York restaurateur Elaine Kaufman, and the New York cultural scene and had no connection with England.

Despite not having set foot in England since February 1978 for fear of being arrested, Polanski, like many forum-shoppers before him, chose to sue in England over his English reputation. Fifty three thousand copies of *Vanity Fair* were sold in England and Wales in mid-2002 compared to 1.13 million copies circulating in the United States.

It was a curious feature of this case that Polanski did not sue in France where *Vanity Fair's* circulation was 2,500 copies, where there is a perfectly serviceable law of libel and where he lives unextradictably. Although his claim is limited to the UK copies, effectively he seeks an international vindication of his reputation by seeking an award of damages in England.

Decisions Below

The Judge at first instance, Mr Justice Eady, like the other judges, recognised the unattractive nature of Polanski's application. But he felt on balance that since video-link evidence was allowed with the permission of the court under the Civil Procedure Rules and as modern technology ensured that evidence given by video-link was now technically comparable to that given in court, it would be preferable to permit Polanski to give his evidence by video-link than to let him give evidence by a written statement or not to let him give evidence at all.

He rejected the argument that it was an affront to justice to allow a convicted fugitive sex offender to have the indulgence of being able to give his evidence by video link so as to avoid the attentions of the California District Attorney in London.

The Judge felt that Polanski would probably be at a net disadvantage by not being physically in front of the jury and, of course, hav-

ing to explain why he was not there.

Furthermore, Polanski will have the disadvantage that he will have to bear the sizeable costs of the video-link, which he proposes to maintain for the entirety of the five-day trial, now likely to take place in July 2005. (The procedure relating to video conferencing links is set out in Civil Procedure Rule 32.3 and the VCR guidance is to be found in Annex 3 of the relevant Practice Direction.)

In the Court of Appeal, however, the three judges had no doubt whatsoever that they should reject Polanski's application to give evidence by video-link as an affront to justice. No libel action had ever been fought in the plaintiff's absence, although there had been a case where the actor John Cleese had, by consent, given evidence from Los Angeles by video-link simply on the issue of damages.

Lord Justice Simon Brown (subsequently appointed to the House of Lords) ruled "clearly the court's general policy should be to discourage litigants from escaping the normal processes of the law rather than to facilitate it." Lord Justice Jonathan Parker observed that if Polan-

The House of Lords decided by 3 to 2 to permit film director Roman Polanski to give his evidence by video from a luxurious hotel in Paris.

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ski had been a fugitive from UK justice, it was inconceivable he would have been allowed to conduct litigation in the UK via VCF solely to enable him to continue to escape the consequences of his conviction.

The same principle, he ruled, should apply to a fugitive from US justice. It was pointed out that he could have brought his action in France and that it was entirely his decision as to whether he comes to this country to give evidence.

House of Lords Decision

By a majority of 3-2 the House of Lords reversed this ruling. Ironically this meant that 5 of the judges who had heard the argument would have disallowed Polanski's application to give his evidence by video-link as opposed to the 4 who allowed it.

The majority view of Lord Nicholls and Lord Hope, supported by Baroness Hale started from the basis that Polanski was entitled to sue in the UK. He was not disqualified by his fugitive status. It was therefore a question of not whether but how the case should be tried.

Giving evidence by video-link was expressly permitted by the Civil Procedure Rules and was not to be viewed as an indulgence. Whatever ruling they made Polanski would remain a fugitive and a fugitive should not be deprived of access to the English courts.

They felt it would be disproportionate to deny even a fugitive access to justice and that one should not distinguish between different classes of litigants. The granting of an order allowing Polanski to give his evidence by video-link would not help him escape from the normal processes of law, nor would refusing to grant the order do anything to assist them.

The fact that the Claimant wished to remain outside the UK to avoid the normal processes of law in this country is not, in the view of Lord Hope, a ground to decline to allow him to remain abroad and give his evidence by video-link.

The dissenters, Lord Slynn and Lord Carswell, had no doubt that it was wrong to allow Polanski's application where the sole reason for seeking to give evidence by video-link was his desire to avoid the risk or likelihood of arrest and extradition and to escape sentence and punishment in the USA for an admitted offence.

There was a public policy ensuring that those who were convicted should be returned to carry out their sentences. Polanski should not be allowed to litigate on special terms. The court had the power to prevent the misuse of its procedure in a way which would bring the administration of justice into disrepute. Lord Carswell considered that granting this application would bring the administration of justice into disrepute and would affront the public conscience.

Polanski was entitled to sue in the UK. He was not disqualified by his fugitive status. It was therefore a question of not whether but how the case should be tried.

Conclusion

In another case, Grigor Loutchansky, a Latvian litigant whose presence in England the UK authorities had deemed contrary to the public good, had to obtain special permission from the UK Home Office to enter the country to give evidence in his libel action against the *Sunday Times*. He at least wanted to come to the UK.

Now England is theoretically open to any fugitive from justice to have his day — if not exactly in court — at any rate in front of his securely-based video camera in the haven of his choice.

In the month that has seen the decision of the European Court of Human Rights in the *McLibel* case, it is still instructive to quote the aside of the trial judge in that case, Mr Justice Bell who sat through 313 days of hearings. In his other judicial and legal experience, the judge found that common sense provided the answer 90% of the time. In the other 10% it did not. These figures were, he observed, reversed in libel.

David Hooper is a partner with Reynolds Porter Chamberlain in London and represents Condé Nast in this matter. Polanski is represented by Schillings.

Galloway Decision Underscores *Reynolds* Emphasis on “Responsible Journalism”

By Amber Melville-Brown

In *Galloway v. The Daily Telegraph* [2004] EWHC 2786 (QB Dec. 2, 2004), (available online [here](#)) the English libel judge Mr. Justice Eady awarded £150,000 damages to George Galloway, Member of Parliament and anti-Iraq war campaigner, over the publication of allegations contained in and concerning documents found by a *Telegraph* journalist in the badly damaged offices of the Iraqi Foreign Ministry in Baghdad.

The decision has raised concerns in media circles because it disallowed the *Reynolds* qualified privilege defense and a separate defense that the newspaper’s articles were mere neutral reportage of newsworthy allegations about a prominent public official.

The *Reynolds* qualified privilege defense was welcomed in media circles at its birth as making England’s “draconian” libel laws fairer. But some now fear that its application in *Galloway* was too severe and inconsistent with the current jurisprudence in the European Court of Human Rights (ECHR), particularly in light of the recent case of *Selisto v. Finland* which found that even one-sided reporting of newsworthy allegations could be protected. See *MediaLawLetter* Nov. 2004 at 53.

Background

In 2003, *The Daily Telegraph* published a series of articles that reported in full, with editorial comments, the contents of documents found in the Iraqi foreign ministry. Mr Galloway insisted the documents were fakes and were defamatory of him.

Mr Justice Eady found that the meaning of the articles was that:

- Galloway had been in the pay of Saddam Hussein, secretly receiving sums in the region of £375,000 a year,
- He had diverted monies from the oil-for-food programme depriving Iraqi people, whose interests he claimed to represent, of food and medicine,
- He probably used the Mariam Appeal, a charity he founded, as a front for personal enrichment, and
- What he had done was tantamount to treason.

Reynolds Defense

The newspaper did not seek to prove the allegations true, but sought to rely on the *Reynolds* qualified privilege defense, arguing that “the public had a right to know the content of the documents ... even if it was defamatory of the Claimant and irrespective of whether the factual content was true or not.”

In summary, the *Reynolds* qualified privilege defense protects the publication of false and defamatory allegations where they are published in the public interest, there is a duty to report the matter to the public and the reporting is done responsibly.

Neutral Reportage Defense

The defendants also argued that their articles were no more than neutral reportage of newsworthy allegations about a prominent public official, citing the recent ECHR case of *Selisto v. Finland*, No. 56767/00 (ECHR Nov. 16, 2004). There the ECHR found that where an article is “full, fair and disinterested” reportage, the publisher is entitled to avoid the repetition rule and publish documents the truth of which it cannot justify if it is in the public interest to do so.

In *Selisto*, a Finnish court fined a newspaper for reporting on allegations that a doctor had operated on a patient while drunk. The newspaper used statements made in the official investigation of the patient’s death.

The ECHR found that the fines imposed upon the journalist and publisher breached their Article 10 rights even where they could not prove the truth of the allegations in the documents. “In the court’s opinion no general duty to verify... statements contained in such documents can be imposed on reporters and other members of the media, who must be free to report on events based on information gathered from official sources. If this were not the case the efficacy of Article 10 of the Convention would to a large degree be lost.”

Maintaining that it should be similarly protected, *The Daily Telegraph* argued that any decision against it and disallowing it from reporting the Iraqi documents would be inconsistent with the European Convention of Human Rights.

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Galloway Decision Underscores *Reynolds* Emphasis on “Responsible Journalism”

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But Mr Justice Eady did not agree. In contrast to *Selisto*, in his view *The Daily Telegraph* fell down both with regard to the status of the documents, and the tone adopted by the newspaper.

“It is perhaps ironic,” he said, “that *The Daily Telegraph* should pray in aid the documents’ status at the same time as decrying Saddam’s intelligence service as being one of the most sinister and feared organisations in the world.”

He went on to find that the tone adopted by the newspaper had not been neutral; not only did they adopt the allegations, they “embraced them with relish and fervour. They then went on to embellish them....”

Reynolds Defense Rejected

Considering each of the ten of Lord Nicholls’ *Reynolds* criteria in turn and applying them to the specific facts of the case, Mr Justice Eady found the newspaper could not assert the defense of qualified privilege.

For example, with regard to the perishable nature of news, he accepted that there is a certain urgency for newspapers to maintain their “scoop” but found that there was no need in this case to rush to publication without verifying the facts given that the story “would be of interest at any time.”

In particular, Mr. Justice Eady found that the newspaper failed to obtain adequate comment from Galloway prior to publication. While the newspaper had interviewed Gallo-

way shortly before publication, it did not give him copies of the documents or read them to him. Thus Galloway had no meaningful opportunity to respond to serious allegations.

With regard to the tone of the articles – an important factor in a *Reynolds* analysis - he found it “dramatic and condemnatory.”

In conclusion, Mr. Justice Eady did not find that the newspaper had been under a duty to publish to the public at large the allegations in the way that it had. Accordingly, the *Reynolds* defense had not been made out.

Conclusion

The decision is a reminder to those publishing in the UK of the need to review the status of documents on which they seek to report on, the tone in which they choose to present the information and the whether a real opportunity is given to the subject to respond to the charges.

If complied with fully, *Reynolds* can still provide a very important defense. But if these key factors are not followed, English courts are highly unlikely to find that the newspaper published responsibly.

The Telegraph will seek leave to appeal the decision.

Amber Melville-Brown is a lawyer with David Price Solicitors & Advocates in London.

Qualified Privilege Defense Rejected in Lance Armstrong’s Libel Suit

In another high-profile libel case in London, Judge Eady ruled that the *Sunday Times* had no chance of successfully raising the *Reynolds* qualified privilege defense in a lawsuit brought against the paper by cyclist Lance Armstrong. *Armstrong v Times Newspapers Ltd & Others* [2004] EWHC 2928 (Dec. 17 QB).

At issue is a June 2004 article about Armstrong entitled “LA Confidential” that discussed allegations that Armstrong has taken performance enhancing drugs. Among other things, the article stated “there are those who fear that a man who has won five Tours de France in a row [now six] must have succumbed to the pressure of taking drugs.”

Striking out the qualified privilege defense, Mr. Justice Eady found that the newspaper had not sufficiently verified the information or contacted Armstrong for comment, that the allegations were “rumor and speculation,” and found that the article had a “sensational” tone designed to “stir things up.”

Armstrong is represented by barristers Richard Spearman QC and Matthew Nicklin, 5RB; and the firm Schillings. The Times is represented by barrister Heather Rogers; and solicitor Gillian Phillips.

“McLibel” Campaigners Win Their Legal Aid Battle in Strasbourg

By Dominic Ward

In the last round of a legal battle lasting 15 years, Helen Steele and David Morris, two environmental campaigners, were told on 15 February 2005 by the European Court of Human Rights that they should have been given legal aid to fight the food giant McDonalds after they were sued for libel for distributing in 1986 a six-page leaflet criticising the company entitled “What's Wrong with McDonalds?” *Steele & Morris v. United Kingdom*, No. 68416 (ECHR).

At the libel trial (the longest in English legal history, at 313 days) McDonalds had won libel damages of £60,000 (reduced to £40,000 on appeal). The pair, dubbed the ‘McLibel Two’ by the media, had in the alternative: denied publication; taken issue about the meaning of the leaflet and whether statements in it were defamatory; and contended that the words were substantially true or else were fair comment on matters of fact.

They appealed to the European Court of Human Rights in Strasbourg, arguing that UK libel laws operated against them and in favor of companies like McDonalds – legal aid is not available to parties to libel claims and they had been forced largely to represent themselves throughout the original trial and, albeit with some pro bono assistance, in their appeal.

ECHR Issues

The issues before the ECHR were:

- (1) Whether the unavailability of legal aid for defamation meant that the applicants had been denied their rights to a fair trial under Article 6. The ‘McLibel Two’ argued that denial of legal aid had deprived them of their right to a fair trial under Article 6(1) of the European Convention on Human Rights. At the outset of the original proceedings, the applicants had applied for legal aid. That application had been declined in 1992 under the terms of the Legal Aid Act, 1988.
- (2) Whether the proceedings and their outcome infringed their right to freedom of expression under Article 10. The ‘McLibel Two’ argued that the domestic proceedings and their outcome were disproportionate given that they had borne the burden of proving the truth of

the matters set out in the leaflet, despite the fact that those matters concerned issues of significant public interest and that the legal burden of proof was likely to restrict the free and open discussion of such issues. As such, they argued, the proceedings were contrary to Article 10.

Fair Trial & Free Expression Rights

In an unanimous decision, the ECHR held that the denial of legal aid to the applicants was in violation of Article 6(1). In particular, the applicants had been deprived of the opportunity to present their case effectively before the court given

- (1) the financial and legal resources available to McDonalds compared to the resources of the applicants;
- (2) that the applicants did not choose to commence defamation proceedings but, rather, were seeking to protect their right to freedom of expression in contesting the action;
- (3) the potentially serious financial consequences for the applicants in terms of damages (particularly in comparison with the respective incomes of the applicants); and

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“The inequality of arms could not have been greater.”

Cayman Island Court Refuses Service on U.S. Publisher

In an interesting decision, a court in the Cayman Islands refused to permit service abroad on a Florida-based financial newsletter publisher. *Condoco Grand Cayman Resort Ltd. v. KYC News, Inc.*, Cause No. 227 (Grand Court Cayman Islands Jan. 17, 2005) (applying UK law). The plaintiff, a local developer, wanted to sue the defendant for breach of confidence for publishing details of a financing deal for a hotel and condo project on the island.

While the court found that plaintiff had stated a claim for breach of confidence, it held there were no grounds for service abroad since plaintiff suffered no damage and a request for an injunction against the publisher would be unenforceable in the U.S.

“McLibel” Campaigners Win Their Legal Aid Battle

(Continued from page 11)

(4) the scale and complexity of the legal, procedural and evidentiary matters involved.

The Court also found that there was a strong public interest in a democratic society in enabling even small and informal campaign groups to contribute to the public debate by disseminating information and ideas on matters of general public interest such as health and the environment. The high level of protection afforded under Article 10 was not, therefore, exclusive to the mainstream press.

Although the burden of proof under English defamation law (and its recognition that multinational companies can maintain a cause of action to protect their reputation) were not in principle contrary to Article 10, it remained incumbent on the State to ensure that a measure of procedural fairness and equality of arms was provided for in order to safeguard the countervailing interests in free expression and open debate.

Similarly, any award of damages must bear a reasonable relationship of proportionality to the legitimate aim of protecting a corporate entity’s reputation.

In the circumstances, having considered the procedural unfairness already highlighted (together with the lack of any proven financial loss on McDonalds’ part), this balance had not been struck and the applicants’ Article 10 rights had been accordingly violated.

Indeed, the court noted in reciting the facts that “the inequality of arms could not have been greater.”

Conclusion

It has been observed that the case pre-dated the introduction of the Access to Justice Act 1999 and that, as a consequence, it is questionable how relevant the judgment may be in the current legislative landscape. Now there is the possibility of obtaining funding under a conditional fee arrangement or the discretionary provision under the 1999 Act to enable “exceptional funding” of “exceptional cases.”

Some therefore question whether the ECHR’s judgment will provoke substantive reconsideration of the issue of whether litigants in defamation proceedings are entitled to legal aid. Others have suggested that logically it should follow that legal aid becomes available to certain categories of non-media defendants only, on the basis that they do not choose to become involved in libel proceedings and have a right to protect their right to freedom of expression.

While commentators’ views about the potential significance of the result vary, the Department of Constitutional Affairs has confirmed that it is “studying the judgment very carefully.”

Dominic Ward is a media lawyer at Finers Stephens Innocent. Mark Stephens, Finers Stephens Innocent, and Kier Starmer, Doughty Street Chambers, represented the applicants at the ECHR.

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Canadian Court Hears *Bangoura* Appeal

The Ontario Court of Appeal heard arguments earlier this month from the *Washington Post* and a coalition of over 50 “global media giants” in an appeal that is being closely watched for its potential impact on free speech on the Internet. *Bangoura v. Washington Post*, No. C41379 (Ontario Court of Appeal, oral argument Mar. 8, 2005).

A lawyer at the hearing described the Court as “receptive” to the media’s argument that taking jurisdiction in the case threatens the freedom of the press.

Background

The *Washington Post* and the media coalition are seeking to overturn a decision of the Ontario Superior Court allowing jurisdiction in Ontario over a libel suit brought by Cheikh Bangoura, a former senior official with the United Nations against the *Washington Post* (“*Post*”). *Bangoura v. The Washington Post*, (2004) 235 D.L.R. (4th) 564 (SCJ).

Bangoura is seeking \$9 million in connection with two allegedly libelous articles published in the *Post* that were accessible through the *Post*’s website for a 14-day period in 1997.

At the time the articles were published, the *Post* had only seven subscribers in Ontario, and presented evidence that the only individual to access the article through the *Post*’s online archives was the plaintiff’s counsel. Although Bangoura himself did not move to Ontario until June 2000 – more than three years after the articles appeared – the court denied the *Post*’s motion to dismiss for lack of a substantial connection with the forum, stating that “those who publish via the Internet are aware of the global reach of their publications, and must consider the legal consequences in the jurisdiction of the subjects of their articles.”

On appeal before Ontario Court of Appeal Justices Armstrong, McMurty, and Lang, the *Post*, along with the media coalition, argued that upholding the trial court’s judgment would expose any publisher with an online presence to the risk of facing liability before a court anywhere in the world for material published on a website regardless of the publisher’s other contacts with the forum.

Such holding would result in the media being constantly unsure of the standards that might be applied to a publication, and would thus “discourage and inhibit a free flow of information” as media entities become constrained by what they feel they can safely publish and employ means of restricting access to online information in an effort to avoid liability.

The media coalition argued in a written brief that such decision fails to comply with the test adopted by the Supreme Court of Canada for determining jurisdiction, which looks to whether there is a “real and substantial connection” between the case and the jurisdiction, and “raises the issue of whether it was ‘reasonably foreseeable’ that a foreign defendant could face litigation in the forum at issue.”

The Court of Appeal reserved its decision in the matter. Paul Schabas, Blake, Cassels & Graydon, argued on behalf of the *Washington Post*. Brian MacLeod Rogers argued on behalf of the media coalition. The plaintiff was represented by Kikélola Roach.

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Belgium Enacts Reporters' Privilege Law

Protection Adopted in Wake of Tillack Case

The Belgian Chamber of Deputies unanimously approved a law that protects journalists from being compelled to disclose their sources. The law, passed on March 17, 2005, would require journalists to reveal the identity of sources only in criminal cases to prevent serious physical injury.

Such disclosure, however, must be ordered by a court upon showing that the information is of "crucial importance" to prevent the crime and may not be obtained elsewhere.

An unofficial translation of the law by Professor Dirk Voorhoof, professor of Media Law and Journalistic Ethics at Ghent University, is available at: www.psw.ugent.be/dv/.

The law defines a journalist as someone who regularly contributes to the "gathering, editing, production or distribution of information" to the public, either as an employee or as an independent contractor. The unofficial translation does not make any reference to a news organization or media company in defining a "journalist." The law also covers editorial staff who may have information relating to the identity of sources.

Unless required in a criminal case, the law explicitly prohibits authorities from conducting searches and tapping telephones as a roundabout way of obtaining the information. It further protects journalists from prosecution for refusing to divulge sources and also for any complicity in violation of professional secrecy by a third party.

The statute was adopted in the wake of last year's controversial seizure of reporter Hans-Martin Tillack's notes as part of an EU leak investigation with strong parallels to the *Plame* case. See *MediaLawLetter* Nov. 2004 at 33. Next month's *MediaLawLetter* will contain a detailed update on the Tillack case and the impact of the Belgian shield law.

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MLRC REPORTER'S PRIVILEGE SYMPOSIUM TRANSCRIPT

Last November, the MLRC held a symposium on the reporter's privilege. A number of very significant issues were addressed in the symposium. We believe that the members may wish to review the transcript of the symposium and are now making it available for that purpose.

**You may view the Reporter's Privilege Symposium Transcript
on our website, www.medialaw.org**

(You will need to enter your website password in order to gain access to the transcript.
Contact Kelly Chew at kchew@medialaw.org for more info).

U.S. Supreme Court Hears Argument in *Cochran v. Tory* Libel Case

On March 22, the U.S. Supreme Court heard oral argument in *Cochran v. Tory*, 2003 WL 22451378 (Cal. App. Oct. 29, 2003) (unpublished), *cert. granted*, 125 S.Ct. 26 (Sept. 28, 2004) (No. 03-1488), a case centering on post-trial injunctions in libel cases.

This is the first libel case the Court has heard since *Masson v. New Yorker* was decided in 1991. It is a libel action brought by high-profile lawyer Johnnie Cochran against a disgruntled former client.

The defendants picketed outside Cochran's office with signs stating among other things: "Johnnie is a crook, a liar and a Thief." The trial court found the statements to be deliberately false and issued a broad permanent injunction against the defendants, barring them from making *any* public comments at all about Cochran and his firm. A California appellate court affirmed, finding that "although a prior restraint can be presumptively unconstitutional, that rule has no application where, as here, an injunction against a private person operates to redress alleged private wrongs."

Defendants' petition for certiorari presented the question: Does a permanent injunction as a remedy in a defamation action, preventing all future speech about an admitted public figure, violate the First Amendment?

Supreme Court Hearing

Professor Erwin Chemerinsky, Duke University School of Law, argued for the defendant; Jonathan B. Cole, of Ne-

mecek & Cole in Sherman Oaks, California, argued for plaintiff.

Cole sought to defend the injunction as a remedy for what he characterized as essentially extortionate threats. According to news reports, the argument did not play well with the Court with several Justices appearing to side squarely with the defense position that the injunction constituted an impermissible prior restraint.

Justice Sandra Day O'Connor cited *Near v. Minnesota*, stating "You can't square it with the *Near* case at all... It's clearly overbroad." Chief Justice Rehnquist

Justice Sandra Day O'Connor cited *Near v. Minnesota*, stating "You can't square it with the *Near* case at all... It's clearly overbroad."

and Justices Kennedy and Souter appeared to agree. Rehnquist noted that the libel was "a far cry" from a true extortion threat. Kennedy observed that even a more narrowly defined injunction would be impermissible. And

Souter observed that the injunction could be read so broadly to even bar Chemerinsky from speaking about the case to the Court.

Several Justices questioned Chemerinsky about what remedy libel plaintiffs would have against judgment-proof defendants. Chemerinsky stressed that such a broad injunction was flatly unconstitutional and went beyond any alleged defamatory speech by defendant. He also stressed that the statements at issue were not defamatory – an argument that was not taken up by the Court but one which the Court could take up in its decision.

U.S. Supreme Court May Dismiss Libel Case Following Plaintiff's Death

The U.S. Supreme Court may dismiss *Tory v. Cochran* – a case raising the issue of post-trial libel injunctions – following the death last month of the plaintiff, lawyer Johnnie Cochran. Cochran died on March 29 from an inoperable brain tumor. Only seven days earlier the Court heard oral argument in the case.

The issue before the Court was whether a post-trial permanent injunction barring a disgruntled former client and his wife from making any statements about Cochran or his firm violated the First Amendment. At oral argument several Justices appeared to side squarely with the defense position that the injunction constituted an impermissible prior restraint.

Following Cochran's death the Court requested that the parties file supplemental briefs under Rule 35 of the Rules of the Supreme Court which sets out procedures if a party dies during the pendency of a case. See www.supremecourtus.gov/ctrules/rulesofthecourt.pdf.

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**U.S. Supreme Court May Dismiss
Libel Case Following Plaintiff's Death**

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Plaintiff's lawyers, in a filing formally captioned "Suggestion of Death," argue that the case is now moot, that it should be dismissed by the Court and that any questions about the scope or constitutionality of the injunction be decided first by the trial court. Alternatively, they argue that even if the case is not moot, the injunction should be affirmed to prevent the defendant from making "extortionate" demands against Cochran's law firm.

The defendants have asked the Court to decide the case, notwithstanding Cochran's death, because the injunction specifically bars defendants from making statements about Cochran and his law firm. As stated in defendants' brief:

[Defendants] can speak about the Law Offices of Johnnie Cochran or Johnnie Cochran only if they first go to the California Superior Court and seek permission through modification of the injunction. This, of course, is the very essence of censorship.

**Supreme Court Briefs in Cochran v. Tory
and in MGM Studios v. Grokster are available online at:**

www.abanet.org/publiced/preview/briefs/march05.htm

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D.C. Circuit Affirms Contempt Orders in Plame Leak Investigation

Relying on Branzburg the court squarely rejected First Amendment arguments

By Nathan Siegel

In a case of legal déjà vu, the D.C. Circuit applied *Branzburg v. Hayes*, 408 U.S. 665 (1972) to affirm civil contempt orders entered against *New York Times* reporter Judith Miller, *Time* reporter Matthew Cooper and *Time, Inc. In re Grand Jury Subpoena, Judith Miller*, Nos. 04-3138 to 04-3140, 2005 WL 350745 (D.C. Cir. Feb. 15, 2004) (Sentelle, J.).

But much like *Branzburg*, the case produced an unusually divided Court that could agree upon little more than affirming the contempt orders on the particular facts presented. Just as *Branzburg* produced three separate opinions that opened the door to broader recognition of a reporter's privilege under the First Amendment in other contexts, *Miller* produced four opinions that may presage the recognition of a qualified reporter's privilege under federal common law, including grand jury proceedings.

The Subpoenas to Miller, Cooper & Time, Inc.

These cases arise out of Special Counsel Patrick J. Fitzgerald's investigation of the alleged leak of Valerie Plame's identity. Plame was a CIA covert operative whose husband, Joseph Wilson, was sent to Niger to investigate claims that Saddam Hussein sought to purchase uranium from Africa.

Wilson later criticized the Bush Administration's claims about Saddam Hussein's nuclear program. In July 2003 Robert Novak published a column stating that "two senior administration officials" told him that Plame was involved in suggesting her husband for the mission.

Fitzgerald was appointed to conduct a grand jury investigation into whether the leak, which apparently was also circulated to journalists other than Novak, violated a federal law barring the disclosure of the identity of undercover intelligence agents.

Along with several other reporters, Miller, Cooper and *Time* received grand jury subpoenas to testify and produce

documents about their newsgathering concerning the Plame matter, including (presumably) conversations with any confidential sources that may have leaked Plame's name.

Several reporters, including Cooper initially, provided limited testimony about conversations with a specific source who released reporters from any confidentiality agreement. Cooper, along with his employer, was then subpoenaed again for further, broader testimony and documents. Miller never testified at all.

Beyond those skeletal facts, most of the pertinent facts have never been shared with the reporters, their counsel or the public due to grand jury secrecy rules. After the district court denied their motions to quash the subpoenas, the two journalists and *Time* refused to comply with them. *In re Special Counsel Investigation*, 332 F. Supp. 26 (D.D.C. 2004) (Biggs, J.). The district court held them in civil contempt and ordered that Miller and Cooper be imprisoned until they comply. The contempt orders were stayed, pending these appeals.

The three judges could not reach any consensus on the principal questions of law the case presented ... however, all agreed that any qualified privilege that might exist was overcome on the facts of the case.

Unanimity on the Facts, But Division on the Law

The multiple opinions in the case included an opinion of the Court, two separate concurring opinions and another concurring in the judgment only. The three judges could not reach any consensus on the principal questions of law the case presented: whether the appellants have any reporter's privilege to assert under the First Amendment and/or federal common law. However, all agreed that any qualified privilege that might exist was overcome on the facts of the case. Anyone seeking to characterize the import of the decision for future cases, therefore, must carefully parse through each opinion's treatment of each issue.

The First Amendment Claim

The Court's opinion, relying entirely on *Branzburg*, squarely rejects the appellants' First Amendment arguments. Curiously, however, the Court articulates two different lines

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of reasoning to reach that result. At times, the opinion appears to hold that *Branzburg* forecloses the possibility of any journalist ever raising any First Amendment challenge to a bona fide grand jury subpoena. *Miller*, 2005 WL 350745 at *6-7. The Court rejects the argument that Justice Powell's separate concurrence left the door open to possible future First Amendment challenges, noting that Justice Powell also joined the majority opinion. *Id.* at *7.

At the same time, however, the Court's opinion seems to present an alternative rationale, whereby *Branzburg* forecloses any First Amendment challenge because "there is no material factual distinction" between *Branzburg* and these cases. *Id.* at *5. Just as the journalists in *Branzburg* were subpoenaed to provide testimony about crimes they may have personally witnessed, these journalists were also eye-witnesses to an alleged crime.

Thus, the Court noted that even if Justice Powell did intend to recognize some special First Amendment protection from grand jury subpoenas, "that protection cannot possibly extend to appellants" because Powell agreed that none existed on the indistinguishable facts of *Branzburg*. *Id.* at *8.

The concurring opinions' treatment of the First Amendment question suggests that the Court's approach, authored by Judge David Sentelle, may reflect some lingering disagreement among other members of the panel about the reach of *Branzburg*.

Judge Karen Henderson's concurrence, in the context of discussing a possible common law privilege, notes that "even as [the Supreme Court] rejected a reporter's right to withhold testimony from a bona fide grand jury, both the *Branzburg* majority opinion as well as Justice Powell's separate concurrence hint ambiguously at the existence of some special protection for reporters . . ." *Id.* at *18 (Henderson, J., concurring).

Judge David Tatel, concurring only in the judgment, wrote that in his view *Branzburg* does not foreclose all First Amendment challenges to grand jury subpoenas. *Id.* at *20-21 (Tatel, J., concurring in the judgment). However, Judge Tatel found that his view was inconsistent with existing precedent in the D.C. Circuit on the question, and he also agreed that these cases could not be distinguished from *Branzburg* on their facts. *Id.* at *22.

A Common Law Privilege?

The argument for recognition of a reporter's privilege under federal common law provoked the starkest division within the panel. The appellants' arguments for a common law privilege relied on *Jaffee v. Redmond*, 518 U.S. 1 (1996), which recognized a therapist-patient privilege pursuant to the authority Congress granted federal courts in Rule 501 of the Federal Rules of Evidence to develop the federal common law of privilege.

The opinion of the Court simply noted that the Court split three ways on this question: one judge (Sentelle) would reject such a privilege, another would recognize one (Tatel) while the third (Henderson) believed it to be unnecessary to reach the question.

However, all three judges agreed that any privilege that might exist would not be absolute and any qualified balancing test would be overcome on the facts of this case. Therefore, the holding of the Court is simply that if any common law privilege exists, it "does not warrant reversal" in this case. *Id.* at *9. Most of the three concurring opinions explain each judge's separate views about the common law question.

Judge Sentelle Rejects a Common Law Privilege

Judge Sentelle's concurrence categorically rejected the existence of any common law privilege, for two reasons. First, Judge Sentelle read *Branzburg* as foreclosing recognition of a reporter's privilege under any theory, including the common law. *Id.* at *13-14 (Sentelle, J. concurring). Second, Sentelle maintained that any reporter's privilege would require resolving difficult policy conundrums that are more appropriately left to Congress to solve, if it wishes.

In particular, in Judge Sentelle's view, the question of who would be covered by a reporter's privilege presents serious obstacles to adopting one. If the privilege is limited to professional journalists, he argued, courts would in effect be creating an established press. Yet were the privilege to extend broadly to persons such as web bloggers, it could be subject to serious abuse. *Id.* at *15-17.

Judge Tatel Recognizes and Applies a Privilege

Judge Tatel, on the other hand, wholeheartedly embraced a common law privilege. He found that *Branzburg* did not

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address the issue and that, in any event, Congress's enactment of Rule 501 leaves courts free to develop further privileges. *Id.* at *22. *Jaffee's* test of "reason and experience" that resulted in the recognition of a therapist privilege, Tatel concluded, applies equally to a reporter's privilege.

Tatel reasoned that protecting the freedom of the press to speak confidentially to sources is no less important a policy goal than protecting the mental health of individuals. *Id.* at *24. Moreover, like the patient-therapist privilege at issue in *Jaffee*, virtually all states and many federal authorities recognize some form of reporter's privilege by legislation or judicial decision. *Id.* at *26-27.

Importantly, Judge Tatel also rejected the claim, discussed in *Branzburg*, that any empirical showing that sources would dry up without a privilege should be required. Logic suggests that would occur or sources would not demand anonymity in the first place, and empirical proof is rarely required to justify any legal privilege. *Id.* at *25-26.

However, Judge Tatel rejected the appellants' argument for an absolute source privilege. On the other hand, Judge Tatel found that a balancing test that focuses only on need for the information and exhaustion of alternative sources offers insufficient protection in the context of alleged illegal leaks. Therefore, while a court must determine whether a reporter's information is both "crucial and unobtainable from any other source," *id.* at *36, before contemplating disclosure, it should also balance "the harm the leak caused" against the "information value" provided by the leak. *Id.* at *31.

While Tatel emphasized that disclosure should be "rare" under that test, he found the facts of this case present one of those exceptions. Writing for the entire Court in this respect, Tatel found that the potential harm caused by this leak was substantial, potentially jeopardizing both covert intelligence-gathering and the safety of persons who associated with Ms. Plame while she was undercover. By contrast, its relative news value was "minimal," bearing at most on her husband's credibility. *Id.* at *35-36.

Judge Tatel further found that *in camera, ex parte* filings by the Special Counsel satisfied its burden of demonstrating the need for the reporter's testimony and exhaustion of alternative sources. This portion of the slip opinion, occupying nine pages, was redacted, presumably to preserve grand jury

secrecy. On balance, therefore, Tatel concluded that "discouraging leaks of this kind is precisely what the public interest requires." *Id.* at *37.

Tatel was also the only judge to address the so-called "Plame waivers." As the press has widely publicized, the Special Counsel distributed broad waiver forms to White House employees asking them to waive any confidentiality agreements they might have had with reporters. Judge Tatel rejected the claim that these waivers should have any impact on the privilege calculus, pointing to a long line of cases holding that the reporter's privilege belongs only to the reporter and cannot be waived by the source. *Id.* at *33. Moreover, Tatel implied that such waivers could easily be coerced as a condition of employment and would fundamentally undermine the free flow of information the reporter's privilege exists to promote. *Id.* at *34.

Judge Henderson Keeps the Door Open

Undoubtedly, the most "Powell-like" of the three concurring opinions belonged to Judge Karen Henderson. Because Judge Henderson agreed that any privilege would be overcome on the facts, she thought it best to leave it to future cases to determine whether recognition of a privilege and explication of its contours might be required "to achieve justice." *Id.* at *19. Nonetheless, she offered her views about what such a privilege might look like, suggesting that it be limited to consideration of the issues of need and exhaustion.

In her view, Judge Tatel's enhanced balancing test would inappropriately require the judiciary to pass judgment on both the importance of particular crimes and the value of news. *Id.*

Other Issues

Finally, the Court also rejected two additional arguments for reversal raised by the reporters, apart from their assertions of privilege. First, the Court rejected their argument that the use of *in camera, ex parte* evidence violated their due process rights. The Court found the practice was necessary to preserve grand jury secrecy and has been used in prior cases. *Id.* at *9-11.

The Court also rejected any argument that non-compliance by the Special Counsel with Department of Jus-

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tice guidelines for subpoenaing reporters vitiated the contempt orders. The Court held that the guidelines were intended to guide prosecutorial discretion and were not the kind of procedures intended to create a private right of action or be subject to judicial enforcement. *Id.* at *11-12.

What is the Bottom Line?

For *Miller*, *Cooper* and *Time* the result is unfortunately unambiguous: they must disclose their sources or face contempt sanctions, which in the two reporters' cases means imprisonment. All appellants have announced their intention to seek *en banc* review of the panel decision, which will also have the effect of continuing the stay of those penalties until further review is either rejected or completed.

For the law of reporter's privilege, however, the case might just prove to be a turning point. For only the second time since *Branzburg*, a federal court of appeals came close to explicitly recognizing a common-law reporter's privilege applicable in all proceedings, including grand jury investigations. (The other was *In re Williams*, 766 F. Supp 358, 368-70 (W.D. Pa. 1991), *aff'd by equally divided court*, 963 F.2d 567 (3d Cir. 1992) (*en banc*)).

Moreover, Judge Tatel's opinion is the first serious attempt to grapple with the particular privilege issues posed by leak investigations and rejects the logic often advanced that a reporter who is the only witness to an allegedly ille-

gal leak must *ipso facto* identify the leaker. Following *Miller*, any reporter receiving a federal subpoena in Washington, D.C., including grand jury subpoenas, will now have stronger grounds to raise common law-based objections (in addition to First Amendment arguments outside the grand jury context).

Of course, the *Miller* panel may not have the last word on some of these issues, even in the short term. In addition to any further review *Miller* might receive, several other pending cases will soon address the application of the reporter's privilege to civil suits arising out of allegedly illegal leaks. Another D.C. Circuit panel will soon hear argument in the *Wen Ho Lee* case (*Lee v. United States Department of Justice*) and motions to quash eight subpoenas served by Dr. Steven Hatfill, the "person of interest" in the anthrax investigation, are currently pending in D.C.'s federal district court. *Hatfill v. Ashcroft*, Case No. 1:03-CV-01793 (D.D.C.).

Of course, if Congress were to adopt the recently-introduced, proposed federal shield law, any debate over legal protection from compelled disclosure of confidential sources would be finally and decisively resolved.

Nathan Siegel is with Levine Sullivan Koch & Schulz L.L.P. which represents several journalists in the Wen Ho Lee and Hatfill matters. Floyd Abrams and Joel Kurtzberg of Cahill Gordon & Reindel LLP represented the appellants in the Miller case.

For Miller, Cooper and Time the result is unfortunately unambiguous: they must disclose their sources or face contempt sanctions For the law of reporter's privilege, however, the case might just prove to be a turning point.

D.C. Cir. Denies Reporters' Petition for Rehearing En Banc in Plame Investigation

In a per curiam opinion, the D.C. Circuit summarily denied a petition by Judith Miller, Matthew Cooper, and Time Inc. seeking a rehearing en banc of the Court's February panel decision holding that the reporters can be compelled to testify before the Plame grand jury investigation. *In re: Grand Jury Subpoena, Judith Miller*, No. 04-3138 (D.C. Cir. Apr. 19, 2005) (per curiam). See also *MediaLawLetter* Feb. 2005 at 5.

Judge Tatel, who concurred in the result of the Court's February decision, wrote a separate opinion concurring in the denial of rehearing en banc, addressing the reporters common law, First Amendment and due process arguments.

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D.C. Cir. Denies Reporters' Petition for Rehearing En Banc in Plame Investigation

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Judge Tatel again expressed support for a common law privilege, but concluded that no issue of “exceptional importance” existed to reconsider the issue in the case since the Court had not ruled out the privilege and could address the issue in another case.

He also recognized that the D.C. Circuit had issued conflicting decisions interpreting *Branzburg v. Hayes*, 408 U.S. 665 (1972), but concluded that the similarities between the instant case and *Branzburg* prevented the court from recognizing a First Amendment privilege, in that only the Supreme Court could “limit or distinguish *Branzburg* on these facts.”

Finally, Tatel rejected the reporters’ argument that they have a due process right to review the government’s ex parte submissions to the court regarding the grand jury investigation. In addition to emphasizing the importance of grand jury secrecy, Tatel concluded that ex parte review protects journalists by permitting the court to determine whether the government has satisfied the criteria for overcoming any applicable privilege.

Judge Tatel did not directly address the argument made in a Media Amicus brief that the reporters’ testimony was unnecessary because there is insufficient evidence that any government official violated the Intelligence Identities Protection Act of 1982.

The reporters will seek an expedited appeal to the U.S. Supreme Court. The Special Prosecutor leading the investigation, Patrick J. Fitzgerald, has agreed not to oppose the reporters’ request for a stay of the contempt finding pending appeal.

New York Federal Court Blocks Subpoena of Reporters' Phone Records

By George Freeman

In a 121-page ruling issued February 24, 2005, U.S. District Judge Robert Sweet granted a motion by *The New York Times* preventing U.S. Attorney Patrick Fitzgerald from reviewing or obtaining telephone records of its reporters Judy Miller and Phil Shenon in connection with a government leak investigation. *New York Times v. Gonzales*, No. 04 Civ. 7677 (Feb. 24, 2005 S.D.N.Y.).

Mr. Fitzgerald threatened to subpoena the telephone companies for 20 days of phone records for both reporters in the fall of 2001 in connection with his investigation into who in the government leaked information about the government’s raiding, and freezing the assets of, two Islamic charities.

Judge Sweet granted *The Times* summary judgment, upholding *The Times*’s arguments on the validity of the reporter’s privilege on both constitutional and common law grounds. He followed solid Second Circuit precedent in giving real meaning to Justice Powell’s concur-

ring opinion in *Branzburg v. Hayes* (a fifth vote necessary for the majority which the Federal District Court and Court of Appeals in Washington have recently said was not critical to the Supreme Court’s holding in that case).

On the common law point, Justice Sweet held that reason and experience – and the submissions of *Times*’s witnesses and experts averring that reliance on confidential sources was critical for complete and well-rounded information to become available to the public – supported a qualified privilege.

Though he rejected *The Times*’s plea that an absolute privilege was appropriate, he took into consideration the notion that the privilege would be harder to overcome in cases of confidential, rather than non-confidential, information and easier to overcome if the information was sought by a criminal defendant, not, as here, the Government.

In regard to both the constitutional and common law claims, he applied versions of the standard three-part test.

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Judge Sweet granted The Times summary judgment, upholding The Times’s arguments on the validity of the reporter’s privilege on both constitutional and common law grounds.

New York Federal Court Blocks Subpoena of Reporters' Phone Records

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He found that the Government made almost no showing to overcome that test, particularly where it was clear that many of the phone records sought would implicate phone numbers which had nothing to do with the Government's investigation.

Judge Sweet also emphasized the importance for the press in relying on confidential sources to gather information of national importance.

The Times had submitted affidavits from its two reporters as well as journalists Scott Armstrong, Jack Nelson and others to emphasize the importance of confidential sources on valuable reporting on a wide variety of newsworthy matters.

At the same time, the court denied the Government's Motion to Dismiss. The Government had argued that

The Times should have made a motion to quash in the Northern District of Illinois, where the grand jury was sitting, rather than proceed by a declaratory judgment action in New York.

However, Judge Sweet said that especially since U.S. Attorney Fitzgerald had not disclosed whether or not a subpoena had been issued or whether or not he had possession of the records, *The Times's* action was ripe for decision.

George Freeman, inside counsel with The New York Times Company, represented the paper in this matter with Floyd Abrams, Susan Buckley and Brian Markley of Cahill Gordon & Reindell.

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Illinois Federal Court Quashes Subpoena Under Federal Rule 45 Balancing Test

By Gregory R. Naron and Natalie J. Spears

U.S. District Judge Joan Gottschall of the Northern District of Illinois recently issued an opinion quashing a subpoena served upon the news media in a high profile civil rights case. *Patterson v. Burge*, 2005 WL 43240 (N.D. Ill., Jan. 6, 2005).

In so holding, the court applied general federal procedural principles, thus avoiding the significant hurdle posed by the Seventh Circuit's decision in *McKevitt v. Pallasch*, 339 F.3d 530 (7th Cir. 2003), which limited the applicability of state shield laws in federal court, and questioned the very existence of a federal reporter's privilege.

Even so, the court evinced an (increasingly rare) sensitivity to the deleterious impact that litigants' subpoenas may have on the press' special role in investigating issues of public importance.

Background

The underlying case is a federal civil rights action (with some pendent state claims) brought by pardoned former death row inmate Aaron Patterson against former Chicago Police Lt. Jon Burge and others.

Predictably, it has garnered considerable attention in the local media. Still in the early stages of the litigation, defendants served broad subpoenas on NBC affiliate WMAQ-TV; WGN Continental Broadcasting; and Chicago Tribune Company (the "news organizations"), asking them to turn over unpublished reporters' notes and unbroadcast "outtake" footage.

In response to the news organizations' Motion to Quash, defendants withdrew their request for the reporters' notes. However, defendants pressed their demand for all "outtake" video footage and audio tape from the reporters' interviews.

The news organizations had their work cut out for them. While Illinois has a statutory Shield Law – which has protected outtakes from compelled disclosure – the Seventh Circuit's *McKevitt* decision held that where fed-

eral claims are at issue in the underlying action, the state shield law cannot be invoked.

Worse, *McKevitt* cast considerable doubt on the continued viability of any federal reporter's privilege for non-confidential source material in the Seventh Circuit; the court "stated that [the Seventh Circuit] could find no basis, in law or fact, for recognizing a reporter's privilege under federal or state law cognizable in federal proceedings." *Patterson*, at *1, citing *McKevitt*.

District Court Relied on Rule 45

In light of *McKevitt*, the court did not even address the news organizations' statutory and constitutional re-

porters' privilege arguments (thus saving for another day the question of whether *McKevitt* leaves room for recognition of any federal reporters' privilege).

Instead, the court moved directly to the news organizations' contention that the subpoenas should be quashed under the ge-

neric Rule 45(c) standard applicable to subpoenas on press and non-press movants alike – which obviously is less protective of reporters' rights than the statutory and constitutional privileges, but can be used as a vehicle for advocating the same principles.

Quoting *McKevitt*, Judge Gottschall held that under Rule 45(c), "courts should simply make sure that a subpoena duces tecum directed to the media, like any other subpoena duces tecum, is reasonable in the circumstances." *Patterson*, at *1.

Judge Gottschall then also cited the Seventh Circuit's recent exposition of the Rule 45(c) standards in *Northwestern Memorial Hospital v. Ashcroft*, 362 F.3d 923 (7th Cir. 2004), where the court recognized that "pretrial discovery is a fishing expedition and one can't know what one has caught until one fishes," but "when the fish objects under Rule 45(c), the fisherman is called upon to justify his pursuit." *Patterson*, at *1, quoting *Ashcroft*, at 931.

Under Rule 45(c), "courts should simply make sure that a subpoena duces tecum directed to the media, like any other subpoena duces tecum, is reasonable in the circumstances."

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Illinois Federal Court Quashes Subpoena Under Federal Rule 45 Balancing Test

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As Judge Gottschall elaborated:

Put in a fish-free way, non-parties are not treated exactly like parties in the discovery context, and the possibility of mere relevance may not be enough; rather, non-parties are entitled to somewhat greater protection. . . . That protection encompasses weighing the need for the material subpoenaed against the burden involved in its production. Burden in this context means more than mere administrative hardship. It encompasses the interests that enforced production would compromise or injure. *Id.*

Applying this standard, Judge Gottschall accepted the news organizations' argument that defendants had not shouldered their substantial burden of justifying broad discovery; to the contrary, "[t]he justifications defendants have advanced for these subpoenas are meager, to say the least, and consist largely of arguing repeatedly, albeit in different verbal formulations, that the materials sought may contain relevant information." *Id.* at *2.

While not directly drawing upon the familiar "lack of critical relevance" and "failure to exhaust" requirements typically cited under the federal reporters' privilege, the court, nonetheless, concluded that under Rule 45(c), "mere relevance" is not the standard and subpoenas to the media should not be the first step:

Defendants are simply speculating, however, that the news organizations' non-published materials contain impeachment information or admissions. Defendants have apparently served these subpoenas before questioning Patterson, by deposition or interrogatories, about his statements to the news organizations or his conspiracy theory. Thus, defendants . . . cannot establish that their subpoenas seek information they do not already have or that is not readily available from other sources. *Id.*

The court also noted that the interests favoring disclosure in the *McKevitt* case – namely, "the important public obligation to assist in criminal proceedings and the federal interest in cooperating in the criminal proceedings of

friendly foreign nations" – were not "operative in the present context." *Id.* at *4.

Turning to the other side of the Rule 45(c) balance, Judge Gottschall found that "[a]gainst [defendants'] weak justifications, the burden on [the news organizations] is significant."

The court set forth and relied upon, in the Rule 45 context, many of the same policy underpinnings that support the statutory and constitutional reporter's privileges. That is, even though "turning over the tapes from which their published materials were drawn does not represent a major administrative burden," it is problematic, to say the least, for "private parties in a civil suit [to] call on the press to turn over the fruits of its investigative efforts," based on a showing of mere relevance.

In a passage reminiscent of some of the better-reasoned federal reporter's privilege opinions, the court explained:

Since the press is involved in collecting information about all manner of things and circumstances that frequently end up in litigation, if there is no standard higher than mere relevance which civil lawyers must satisfy to help themselves to reporters' records, news organizations will be very busy responding to civil subpoenas. Similarly, the news organizations' efforts to maintain their independence and gain the trust of sources is an interest that will be severely impaired if mere relevance, meaning as it does here a mere relationship to the subject matter of a civil suit, makes their non-public records available on request. Further, the journalistic and editorial judgments involved in deciding what to ask an interview subject, and in deciding what to use from the material gathered, are the commercial and intellectual stock in trade of the news organizations; surely some good justification should be advanced before these journalistic and editorial judgments can be examined by outsiders and made public in the context of a civil lawsuit. *Id.* at *3.

The court also echoed the recent observation in *Hobley v. Burge*, 223 F.R.D. 499 (N.D. Ill. 2004),

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Illinois Federal Court Quashes Subpoena Under Federal Rule 45 Balancing Test

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(available online [here](#)) that Rule 45(c) explicitly permits the court to protect against the disclosure of trade secrets and other confidential commercial information, and “[t] here is nothing in the Federal Rules that suggests that research for the purpose of news reporting [not to speak of editorial judgments about what should and should not be published] is to be given *less* protection than research for the purpose of product development.” *Id.*, quoting *Hobley*, at 505 (emphasis in original).

However, the court disagreed with *Hobley*’s conclusion that letters from an identified source to a reporter were “analogous to the tape recordings ordered disclosed in *McKevitt*,” and rejected defendants’ argument that “recordings of a non-public interview by a journalist are otherwise analogous to the letters ordered disclosed in *Hobley*.” *Id.*

Instead, the court held, “such recordings are much more like the reporter’s notes as to which Judge Brown

quashed the *Hobley* subpoena. They reflect the journalist’s thought processes, his or her method of investigation, and his or her choices about what should be published and what withheld.” *Id.* at *4.

All in all, the *Patterson* decision is a heartening development for news media who operate in the Seventh Circuit, and provides a road map around the obstacle that *McKevitt* has created to the assertion of the federal reporter’s privilege there.

The news organizations were represented by Samuel Fifer, Natalie J. Spears, and Gregory R. Naron, of Sonnenschein Nath & Rosenthal LLP, Chicago, Illinois, along with Brande M. Stellings and Elizabeth Yap (for NBC affiliate WMAQ-TV); Chuck Sennet (for WGN); and Karen Flax (for Chicago Tribune). The defendants were represented by Freeborn & Peters and Hinshaw & Culbertson, both of Chicago.

California Court Allows Apple to Seek Confidential Source of Leaked Trade Secrets

Court declines to determine whether “bloggers” qualify as journalists

A California trial court has ruled that Apple Computer, Inc. (“Apple”) is entitled to subpoena an e-mail provider to try and identify the source(s) of leaked information published on several websites. In a closely watched case, the court declined to determine whether the website publishers – who sought to quash the subpoena – qualified as journalists under the California shield law. *Apple Computer, Inc. v. Doe*, No. 1-04-CV-032178 (Cal. Super. Mar. 11, 2005) (Kleinberg, J.).

Background

In December 2004, Apple filed suit against numerous unknown entities in connection with the leak of confidential information prior to the release of an Apple product codenamed “Asteroid.” The information, which Apple claims are trade secrets, was posted on a number of websites, including AppleInsider (www.appleinsider.com/) and PowerPage (www.powerpage.org)

www.powerpage.org)

In the course of discovery, Apple subpoenaed Nfox, the e-mail service provider for PowerPage, seeking e-mail messages that could identify the source(s) of the leaked information.

Although Nfox did not object to the subpoena, movants, loosely referred to as “bloggers,” intervened to quash the subpoena, arguing that their confidential source(s) were protected from disclosure under the California shield law.

Apple disagreed, arguing that neither the California shield law or any federal reporters’ privilege could be invoked to bar the discovery of information pertaining to the acquisition and dissemination of trade secrets, an alleged violation of the California civil code and penal law. *Citing* Uniform Trade Secrets Act, Civil Code Sec. 3426 et seq., Penal Code Sec. 499c.

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California Court Allows Apple to Seek Confidential Source of Leaked Trade Secrets

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Apple Entitled to Information

In holding that Apple was entitled to the information sought through the subpoena, the court found that Apple made a *prima facie* case that the drawings and technical specifications posted on the websites – reproduced from a set of company slides before the release of the product – constituted trade secrets, and that Apple had conducted an adequate internal investigation before issuing the subpoena.

Citing to both the California Supreme Court's opinion in *Mitchell v. Superior Court*, 37 Cal. 3d 268 (1984) – which addressed the extent of the reporters' privilege in discovery disputes – and the text of the California shield law, the court found that neither would prevent discovery of the information at issue.

The court held that the leaked trade secret information was in effect "stolen property," and that movants had failed to allege any significant public interest in the information that would justify the publication of "private, proprietary information that was ostensibly stolen and turned over to those with no business reason for getting it."

Trade Secrets and Reporters Privilege

The court went on to find it unnecessary to determine whether the bloggers at issue qualified as journalists under the shield law, concluding that even if it were to accept movants' characterization of their journalistic activities, there is no exception to California's trade secret laws for "journalists, bloggers or anyone else," and that "reporters and their sources do not have a license to violate criminal laws such as Penal Code Sec. 499c," thus making it irrelevant whether movants were in fact journalists.

Apple is also pursuing a separate lawsuit in California against the 19-year-old operator of the Boston-based website "Think Secret" and various anonymous entities for allegedly publishing trade secrets on that website. Think Secret, www.thinksecret.com, bills itself as "the Internet's top source for news scoops about Apple and the Mac."

Apple is represented by George Riley and David Eberhart of O'Melveny & Myers.

Movants are represented by Thomas E. Moore III of Tomlinson & Zisko; Richard E. Wiebe and Terry Gross of Gross & Belski; and Kurt B. Opsahl of the Electronic Frontier Foundation.

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Second Circuit Holds Ban on Publication of Juror Names Unconstitutional

The Second Circuit ruled this month that the district court that presided over last year's high-profile criminal obstruction trial of Frank Quattrone, a former Credit Suisse First Boston investment banker, violated the First Amendment by entering an order forbidding the press from publishing the names of jurors that had been read out in open court. *United States v. Quattrone*, No. 04-2432-cr (2d Cir. Mar. 22, 2005) (Sotomayor, J.).

Background

Shortly before the *Quattrone* trial, former Tyco executive Dennis Kozlowski was on trial in a New York state court in Manhattan for allegedly looting over \$600 million from his company. That lengthy trial received great media attention and ultimately ended in a mistrial after several media outlets published the name of a juror who appeared to make an "ok" hand sign to the defendant.

The judge in the *Kozlowski* case eventually declared a mistrial, citing the "pressure" brought to bear on the juror after she received an anonymous phone call and frightening letter after her name was published in two separate newspapers.

U.S. District Court Judge Richard Owen, seeking to avoid a similar result in the *Quattrone* trial, entered an order forbidding the publication of the jurors' names until the conclusion of the trial. (*Quattrone* was already being retried after the jury in the first trial deadlocked. He was convicted in May 2004 on all charges.)

After the order was entered, counsel for several media organizations objected to the order in Judge Owen's robing room. The prosecution also took the position that the order might be unconstitutional as a prior restraint. After Judge Owen refused to rescind the order, the media entities appealed.

Order Held Unconstitutional

Recognizing that an order forbidding disclosure of information gathered from public judicial proceedings constitutes a prior restraint as well as an infringement on the right to report freely on events in open court, the Second Circuit concluded that Judge Owen's order violated the First Amendment.

The Second Circuit found that before enacting the prior restraint – "the most serious and the least tolerable infringement" on a free press – the district court failed to grant the media prior notice of the restraint, and to satisfy a three-part test that looks to: whether the news coverage would impair the defendant's right to a fair trial; whether any measure other than a prior restraint could mitigate the possible effects of unrestricted publicity; and the likely efficacy of a prior restraint to prevent the threatened harm.

The Second Circuit further ruled that an "independent constitutional harm" was rendered to the media by the trial court's order forbidding them from publishing information disclosed in open court. The Court based its decision on extensive Supreme Court precedent holding that those who view what happens in open court may "report it with impunity," and that the press will not face liability for publishing information disclosed in public court. (citations omitted).

The Media appellants were represented by Floyd Abrams of Cahill Gordon & Reindel with Joel Kurtzberg of Cahill Gordon & Reindel and David A. Schulz and Alia L. Smith of Levine Sullivan Koch & Schulz LLP on the brief.

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Jay Leno Prevails In His Attempt to Clarify Gag Order in *People v. Jackson*

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

This month Judge Rodney S. Melville of the Santa Barbara Superior Court, the presiding judge in the high-profile Michael Jackson child molestation trial, clarified that the court's gag order on subpoenaed witnesses does not limit *The Tonight Show* host Jay Leno, who was subpoenaed by Jackson, from publicly commenting on the felony prosecution of the singer. *People v. Jackson*, (Ca. Super. Ct. Mar. 11, 2005).

Judge Melville made clear that the gag order, which applies to anyone subpoenaed in the case, would have the same application as the court had earlier applied to British journalist and ABC News correspondent Martin Bashir. That is, Leno generally may comment on the case like anyone else, but he may not disclose specific facts related to the case to which he is a percipient witness, if any such facts exist.

Request for Clarification

In the earliest phases of the Michael Jackson prosecution, even before the grand jury proceedings in the case, the Santa Barbara Superior Court issued a Protective Order ("Gag Order"). This January 16, 2004 order prevents anyone subpoenaed to testify in the case from, among other things, making any out-of-court public comment as to "the weight, value, or effect of any evidence as tending to establish guilt or innocence."

The order likewise prevents any such person from making a public statement about the "content, nature, substance, or effect of any statements or testimony that have been given or is expected to be given" in the case.

On February 17, 2005, Michael Jackson served Jay Leno with a subpoena requiring Leno to appear and testify at Jackson's criminal trial. Based on the broad language of the Gag Order, Leno filed a request for clarification the following day.

Leno noted that the court could not have intended its January 2004 order to limit the ability of entertainment

personalities like himself to talk about the Jackson case, and he asked the court to clarify either that the Gag Order does not apply to him at all, or else that it limits only Leno's ability to speak publicly about evidence of which he has direct, first-hand knowledge, if any exists.

The prosecution did not oppose Leno's motion, though Jackson filed an opposition brief which argued that Leno's commentary was "hardly crucial . . . on important political or social topics." Leno's reply to this opposition pointed out the well-established precedent that the use of humor to engage in social commentary is no less valuable and worthy of First Amendment protection than other forms of speech.

Leno generally may comment on the case like anyone else, but he may not disclose specific facts related to the case to which he is a percipient witness, if any such facts exist.

Meanwhile, during the week leading up to the hearing, Leno interrupted his monologue each night and stood aside as special guests told Michael Jackson jokes. Comedians from Drew Carey to Carrot Top took the stage and showed that, under any interpretation of the Gag Order, jokes about Jackson were as inevitable as the tides.

The Superior Court's Clarification

At a hearing on March 11, 2005, Judge Melville indicated that "the only restrictions that Mr. Leno should be subject to is that he can't talk about the specific facts that he is a percipient witness of in this case." Outside of this narrow sliver of information, assuming there is any, the court held that Leno can publicly comment on the case, just as any other entertainment personality in the world can do.

Jackson's counsel then lamented Leno's ability to tell "cruel jokes" about Jackson, which "may be funny, unless you're Michael Jackson," and asked the court to "expand [its] order to cruel jokes." According to Jackson's counsel, "we're not putting him out of business if he can't talk about Michael Jackson for a few weeks."

Judge Melville rejected this attempt to prevent Leno from telling jokes about Jackson, noting his belief that the Constitution would not allow such an order. According to

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Jay Leno Prevails In His Attempt to Clarify Gag Order in *People v. Michael Jackson*

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Judge Melville, Leno “makes a living as a comedian,” and “it wasn’t the way I read the gag order that it would stop him from commenting on or telling jokes about the case.”

Indeed, Melville “would not have expected him not to continue to tell jokes, if that’s what he wanted to do.” As one report explained, the ruling allows Leno to pursue “his craft’s time-honored and constitutionally protected pursuit of shtick.” Steve Chawkins, *Gag on Jackson Gags is Loosened*, L.A. Times, Mar. 12, 2005, at B1.

The court’s ruling mirrored its earlier decision regarding application of the Gag Order to journalist Martin Bashir, who was called as the first witness of the trial. The court further indicated that the same principle would apply to the long list of other prospective witnesses, which includes several celebrities. They, like Leno and

Bashir, may publicly comment on any aspect of the case except for any relevant information of which they have first-hand knowledge.

Theodore J. Boutros, Jr., is a partner in the Los Angeles office of Gibson, Dunn & Crutcher LLP and Co-Chair of the firm’s Media Law Practice Group; Michael H. Dore is an associate in the firm’s Los Angeles office and member of the group. The authors represent a coalition of major media organizations in the pending Michael Jackson criminal case, as well as Mr. Leno and journalist Martin Bashir, who has been called to testify in the case. James Lichtman, Senior Vice President of Litigation with NBC Universal, Inc., also represented Mr. Leno in his efforts to clarify the scope of the Superior Court’s Gag Order.

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Justice Kennedy Denies Stay of Prior Restraint in Otherwise Pro-First Amendment Decision

By Jennifer A. Mansfield

While noting that “informal procedures ... designed to chill expression can constitute a prior restraint,” Justice Anthony M. Kennedy on April 15 issued a written opinion denying an application for stay filed by a Florida television station that a trial judge had threatened with prosecution. *Multimedia Holdings Corp. v. Circuit Court of Florida, St. Johns County*, No. 04A773 2005 WL 873411 (Apr. 15, 2005) (Kennedy, Circuit Justice, in Chambers).

Background

Multimedia Holdings Corporation d/b/a First Coast News, a Gannett station in Jacksonville, Florida, asked Justice Kennedy, as the Circuit Justice over Florida, to stay two orders entered after it had published a grand jury transcript handed to it by a prosecutor. The station sought the stay of the orders, entered by a St. Augustine judge in a murder prosecution, pending a petition for certiorari review before the Court. *See also MediaLawLetter* March 2005 at 7.

In 2004, First Coast News was covering pretrial proceedings for a murder defendant in St. Johns County, Florida. Under state public records law, a document given to a criminal defendant becomes public record. After state Circuit Judge Robert K. Mathis ordered the prosecutor to have the defendant's grand jury testimony transcribed and turned over to his attorney, a First Coast News reporter obtained a copy and broadcast a story with details of the testimony.

When Judge Mathis learned of the broadcast, he *sua sponte* and without notice or a hearing entered an order on July 30, 2004 enjoining First Coast News and others from further publishing information from the transcript. The order also threatened criminal prosecution and criminal contempt of court against anyone who further published the transcript. After entering the order the judge immediately left for a one week trip to Europe. After the chief judge of the state circuit refused to intervene, First Coast News appealed the order to the Florida Fifth District Court of Appeal.

During briefing at the appellate level, Judge Mathis returned to the bench and entered a second order on August 9, 2004. In the August 9 order, he said that he had not enjoined First Coast News from publishing matters in the public record. Rather, in the trial court's view, First Coast News was placed on notice, along with all others who might have obtained copies of the grand jury transcript, that publication or broadcast or disclosure of such information is a crime and may be punished as contempt of court. The trial court then denied First Coast News' motion to intervene in the trial court proceedings.

After more than six months without ruling, on March 2, 2005, the Fifth District Court of Appeal denied First Coast News' petition to review the trial court's order. Under Florida's appellate rules, the court of appeal's decision did not constitute a ruling on the merits, which cut off any further review by the Florida Supreme Court. First Coast News therefore petitioned Justice Kennedy for a stay pending the filing of a certiorari petition to the U.S. Supreme Court.

First Coast News argued that the trial court's orders were unconstitutional prior restraints, by first restraining it from further broadcasting material lawfully in its possession and threatening prosecution based on past and future broadcasts. First Coast News also argued that the specter of criminal punishment for speech on matters of public concern is just as much a threat to First Amendment Rights as an outright injunction.

Amici Support

Eleven news organizations and journalism non-profits filed an *amici curiae* brief in support of First Coast News' stay application. The *amici* focused on the historical underpinnings of the First Amendment protections. They also argued that the trial court “appears to have framed its judicial orders for the obvious purpose of restraining speech while seeking to evade the immediate appellate review that this Court has declared to be an essential procedural safeguard for the imposition of prior restraints,” and the Florida appellate court endorsed the trial court's actions when it denied review.

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Justice Kennedy Denies Stay of Prior Restraint in Otherwise Pro-First Amendment Decision

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State's Brief

When briefing the matter before the Florida appellate court, the local prosecutor had taken the unusual position of agreeing with First Coast News that the trial court's orders were a prior restraint. Justice Kennedy asked the state to submit a brief on the application, but he specifically asked the Florida Attorney General's Office, and not the local prosecutor, to weigh in.

In that brief, Florida reversed position and argued for the first time that neither of the two trial court's orders were prior restraints because the orders, which commanded "parties" not to further publish the transcript, did not pertain to First Coast News, which is not a "party" to the criminal case. The state also argued that as to First Coast News, the trial court's orders were merely advisory in nature, amounting to a threat of possible prosecution for violation of statute, rather than a prior restraint.

Justice Kennedy made clear, however, that had the case been brought to the Court with what he deemed to be a real threat of prosecution, the outcome may have been very different.

Justice Kennedy's Opinion

On April 15, 2005, Justice Kennedy denied the application for stay. In a five-page opinion, he wrote that the record did not sufficiently establish that First Coast News was enjoined by the orders, or that any threat to the station was real or substantial. His decision, however, contained language that indicated his concern over the threats of prosecution, and he focused on two factual issues that he said blunted any potential danger of prosecution.

With regard to the trial court's first order, Justice Kennedy held "a threat of prosecution or criminal contempt against a specific publication raises special First Amendment concerns, for it may chill protected speech much like an injunction against speech by putting that party at an added risk of liability." Justice Kennedy also found that the first order "bears many of the marks of a prior restraint" and was particularly troubling because it singled out First Coast News.

But Justice Kennedy also held that the trial court's second order diminished any chilling effect the first order may have had on First Coast News' speech rights. In the second

order Judge Mathis said that the first order only applied to parties to the case, and First Coast News is not a party. Thus, Justice Kennedy found that the orders did not clearly prohibit speech by First Coast News.

He also noted that, to the extent the court's orders might suggest a particular animus towards First Coast News, the threat from the trial court had abated because: 1) Since entry of these orders, the trial judge had retired from judicial service, and 2) Florida, while not guaranteeing immunity from prosecution for future publication, in its brief to the Court "has suggested that further publication will not be prosecuted."

Accordingly, the Justice found that there was no imminent threat of prosecution, and that it therefore was unlikely that four justices would vote to grant certiorari in the case.

Justice Kennedy made clear, however, that had the case been brought to the Court with what he deemed to be a real threat of prosecution, the outcome may have been very different:

cution, the outcome may have been very different:

True, informal procedures undertaken by officials and designed to chill expression can constitute a prior restraint. Warnings from a court have added weight, and this too has a bearing on whether there is a prior restraint. If it were shown that even the second order might give a reporter or television station singled out earlier any real cause for concern, the case for intervention would be stronger.

Because the two trial court's orders "appear to have been isolated phenomena," and the state had indicated that it would not prosecute First Coast News, and the trial court had since retired since issuing the orders, Justice Kennedy declined to issue the stay.

Jennifer A. Mansfield and George D. Gabel, Jr. of Holland & Knight LLP's Jacksonville, Florida's office and Charles D. Tobin of the firm's Washington, DC office represented First Coast News. Nathan E. Siegel, Ashley I. Kissinger, and Chad R. Bowman of Levine, Sullivan, Koch & Schulz, LLP, Washington, DC were counsel for amici curiae.

National Geographic CD-ROM Collection Is a Permitted Revision

Second Circuit Ruling Gives Publishers Guidance on Collective Works in the Digital Age

By Robert G. Sugarman and Pierre M. Davis

The Second Circuit, in an opinion by Judge Ralph K. Winter, unanimously affirmed that “The Complete National Geographic” (the “CNG”), a CD-ROM reproduction of all of the issues of *National Geographic Magazine* (the “Magazine”), is a “revision” permitted by § 201(c) of the Copyright Act of 1976 (the “1976 Act”). *Faulkner v. Nat’l Geographic Soc’y*, 2005 WL 503652 (2d Cir. Mar. 4, 2005) (Winters, Raggi, Katzman, JJ.), *affirming*, 294 F. Supp. 2d 523 (S.D.N.Y. Dec. 11, 2003).

The Second Circuit agreed with District Judge Lewis A. Kaplan’s exercise of discretion against giving preclusive effect to the Eleventh Circuit’s decision in *Greenberg v. Nat’l Geographic Soc’y*, 244 F.3d 1267 (11th Cir. 2001) (holding CNG was a “new collective work”), *cert. denied*, 122 S.Ct. 347 (2001), because that decision is inconsistent with the U.S. Supreme Court’s intervening decision in *New York Times Co. v. Tasini*, 533 U.S. 483 (2001), and that the CNG was protected by the publisher’s privilege under § 201(c) of the 1976 Act because it preserved the context of the original paper publication of the Magazine. *See Faulkner II*, at *8-*9.

The Court also affirmed the district court’s holding that the § 201(c) privilege applied to all contributions published in the Magazine, regardless of who owned the copyright in the individual contributions or whether they were originally published prior to the effective date of the 1976 Act, and that a publisher’s privilege under § 201(c) is transferable. *Id.* at *9-*11.

The Court rejected Plaintiffs-Appellants’ argument that the mere existence of a contract between the parties makes § 201(c) inapplicable. Read in conjunction with the Supreme Court’s and its own decision in *Tasini*, the decision provides significant guidance for publishers as to the Second Circuit’s view of their rights under § 201(c).

The “Complete National Geographic”

The CNG was created by digitally scanning each issue of the Magazine published between 1888 and 1996 into a computer system. *Faulkner II*, at *1. As a result of the

scanning process, “the CNG user sees exactly what he or she would see if viewing an open page of the paper version, including the fold of the magazine.” *Id.*

Except for a small number of images that were blacked out in some iterations of the CNG due to contractual arrangements excluding electronic reproduction – none of which were at issue on appeal – “there are no changes in the content, format, or appearance of the issues of the magazine,” which appear chronologically “as they do in the print version, including all text, photographs, graphics, advertising, credits and attributions.” *Id.*

As the Court noted, “[t]he individual images and texts are therefore viewed in a context almost identical – but for the use of a computer screen and the power to move from one issue to another and find various items quickly – to that in which they were originally published.” *Id.*

The CNG also contains a search engine, which allows a user to find stories by title, subject matter, contributor, date, advertisements, cover and page images, and page maps. *Id.* To view a story using the search engine, a user must insert the disk containing the issue in which the story appeared. *Id.*

In addition to the search engine, the CNG contains introductory materials, including a multimedia sequence, a moving display of the National Geographic Society logo, a Kodak advertisement, and a digital transition of ten covers of the Magazine (the “Moving Cover Sequence”), and some conclusory materials, including a “moving spines sequence” and credits. *Id.* Finally, some iterations of the CNG contain various multimedia tools, such as the capability to bookmark and rotate pages and darken text (the “Program”).

11th Circuit’s Greenberg Decision

Photographer Jerry Greenberg filed the *Greenberg* action in the Southern District of Florida in December 1997. Like the Plaintiffs-Appellants in *Faulkner*, Greenberg claimed that the Society’s rights to publish his images in the paper version of the Magazine did not include the right to publish them in the CNG.

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On June 8, 1999, Judge Joan A. Lenard granted the Society's motion for summary judgment, holding that the CNG was a "revision" permitted by § 201(c). *Greenberg v. Nat'l Geographic Soc'y*, 1999 WL 737890 (June 8, 1999 S.D. Fla. 1999), *rev'd*, 244 F.3d 1267 (11th Cir. 2001), *cert. denied*, 122 S.Ct. 347 (2001).

In April 2001, one week before the oral argument in *New York Times Co. v. Tasini*, 533 U.S. 483 (2001), in the United States Supreme Court, the Court of Appeals for the Eleventh Circuit reversed, holding that the combination of the Replica, Moving Cover Sequence and the Program resulted in a "new work" which was not protected by § 201(c). *Greenberg*, 244 F.3d at 1268.

Tasini's Impact on the § 201(c) Landscape

The plaintiffs in *Tasini* were freelance authors who sold individual articles to *The New York Times*, *Sports Illustrated* and *Newsday* between 1990 and 1993. Those publications then licensed the articles for republication in three on-line database services: NEXIS, and two CD-ROM databases, the "New York Times OnDisc" and "General Periodicals OnDisc" ("GPO"). *Tasini*, 533 U.S. at 490.

With the exception of the GPO, which is image-based, the products at issue in *Tasini* are text-based and do not contain the graphical or layout information contained in the original print publications. *Id.* at 490-91. While GPO preserves the layout and graphics of the original print version of the article, it does not include surrounding pages or otherwise depict the issue or edition of the publication in which the article originally appeared. *Id.* With regard to the products at issue in *Tasini*, then, individual contributions are reproduced out of the context of the publications in which they originally appeared. See *Id.* at 499-500.

Reversing the district court's grant of summary judgment in favor of the publishers, the Second Circuit held in *Tasini* that the "electronic and CD-ROM databases containing individual articles from multiple editions of various periodicals did not constitute 'revisions' of individual periodical issues within the meaning of Section 201(c)." *Tasini*, 206 F.3d at 168.

The Supreme Court affirmed, holding that, "[t]he publishers are not sheltered by § 201(c)...because the databases reproduce and distribute articles standing alone and not in context..." *Tasini*, 533 U.S. at 488.

Judge Kaplan's Opinion in Faulkner

Judge Kaplan began his analysis in *Faulkner* by declining to apply non-mutual offensive collateral estoppel against defendants because, *inter alia*, "a new determination is warranted in order to take account of an intervening change in the applicable legal context" wrought by the *Tasini* decision. *Faulkner I*, at 535 (internal citations omitted).

Judge Kaplan then found the Eleventh Circuit's conclusion in *Greenberg* that the presence of independently copyrightable material precluded the CNG from being a "revision" under § 201(c) privilege irreconcilable with the Supreme Court's decision in *Tasini* and § 201(c)'s legislative history. *Id.*, at 539.

Judge Kaplan, relying on *Tasini*, instead focused on "the manner in which [the freelancer's individual contribution] is 'presented to, and perceptible by, the user.'" *Id.* (internal citations omitted).

In deciding whether the CNG qualified as a revision, Judge Kaplan observed that the CNG created a page by page "exact image" of the Magazine, and that "each page of each issue appears to the user exactly as it was in the scanned print version of the Magazine, including all text, images, advertising and attributions." *Id.*

Despite the addition of additional elements, Judge Kaplan found that, "the CNG is not a new collection...a new anthology or an entirely different magazine or other collective work." *Id.* at 542 (internal citations omitted). Instead, the CNG "is a package that contains substantially everything that made the Magazine copyrightable as a collective work – the same original collection of individual contributions, arranged in the same way, with each presented in the same context." *Id.* at 543.

Second Circuit Opinion in Faulkner II

In affirming the district court's decision, the Second Circuit in *Faulkner II* began by providing the legal background for its analysis, first quoting § 201(c) of the 1976 Act, which provides:

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Copyright in each separate contribution to a collective work is distinct from copyright in the collective work as a whole, and vests initially in the author of the contribution. In the absence of an express transfer of the copyright or of any rights under it, the owner of copyright in the collective work is presumed to have acquired only the privilege of reproducing and distributing the contribution as part of that particular collective work, any revision of that collective work, and any later collective work in the same series.

Faulkner II, at *5, quoting 17 U.S.C. § 201(c). As did the district court, the Court then quoted the most pertinent passage in § 201(c)'s legislative history, the House Judiciary Committee Report, which in relevant part states:

Under the language of this clause a publishing company could reprint a contribution from one issue in a later issue of its magazine, and could reprint an article from a 1980 edition of an encyclopedia in a 1990 revision of it; the publisher could not revise the contribution itself or include it in a new anthology or an entirely different magazine or other collective work.

Id., quoting H.R. Rep. No. 94-1476, 94th Cong., 2d Sess. 122-23 (1976), reprinted in 5 U.S.C.C.A.N. 5659, 5738 (1976).

The Court continued setting the legal pretext for its ruling, next turning to the basis for its own ruling in *Tasini*, stating:

In *Tasini*, we held that electronic and CD-ROM databases containing individual articles from multiple editions of various periodicals did not constitute “revisions” of individual periodical issues within the meaning of Section 201(c). Crucial to our decision was the fact that each article had to be retrieved individually from the particular database and made “available without any material from the rest of the periodical in which it first appeared.

Faulkner II, at *6 (internal citation omitted). As then noted by the Court, the Supreme Court in *Tasini* adopted its analysis, stating:

In agreement with the Second Circuit...[§ 201(c) does not authorize the copying at issue here...] because the databases reproduce and distribute articles standing alone and not in context, not “as part of that particular collective work” to which the author contributed, “as part of...any revision” thereof, or “as part of...any later collective work in the same series.”

Id., quoting *Tasini*, 533 U.S. at 488.

The Second Circuit then rounded out the legal background by contrasting the Eleventh Circuit’s approach in *Greenberg* to the Supreme Court’s and its own approach in *Tasini*: “*Greenberg* did not utilize the *Tasini* analysis in determining whether the CNG was a ‘revision’ under Section 201(c). It did not discuss whether the articles were presented in the context of the previous collect[ive] works or mention our discussion in *Tasini*.” *Faulkner II*, at *7.

Instead, the Court found, *Greenberg* erroneously focused on the three independently copyrightable elements contained in the CNG, which included the Replica, the Program and the Moving Cover Sequence. *Id.*

Shifting from the legal pretext for its decision, the Court held that the district court properly declined to apply the doctrine of offensive collateral estoppel because “the *Tasini* approach so substantially departs from the *Greenberg* analysis that it represents an intervening change in law rendering application of collateral estoppel inappropriate.” *Faulkner II*, at *8-9 (also noting that a denial of certiorari is not a comment on the merits of a case). The Court then turned to the merits, holding:

[B]ecause the original context of the Magazines is omnipresent in the CNG and because it is a new version of the Magazine, the CNG is a privileged revision...The CNG presents the underlying works to users in the same context as they were presented to the users in the original versions of the Magazine. The CNG uses the almost identical ‘selection, coordination, and arrangement’ of the underlying works as used in the original collective works.

Id. at *9 (internal citations omitted).

In further explicating why the CNG qualifies as a “revision” under § 201(c), and therefore why “*Tasini* is... contrary to *Greenberg*,” the Court stated that, “because the

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Section 201(c) privilege of reproduction and distribution extends to that collective work and any revision of that collective work, a permissible revision may contain elements not found in the original – for example, a collection of bound volumes of past issues with a copyrightable index to the entire collection.” *Id.*

Accordingly, the blacked out images and the Moving Cover Sequence in the CNG “do not substantially alter the original context which, unlike that of the works at issue in *Tasini*, is immediately recognizable.” *Id.*

After determining that the § 201(c) privilege permitted the CNG, the Court turned to Plaintiffs-Appellants’ remaining arguments. Relying on the district court’s analysis in *Tasini*, the only court other than the district court in *Faulkner* to have squarely addressed the issue, the Court held that the § 201(c) privilege is transferable.

According to the Court, it is reasonable to read § 201(c) in conjunction with § 201(d) of the Copyright Act, which allows the holder of “[a]ny of the exclusive rights comprised in a copyright, including any subdivision of any of the rights specified by section 106,” to transfer those rights “in whole or in part.” *Faulkner II*, at *10. Because, “[s]ection 201(c) transfers some of the copyright in a contribution to publishers in the form of a limited privilege... publishers may transfer [the] subdivision of a copyright that they acquire.” *Id.*

Thus, the Society did not err in licensing the right to develop, produce and distribute the CNG product to its wholly owned subsidiaries and to third parties such as Mindscape (a third party distributor).

The Court succinctly affirmed the remainder of the district court’s findings. First, the Court affirmed the district court’s determination that the § 201(c) privilege applied to works published in the Magazine both before and after the effective date of the 1976 Act, because “at all relevant times [NGS] owned the copyrights in issues of the *Magazine* published before and after January 1, 1978...the privileges conferred upon it by Section 201(c) as the holder of those copyrights govern regardless of when they were published.” *Faulkner II*, at *10, quoting *Faulkner I*, at 543.

Determining who owned the individual copyrights in the photographs and texts under either the Copyright Act of 1909 or the 1976 Act was therefore irrelevant because

§ 201(c) applies regardless of who owns the copyright in the underlying contributions. *Id.*

Next, the Court rejected Plaintiffs-Appellants’ argument that the mere existence of a contract between the parties makes § 201(c) inapplicable because that section states that it applies “in the absence of an express transfer of the copyright or of any rights under it.” *Faulkner II*, at *11.

The Court instead found that, “the plain effect of the quoted language is only to establish the minimum rights acquired by publishers absent contractual provisions expressly overriding Section 201(c).” *Id.* Thus, according to the Court, “in the absence of a contract stating otherwise, publishers acquire ‘only the privilege of reproducing and distributing the contribution as part of’” one of the three enumerated instances in that section, and “the mere existence of contracts does not, therefore, render Section 201(c) inapplicable.” *Id.*

The Court also dismissed the *Faulkner* Appellants’ claims that, in entering their contracts, they intended to limit their claims to non-digital uses. *Faulkner II*, at *11. Because the copyright law is medium neutral, the Court reasoned, the *Faulkner* Appellants’ failure to communicate to the Society any such intent to limit their agreement to non-digital uses was fatal to their claim. *Id.*

(Like the district court, the Second Circuit found that summary judgment was not appropriate with regard to certain invoices expressly denying NGS electronic rights. *Faulkner II*, at *12. While Defendants-Appellees had voluntarily withdrawn two such photographs from their summary judgment motions, and the district court thus excepted those photographs from its grant of summary judgment, the Second Circuit found, based on declarations submitted by Plaintiffs-Appellants, that five additional photographs should have been excepted from the district court’s grant of summary judgment.)

The last two items discussed by the Court in affirming the district court decision were the propriety of the district court’s dismissal of Plaintiffs-Appellants’ claims for contributory infringement and its dismissal of Plaintiffs-Appellants’ motion for Judge Kaplan to recuse himself.

The Court found that the district court properly dismissed the contributory infringement claims because a finding of contributory infringement is proper only where

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there has been a finding of direct infringement. *Faulkner II*, at *11.

As for recusal, the Court first noted that the movants had raised the issue only after Judge Kaplan had ruled against them. *Id.* Like Judge Kaplan, however, the Second Circuit discussed the merits of the recusal motion, the Second Circuit doing so because it wanted “to erase all doubt as to the propriety of Judge Kaplan’s continuing to preside over this matter.” *Id.* at *12 n.10.

The Court found that neither the fact that Judge Kaplan was a law partner of a former member of National Geographic’s board of trustees, the late United States Circuit Judge Leon A. Higginbotham, while in private practice, nor the fact that he had represented a subsidiary of defendant Kodak, warranted recusal under the appropriate standard. *Id.*

At least two Plaintiffs-Appellants have been quoted in the press as saying they intend to file a petition for certiorari to the United States Supreme Court.

Robert Sugarman, a partner, and Pierre Davis, an associate, at Weil, Gotshal & Manges, LLP represent the defendants in this case.

Notes

1. The full citation numbers have been omitted from the short-form citations of both the district court and Second Circuit opinions throughout this article. The district court’s decision in *Faulkner v. National Geographic* will be referred to herein as *Faulkner I*, and the Second Circuit’s opinion as *Faulkner II*. Short-form citations to *Faulkner I* are made to the Federal Supplement and short-form citations to *Faulkner II* are made to the Westlaw star pagination numbers.

The decision is applicable to four of the several actions brought by photographers and authors against the National Geographic Society, National Geographic Holdings, its wholly owned subsidiary (collectively referred to herein as the “Society”), Eastman Kodak Company and Mindscape, Inc. It is not currently applicable to defendant Dataware Technologies, Inc., which is currently in bankruptcy.

Proposed Settlement in Post-Tasini Freelance Writers Class Action

The American Society of Journalists and Authors, the Authors Guild, the National Writers Union, and 21 freelance writers have announced a proposed settlement worth up to \$18 million in a class action filed on behalf of thousands of freelance writers whose work appeared on online databases without their permission. *In re Literary Works in Electronic Database Copyright Litigation*, MDL No. 1379 (S.D.N.Y., preliminary approval of settlement granted, Mar. 31, 2005).

The class action was filed in 2000, the year before the Supreme Court in *New York Times Co. v. Tasini*, 533 U.S. 483 (2001), held that electronic compilations and CD-ROM databases of articles previously published in periodicals did not constitute permissible “revisions” under the Copyright Act and thus infringed the copyright of the original authors of the works.

Under the proposed settlement entered on March 29, 2005, numerous publishers and database companies have agreed to compensate eligible freelance writers on a sliding scale depending in part on the copyright status of the work at issue and the year of original publication.

Freelancers whose works were properly registered under the federal copyright statute and were eligible for statutory damages under 17 U.S.C. § 412(2) stand to receive as much as \$1,500 per work for the first 15 works written for a single publisher. The terms of the settlement further dictate that no eligible claimant will receive a settlement check for less than \$5.00.

Those writers who choose to have their works removed from electronic databases will receive only 65% of the amount otherwise payable for the subject work.

Further information concerning the settlement as well as the text of the proposed settlement agreement and preliminary approval may be found at <http://www.freelancerights.com>.

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Eighth Circuit Hands New Victory to ISPs Resisting DMCA Subpoenas

By Michelle A. Paninopoulos

Internet Service Providers that resist Digital Millennium Copyright Act subpoenas seeking identification of subscribers accused of using “peer-to-peer” software to share music files over the Internet obtained their second victory in 13 months in *In re: Charter Communications, Inc. v. The Recording Industry Association of America, Inc.*, 2005 U.S. App. LEXIS 31 (8th Cir. Jan. 4, 2005). Available online [here](#).

In *Charter*, Eighth Circuit Judge Kermit Bye (joined by senior judge Myron Bright) closely followed the reasoning of a D.C. Circuit decision and held that § 512(h) of the DMCA did not authorize the issuance of a subpoena to Charter Communications because Charter had been acting as a mere conduit for the transmission of information sent by others. See *Recording Industry Association of America, Inc. v. Verizon Internet Services, Inc.*, 351 F.3d 1229 (D.C. App. 2003), cert. denied, 125 S. Ct. 309 (2004).

In dissent, Judge Diana Murphy protested that the decision would “block copyright holders from obtaining effective protection against infringement through conduit service providers.”

“Peer-to-Peer” Software

Actions against the creators and distributors of P2P programs have proven unsuccessful to date. The Ninth Circuit, for example, held that Grokster was not liable for contributory infringement by its users. See *Metro-Goldwyn-Mayer Studios, Inc. v. Grokster, Ltd.*, 259 F. Supp. 2d 1029 (C.D. Cal. 2003), aff’d., 380 F.3d 1154 (9th Cir.), cert. granted, 125 S. Ct. 686 (2004).

As a result, copyright owners have turned to enforcing their rights directly against individuals sharing copyrighted materials online. In many instances, copyright owners are able to obtain only the Internet Protocol (IP) addresses and user names of individuals who are using P2P software. Only the ISP can connect the IP address with a given individual’s real name and physical address. Accordingly, copyright owners (or their agents, such as the RIAA) have looked to the DMCA for author-

ity to subpoena this information from ISPs.

The results in *Charter* and *Verizon* relegate copyright holders and their agents, such as plaintiff Recording Industry Association of America (the RIAA), whose membership creates, manufactures and distributes some 90% of all legitimate sound recordings in the United States, to more cumbersome procedural devices such as “John Doe” lawsuits to enforce copyrights against P2P users.

The issues in *Verizon* and *Charter* arise at least in part because a new generation of P2P programs such as Grokster and KaZaA, unlike their better-known and now-enjoined predecessor Napster, do not rely on a centralized communications architecture. Instead, these programs allow Internet users to search directly the shared music files on other Internet users’ computers. Because of this architecture, ISPs act as passive conduits for the transmission of information sent by their subscribers using P2P programs.

DMCA Subpoenas

Section 512(h) of the DMCA allows a copyright owner or its agent to request a subpoena for the identification of an alleged infringer from the clerk of any United States district court. One of the items to be included in any subpoena request is a “copy of a notification described in subsection [512] (c)(3)(A).” 17 U.S.C. § 512(h)(2)(A). *Charter* argued (as had *Verizon*) that § 512(h) only authorizes issuance of a subpoena on an ISP if the ISP is notified in accordance with § 512(c)(3)(A), and that § 512(c)(3)(A)’s notification requirement cannot be met where the ISP acts as a conduit.

Section 512(c)(3)(A)’s “notification of claimed infringement” lists six requirements that must be “substantially” included in the notification to constitute valid notice. 17 U.S.C. § 512(c)(3)(A). At the heart of the *Charter* decision is § 512(c)(3)(A)(iii), which requires

[i]dentification of the material that is claimed to be infringing or to be the subject of infringing activity and that is to be removed or access to which is to be disabled, and information reasonably sufficient to permit the service provider to locate the material.

17 U.S.C. § 512(c)(3)(A)(iii) (emphasis added).

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Eighth Circuit Hands New Victory to ISPs Resisting DMCA Subpoenas

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ISP Liability

The Eighth Circuit agreed with Charter's argument that where an ISP acts as a mere conduit, it is impossible for the copyright holder to provide the required identification of material "that is to be removed or access to which is to be disabled," because an ISP acting as a conduit is powerless to "remove" or to "disable access" to these materials. Therefore, such an ISP cannot be provided proper notice under § 512(c)(3)(A)(iii). Because the provision of § 512(c)(3)(A)(iii) notice is a prerequisite for the issuance of a subpoena under § 512(h), no subpoena can issue to an ISP acting as a conduit.

Charter also argued that "the text and structure of the DMCA require the ISP to be able both to locate and remove the allegedly infringing material before a subpoena can be issued against it." *Charter*, 2005 U.S. App. LEXIS 31, at **14-15.

The notification provision, § 512(c)(3)(A)(iii), falls within one of the DMCA's four safe harbors from liability available to ISPs that perform particular functions. See 17 U.S.C. §§ 512(a)-(d). Three of the four safe harbors involve an ISP physically storing infringing material or links to infringing material on its computers: by "system caching" infringing material (§ 512(b)); by hosting infringing material (§ 512(c)); or by linking to or providing the location of infringing material (§ 512(d)). These subsections provide a safe harbor *only* if the ISP "responds expeditiously to remove, or disable access to, the material that is claimed to be infringing upon notification of claimed infringement as described in [§ 512](c)(3)." 17 U.S.C. §§ 512(b)(2)(E), 512(c)(1)(C), and 512(d)(3). In contrast, § 512(a) provides a safe harbor to ISPs that provide only "transitory" communications (i.e., that act as mere conduits). Section 512(a), unlike its companion three sections, does not reference a "notice and take-down" provision.

This, argued Charter, confirms that ISPs who act as mere conduits are not subject to the DMCA's notification provision.

Charter raised additional arguments against enforcement of the subpoena similar to those raised by Verizon:

- (1) the DMCA's subpoena provisions violate the case or controversy requirement for Article III jurisdiction;
- (2) the DMCA's subpoena provisions violate the privacy protections for cable subscribers under the Communications Act of 1934, 47 U.S.C. § 551(c)(1); and
- (3) Section 512(h) violates the First Amendment rights of Internet users. *Charter*, 2005 U.S. App. LEXIS 31, at *10.

Although the Eighth Circuit did not reach these issues, in dicta the court noted that § 512(h) may "unconstitutionally invade the power of the judiciary" and characterized as "at least . . . colorable" the argument that a § 512(h) subpoena is a "court order that must be supported by a case or controversy at the time of its issuance." *Id.* at *18.

RIAA Arguments

The RIAA raised several counter-arguments, which the Eighth Circuit rebutted largely by means of reference to the Court of Appeals for the D.C. Circuit's opinion in *Verizon*. *Charter*, 2005 U.S. App. LEXIS 31, at **15-17.

The RIAA argued that the broad definition of "service provider" in § 512(k)(1)(B), which includes ISPs acting as mere conduits, coupled with the language of § 512(h) permitting issuance of a subpoena to any "service provider," shows that Congress did not intend to protect ISPs acting as conduits from the obligation to respond to § 512(h) subpoenas.

The *Verizon* court had "emphatically rejected" that argument, reasoning that the notification requirement of § 512(c)(3)(A) controls the issuance of a subpoena regardless of how a "service provider" is defined. *Id.* at *16.

The RIAA also argued that its notification had "substantially" met the requirements of § 512(c)(3)(A)(iii). The *Verizon* court held that this limitation should not be extended to material failures such as failing to identify any materials to be removed or disabled, *Verizon*, 351 F.3d at 1235-36, and the Eighth Circuit concurred. *Charter*, 2005 U.S. App. LEXIS 31, at *16.

It is the author's opinion that the RIAA's strongest argument was that a conduit ISP can in fact "disable access" to infringing materials by terminating a subscriber's account or

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Eighth Circuit Hands New Victory to ISPs Resisting DMCA Subpoenas

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by taking intermediate steps short of termination designed to encourage the subscriber herself to disable access to the material.

If this view is correct, then effective notice can be provided under § 512(c)(3)(A)(iii) by identifying the material to which access is to be disabled. The Eighth Circuit endorsed the *Verizon* court's conclusion on this issue without extended discussion of its reasoning. The *Verizon* court relied on the fact that the DMCA authorizes an injunction against "providing access to infringing material" in § 512(j)(1)(A)(i), but *separately* authorizes an injunction against "providing access to a subscriber or account holder . . . by terminating the accounts . . ." in § 512(j)(1)(A)(ii). *Verizon*, 351 F.3d at 1235.

Based on this distinction, the court concluded that "terminating a subscriber's account is not the same as removing or disabling access by others to the infringing material resident on the subscriber's computer." *Id.*

The *Verizon* court failed to explain why that distinction is germane to interpreting the subpoena provisions, and the Eighth Circuit did not address that question either.

Given Congress' expressed concern that in issuing an injunction a court should consider "whether other less burdensome and comparably effective means of preventing or restraining access to the infringing material are available," 17 U.S.C. § 512 (j)(1)(D), it is perhaps not significant that Congress delineated separate forms of injunctive relief with instructions for courts to choose the least burdensome method that will effectively "prevent[] or restrain[] access." *Id.*

Indeed, one might reason by analogy that an ISP could determine, in light of its functional relationship to subscribers, the least burdensome means at its disposal to "disable access" to infringing materials. In any event, nothing in the language of § 512(c)(3)(A)(iii) expressly limits the *means* by which access to infringing material may be disabled. Neither the majority nor the dissent in *Charter* fully considered this argument.

Eighth Circuit Dissent

The dissent relied largely on its novel method of parsing the language of § 512(c)(3)(A)(iii) to conclude that "identification of the material claimed to be infringing" is a stand-alone condition that can satisfy § 512(c)(3)(A)(iii).

In this way, the dissent sought to write the problematic requirement to identify material "that is to be removed or access to which is to be disabled" out of the statute altogether.

Because the RIAA's request for a subpoena did identify "material claimed to be infringing," the dissent argued that the notification provisions of § 512(c)(3)(A)(iii) were satisfied and the subpoena to Charter under § 512(h) should be

enforced. The dissent did not offer any sound basis to parse the text in this manner and it is submitted that the language does not reasonably permit this interpretation.

The *Charter* dissent more persuasively addressed the overall purpose of the statute and Congressional intention in enacting it, contending that the majority's interpretation:

denies copyright holders the ability to obtain identification of those subscribers who purloin protected materials through § 512(a) conduit ISPs. This interpretation also shields conduit ISPs from liability without requiring their assistance in protecting copyrights. The suggestion that copyright holders should be left to file John Doe lawsuits to protect themselves from infringement by subscribers of conduit ISPs like Charter, instead of availing themselves of the mechanism Congress provided in the DMCA, is impractical and contrary to legislative intent.

Charter, 2005 U.S. App. LEXIS 31, at **31-32.

Indeed, as the majority recognized, organizations such as the RIAA now have many "John Doe" lawsuits pending in courts across the country in which the copyright owner files a motion for third-party discovery of the identity of "John Doe" along with the filing of the suit. *Id.* at *9, n.3. The dissent convincingly contends that this outcome is contrary to Congress' intent.

Copyright holders will likely have to avail themselves of these less streamlined procedures.

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Eighth Circuit Hands New Victory to ISPs Resisting DMCA Subpoenas

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Conclusion

Now that two circuits courts have ruled that conduit ISPs may not be served under 17 U.S.C § 512(h), copyright holders will likely have to avail themselves of these less streamlined procedures. Even if the RIAA or another copyright holder convinces a different court that § 512(h) reaches conduit ISPs, constitutional arguments remain to be resolved.

Moreover, the First Amendment arguments raised but never addressed in *Verizon* and *Charter* (except by the *Charter* dissent) have arisen in some of the John Doe lawsuits as well. See, e.g., *Sony Music Entm't, Inc. v. Does 1-40*, 326 F. Supp. 2d 556, 564-65 (S.D.N.Y. 2004) (recognizing P2P use as protected speech implicating privacy concerns, but enforcing subpoenas in view of plaintiffs' showing on factors favoring disclosure).

In a recent twist, a judge in the Eastern District of Pennsylvania granted Plaintiffs' Motion for Leave to Take Immediate Discovery in a John Doe lawsuit, but conditioned such discovery upon plaintiffs' attaching to the subpoena a document entitled "Court Directed Notice Regarding Issuance of Subpoena." See *Elektra Entm't Group, Inc. v. Does 1-6*, Civ. No. 04-1241, Order and Attachment (E.D. Pa. October 13, 2004) (available at www.eff.org/IP/P2P/RIAA_v_ThePeople/20041012_Order_Granteeing_Request.pdf).

The "Court Directed Notice" is an information sheet drafted by the court together with organizations which had appeared as *amici curiae* in other DMCA subpoena cases.

Among other things, it provides the recipient with 21 days in which to move to quash or vacate the subpoena before her identity will be disclosed to the plaintiffs, it provides information about how to challenge personal jurisdiction, it supplies contact information for the plaintiff record companies' settlement representatives and it lists legal resources including a number of *amici*.

Whether this ad hoc procedure will find favor with other courts and whether it will be challenged by any parties in the future remains to be seen.

As noted in an earlier article, "[t]he nuances of the ever-more-controversial DMCA seem to be getting more and more inscrutable as time goes by." *DMCA Safe Harbors May Require Careful – If Not Strict – Compliance*, MLRC MediaLawLetter, Feb. 23, 2004, at 31.

The industry now may have to return to Congress to draft a solution that broadens § 512(h) to accommodate the current generation of P2P technology and . . . with any luck . . . perhaps that even accommodates the next generation of technology as well. Judge Murphy's dissent emphasized the stakes:

Regarded by some as an innocuous form of entertainment, internet piracy of copyrighted sound recordings results in substantial economic and artistic costs. . . . It is not just faceless corporations who pay the cost. Local music retailers are also vulnerable to the allure of free music, . . . and artists can lose economic incentive to create and distribute works.

Charter, 2005 U.S. App. LEXIS 31, at **20-21.

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MLRC Cyberspace Committee: Articles on Selected Topics 2004

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Copyright Claims Against Amazon Barred by DMCA

A federal district court held that the Digital Millennium Copyright Act (“DMCA”) shielded Amazon.com from copyright liability for images sold by third parties on its “zShops” vendor platforms. *Corbis Corp. v. Amazon.com, Inc.*, No. CV03-1415L, 2004 WL 3092244 (W.D. Wa. Dec. 21, 2004) (Lasnik, J.).

The court found that Amazon was entitled to make use of the safe harbor provision of the statute since it did not know about, and could not control, the alleged infringements.

Background

Defendant Amazon.com (“Amazon”) specializes in online commerce. In addition to directly selling products, Amazon hosts a number of “third party vendor platforms,” including “zShops,” which allow companies to list and sell their own merchandise directly to online consumers.

Companies selling through zShops enter into a “Participation Agreement” in which they agree to refrain from marketing any item that, *inter alia*, infringes on any third-party intellectual property rights.

Under the Agreement, Amazon reserves the right to remove vendors’ listings and terminate service for violations of the Agreement or Amazon’s internal policies.

Amazon also owns and operates the popular Internet Movie Database (“IMDb”), a website featuring profiles of movies, actors, directors and other entertainment-related people and topics.

Copyright Infringement Suit

In June 2003, Corbis, a licensor of photographs and art images, sued Amazon and individual zShops defendants alleging that 230 images sold on zShops, as well as images contained on the IMDb website, infringed Corbis’s copyright interests.

Both sides filed multiple motions for summary judgment, and Amazon asserted that it was shielded from liability under the DMCA.

DMCA Defense

In order to qualify for protection under the DMCA, a party must first prove that it meets the definition of a “service provider,” in that it functions as “a provider of online ser-

vices or network access, or [as] the operator of facilities therefore.”

Once that threshold is met, the service provider must then establish that it

“(A) 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; and

(B) accommodates and does not interfere with standard technical measures.

17 U.S.C. § 512(i).

Further, under the safe harbor provision of 17 U.S.C. 512(c), a service provider is only protected from liability for copyright infringement for “storage at the direction of a user of material that resides on a system or network controlled or operated by the service provider” when:

- 1) it has neither actual knowledge that its system contains infringing materials nor an awareness of facts or circumstances from which infringement is apparent, or it has expeditiously removed or disabled access to infringing material upon obtaining actual knowledge of infringement;
- 2) it receives no financial benefit directly attributable to infringing activity; and
- 3) it responded expeditiously to remove or disable access to material claimed to be infringing after receiving from the copyright holder a notification conforming with requirements of § 512(c)(3).

After concluding that Amazon is a service provider, the court found that it had both adopted a User Policy and communicated its termination policy to its users. The policy had also been “reasonably implemented” in that Amazon had adopted an adequate procedure for receiving complaints of infringement and conveying the complaints to users, and that it had not been demonstrated that Amazon would tolerate repeat violations of its copyright infringement policy.

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Copyright Claims Against Amazon Barred by DMCA

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The court also concluded that Amazon had not interfered with standard technical measures employed to identify and protect copyrighted materials.

Safe Harbor Protection

After holding that Amazon qualified for protection under the DMCA, the court went on to address Amazon's argument that it was shielded from liability under the safe harbor provision of § 512(c)(3).

The court found that Amazon had neither actual nor apparent knowledge of the alleged copyright infringement by zShops, nor did it possess the right and ability to control the infringing activities of its third-party vendors.

Noting that the Central District of California had previously ruled that Amazon satisfied the requirements of § 512(c), the court rejected Corbis's attempts to distinguish the California case from the one at issue. *Citing Hendrickson v. Amazon.com*, 298 F. Supp. 2d 914, 918 (C.D. Cal. 2003).

The court found that Amazon's ability to identify zShops defendants and terminate their accounts did not amount to the right and ability to control the infringing users necessary for preclusion under the DMCA, which required more than "the ability of a service provider to remove or block access to materials posted on its website or located in its system." (citations omitted).

Additionally, the court ruled Amazon's meetings with movie poster vendors in an effort to encourage them to sell merchandise through zShops did not mean that Amazon knew of their infringing activities.

The court further noted that Amazon was never in the possession of the merchandise sold by the zShops defendants, did not preview the merchandise prior to its listing on the websites, did not edit the product descriptions, and did not suggest pricing for the merchandise.

Holding that Amazon qualified for protection under § 512(c), the court granted Amazon's motion for partial summary judgment concerning the allegedly infringing images on the zShops platform.

The court, though, denied both side's motions for summary judgment on Corbis's separate copyright claims over a photograph that appeared in a montage

advertisement on Amazon's IMDb website, finding issues of fact over whether the photographs had been properly registered.

Other Claims

The court rejected Corbis's Lanham Act claim over the zShops images on preemption grounds, finding that an adequate remedy existed under the Copyright Act.

Finally, the court rejected Corbis's state law claims for violation of the Washington Consumer Protection Act and for tortious interference with business relations over the zShops and IMDb images. These claims were barred by § 230 of the Communications Decency Act.

Corbis argued that Amazon "shaped the content of what was offered for sale on its zShops and directly provided the unauthorized images displayed on its IMDb.com platform." But the court found that while Amazon may have encouraged third parties to use the zShops platform and provided tools to assist them, the zShops vendors ultimately decided what information to put on the web.

Similarly, Amazon was entitled to immunity for the state law claims over the images that appeared on the IMDb website where the evidence showed that Amazon did not create or develop the images posted on IMDb.

Plaintiff was represented by Brett Wade Sommermeyer of Gordon & Polscer LLP, Seattle, Wa.; and Dan J. Donlan and Mary K. Schug of Powell Spears Lubersky, Seattle, Wa. Defendant was represented by Charles Christian Sipos, Elizabeth L. McDougall-Tural and Kenneth B. Wilson of Perkins Coie, Seattle and San Francisco; and Dale L. Kingman, David Joseph Coey, John Clark Gibson of Kingman Peabody Pierson & Fitzharris, Seattle, Wa.

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Trademark Claim Against Noncommercial Website Dismissed, But Cybersquatting Claim Might Survive

The Ninth Circuit has ruled that while the noncommercial use of a trademark as a website's domain name does not amount to trademark infringement or dilution under the Lanham or Federal Trademark Dilution Acts, it still may be actionable under the Anticybersquatting Consumer Protection Act. *Bosley Medical Institute Inc. v. Kremer*, No. 04-59962 (9th Cir. Apr. 4, 2005) (Silverman, J.).

Background

Defendant Michael Kremer, dissatisfied with the hair restoration services provided by plaintiff Bosley Medical Group ("Bosley"), purchased the domain name www.BosleyMedical.com. Before developing a website for that address, defendant wrote a letter to plaintiff's president stating that he was planning a website to disclose the "true operating nature of BMG." Defendant also offered to discuss the matter with plaintiff before negative information posted on the Internet had a "snowball effect."

Defendant subsequently created a website featuring information highly critical of plaintiff's company. The site, however, contained no links to any of plaintiff's competitors, sold no goods or services, and earned no revenue.

Bosley sued for trademark infringement, dilution, unfair competition, and state law trademark claims. An additional libel claim was subsequently settled. The federal district court granted summary judgment to defendant on the federal claims and dismissed the remaining state law claims under California's anti-SLAPP statute.

No Infringement, Dilution

In affirming dismissal of plaintiff's federal trademark infringement and dilution claims, the Ninth Circuit recognized that to succeed on a Lanham Act claim, Bosley would have to establish that defendant had the mark "in connection with a sale of goods or services" in a way that was likely to cause "confusion, ... mistake, or to deceive." See 15 U.S.C. § 1114.

Under the Federal Trademark Dilution Act, liability is premised upon "another person's commercial use in com-

merce of a mark or trade name," language the court found "roughly analogous" to that used in the Lanham Act. See 15 U.S.C. § 1125(c)(1).

The Court affirmed that defendant's site was "noncommercial" because it contained no links to plaintiff's competitors; there was no evidence that defendant attempted to sell the domain name to plaintiff as part of an "extortion scheme;" and plaintiff could not establish Kremer's site used the mark "in connection with goods and services" by arguing that defendant had "prevented users from obtaining the plaintiff's goods and services."

The Court concluded the website would not mislead consumers into buying competitors' services nor had defendant capitalized on the "goodwill" of plaintiff's mark to market his own services.

Anticybersquatting Claim

The Court went on to hold, however, that the district court had erred in dismissing the Anticybersquatting Consumer Protection Act ("ACPA") claim.

[C]ybersquatting occurs when a person other than the trademark holder registers the domain name of a well known trademark and then attempts to profit from this by either ransoming the domain name back to the trademark holder or by using the domain name to divert business from the trademark holder to the domain name holder.

15 U.S.C. § 1125(d).

The Court recognized that the ACPA contains no "commercial use" requirement, and held that the district court erred in grouping the ACPA claim in the summary judgment motion without giving Bosley notice or a chance to conduct discovery, particularly on the issue of whether defendant had a bad faith intent to profit through the use of Bosley's mark in his domain name.

Anti-SLAPP Motion

Finally, the Ninth Circuit reversed the district court's decision to strike plaintiff's state law claims under the California anti-SLAPP statute. While the district court

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Trademark Claim Against Noncommercial Website Dismissed, But Cybersquatting Claim Might Survive

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concluded that Bosley's lawsuit sought to limit defendant's free speech, and thus was within the scope of the statute, the Ninth Circuit held that "[a]n infringement lawsuit by a trademark owner over a defendant's unauthorized use of the mark as his domain name does not necessarily impair the defendant's free speech rights," and recognized that it had previously ruled that a "source identifier" such as a trademark is not entitled to full protection under the First Amendment.

Although the court stated that a summary judgment motion may have been "well-taken," dismissal under the anti-SLAPP statute was in error.

Plaintiff was represented by Diana M. Torres, O'Melveny & Myers, Los Angeles. Defendant was represented by Paul Alan Levy, Public Citizen Litigation Group, Washington, DC.

2005 MLRC BULLETIN

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Americans' Distrust of Media Greater Than That of Europeans

According to a recent Harris Poll, Americans distrust the media far more than residents of the European Union. The results of the poll are available online [here](#).

The poll, which surveyed 2,092 adults online between December 8 and 15, 2004, asked participants whether they "tend to trust" or "tend not to trust" a number of different institutions, including "the press," "radio" and "television." The results were then compared to the findings of the "Eurobarometer 61," a similar poll conducted in the European Union in which at least 1,000 adults in 25 countries were interviewed face-to-face.

Trust in the Media

By a margin of 62 to 22 percent, Americans polled stated they tend not to trust "the press." In contrast, Europeans answered the same question with a 47 to 46 split in favor of trusting the press.

Television did not fare much better with Americans, with 58 % stating they do not trust the medium. In contrast, 55% of Europeans reported that they tend to trust television.

Surprisingly, a plurality of Americans polled said they

tend to trust radio (43% to 33%). In contrast, a large majority of Europeans surveyed (62 %) said they trusted radio.

European Results

Among the largest countries surveyed in the Eurobarometer, trust of the press was highest in Spain (61%) and France (60%); and lowest in the United Kingdom, where only 20% of those surveyed professed a trust in the press – a result chalked up to the UK's "own special mass market tabloid journalism." A plurality of Germans (49 %) and Italians (47%) said they tended not to trust the press.

Other Institutions

Trust levels about other institutions was far less disparate. Both the Harris Poll and the Eurobarometer revealed that a majority of Americans and Europeans surveyed tend not to trust politicians or their governments, trade unions and big business.

Large majorities of Americans and Europeans surveyed, though, trust the police and military, as well as charitable and voluntary organizations.

MLRC REPORT ON TRIALS AND DAMAGES: Media Won Seven of 12 Trials in 2004

Number of trials per year continues decline, while media win rate continues to rise

There were 12 trials against media defendants based on editorial content in 2004, according to MLRC's newly released 2005 REPORT ON TRIALS AND DAMAGES, and media defendants won seven of them (58.3 percent of the 12 verdicts). In the five trials won by plaintiffs, the average award was \$3.4 million, while the median award was \$625,500.

There were also two cases in which trials were not completed: the plaintiff won a default verdict in one case, and there were two mistrials due to problems during proceedings.

With these 12 cases from 2004, this edition of MLRC's annual REPORT ON TRIALS AND DAMAGES includes the results of a total of 527 cases that have gone to trial against media defendants on libel, privacy and related content-based claims in the past 25 years – 1980 through 2004. Of 506 cases in which there were verdicts at the end of the trials, 199, or 39.3 percent, were won by media defendants.

Since 1980, when MLRC began to maintain statistics on media trials, the annual average number of trials in each decade has declined, primarily the result of there having been fewer trials involving newspaper defendants. The percentage of trials won by media defendants has gone up, but the average damages award assessed against media defendants when they lose at trial has also risen.

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MLRC's REPORT ON TRIALS AND DAMAGES

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Media defendants consistently do well on appeal of their losses at trial. Since most cases lost at trial by media defendants are appealed, the end result is that, after appeals were over, plaintiffs who won awards at trials from 1980 to 2004 kept these awards in only about one-third – 35.9 percent – of cases.

Other key findings of the REPORT include:

- **Number of trials continues to decrease.** The REPORT shows a long-term downward trend in the number of trials. In the 1980s there were an average of 26.3 trials a year, while in the 1990s the average was 17.9 trials, and so far in the 2000s the yearly average is 12.5 trials. The 12 trials that made it to verdicts in 2004 is the third lowest annual figure in the 25 years that MLRC has compiled its REPORT.
- **Media win rate continues to rise.** The media win rate in 2004 was one of the highest annual win rates in the MLRC REPORT. The percentage of cases won at trial by media defendants has gone up each decade since 1980: the overall win rate for media defendants from 2000-2004 has been 54.7 percent, while the defense win rate was 35.7 percent in the 1980s and 39.1 percent in the 1990s.
- **Media win slightly more often against public figures than public officials or private figures.** Media defendants have fared best since 1980 against plaintiffs classified as public figures, winning 40.8 percent of trials. Defendants won 38.5 percent of trials with private figure plaintiffs, and 37.8 percent of trials involving public officials. The win rates by media defendants in each of these categories, however, have risen over the course of the past 25 years
- **Plaintiff trial victories are often reversed in motions or on appeal.** Although plaintiffs have won 60.7 percent of cases that have gone through trial since 1980 (307 of the 506 trials), these plaintiff victories were modified by post-trial motions in 72 of these cases, or 25.2 percent. In 31 of those cases, or 10.5 percent of plaintiff victories at trial, the trial court used post-trial motions to reverse a jury verdict favoring the plaintiff (s) and enter judgment for the media defendant(s). Further, almost half (47.8 percent) of the awards that survived post-trial motions in some form were modified – either reduced or eliminated – on appeal.
- **Plaintiffs hold on to one-third of the initial trial awards.** Looking at the end result from another perspective, of the 307 awards won by plaintiffs at trial, plaintiffs appear to have held on to their awards in total in 99 cases (32 percent):
 - 31 (10.5 percent) were reversed by the trial judges on post-trial motions;
 - 64 (20.8 percent) were affirmed on appeal, while 35 (11.4 percent) were not appealed;
 - Awards were reversed or modified on appeal in 132 cases (42.9 percent);
 - Appeals were currently pending in seven cases upon completion of the REPORT (2 percent);
 - There were settlements after trial in 30 cases (9.7 percent); and
 - The final dispositions of eight cases (2.6 percent) are unknown.
- **Awards creep upwards.** The MLRC REPORT also shows a long-term increase in the average and median initial awards after trial. So far in the 2000s, initial trial awards have averaged \$3.4 million, an increase from the 1990s average of just under \$3 million, and the 1980s average of \$1.5 million. (The 1990s figures exclude the excessive \$222.7 million initial award in *MMAR Group, Inc. v. Dow Jones & Co., Inc.*, which was eventually vacated and the case dismissed.) The median for the 2000s, \$724,500, is also higher than the 1990s median of \$350,000 and the 1980s median of \$200,000.
- **Compensatory damages dominate in the 2000s, while the percentage of punitive damages falls.** Of the \$17.1 total initial trial awards in 2004, 97.7 percent was compensatory damages. That is by far the highest share of compensatory (versus punitive) damages in the history of the REPORT. Of all damages won by plaintiffs in trial awards in the 2000s, only 7.5 percent has been punitive damages. That compares with 61.7 percent of all dollars awarded in the 1980s, and 67 percent in the 1990s.

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MLRC's REPORT ON TRIALS AND DAMAGES

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- **State court trials.** Among the states, the most trials were in California (37 trials), Pennsylvania (32), Texas (27) and Florida (21). But on a per capita basis, the most trials were in Delaware, where there were 6.02 trials per one million residents. Media defendants won 38.9 percent of state court trials since 1980. Among states with more than three cases since 1980, Connecticut and Oregon shared the highest media victory rate at trial, 83.3 percent, while media defendants have lost all state court trials in Arkansas, Hawaii, and Kansas. Alabama (\$40,000) and Hawaii (\$40,138) vied among states with more than one trial for the lowest average trial award. (Vermont's one trial ended in a \$5,001 verdict.) Ohio had the highest average award, \$9.1 million.
- **Trials in federal courts.** The highest absolute number of federal trials were in the courts of the First Circuit (16 trials), followed by the 15 cases in the Fifth Circuit. Media defendants have won 40.7 percent of trials in federal court since 1980, with the Third Circuit producing the best victory rate at trial for media defendants, 70.0 percent. The media fared worst in the district courts within the Fourth Circuit, where media defendants won only 30 percent of trials, followed closely by the Second Circuit (30.8 percent). First Circuit courts had the lowest average trial award for plaintiffs, \$509,000, while the Fifth Circuit had the highest, \$24.0 million.

The REPORT has full state-by-state and federal circuit-by-circuit comparisons on number of trials, cases per capita, win rate, and damage awards.

- **Print and audio-visual media are now defendants equally, but audio-visual defendants win more often at trial.** While print media – particularly newspapers – accounted for the largest number of trials in the 1980s, with 206 cases (164 of them against newspapers) versus 57 audio-visual media trials, that gap has closed. The number of print media trials since 2000, 32 trials, is virtually the same as the number for audio-visual defendants, 31 trials. But audio-visual defendants have consistently done better at trial than

print defendants, with audio-visual defendants winning 47 percent of trials since 1980 and print media winning only 36.1 percent. There have been only two Internet trials, with one defense win.

- **Final awards fluctuate.** The average final awards – after trial and all appeals – for the 2000s stands at almost \$795,000, a 33.1 percent drop from the 1990s figure of almost \$1.2 million. But the median for the 2000s, almost \$458,000, is almost five times the 1990s median, \$93,000. In the 1980s, the average final award was just under \$277,000, while the 1980s median was \$75,000

“The statistics on trials of libel, privacy and related claims against media defendants, and media continue to be mixed,” said MLRC Executive Director Sandra Baron. “That the media are engaged in fewer trials and are winning a higher percentage of those that do go to trial is good news for those who understand the threat posed to free speech and press from these kinds of lawsuits.”

“But the cases that do go to trial remain a concern,” she added. “While most excessive trial awards are reduced in post-trial rulings or on appeal, the expense of litigating can be daunting. The danger is that excessive damage awards, and the cost of litigating and appealing them, may give editors and publishers pause when covering controversial people and topics.”

The MLRC REPORT has been mailed to all Media and DCS members, and is available to Media and Enhanced DCS members on MLRC's web site, www.medialaw.org. Additional print copies are available for \$35 by calling (212) 337-0200.

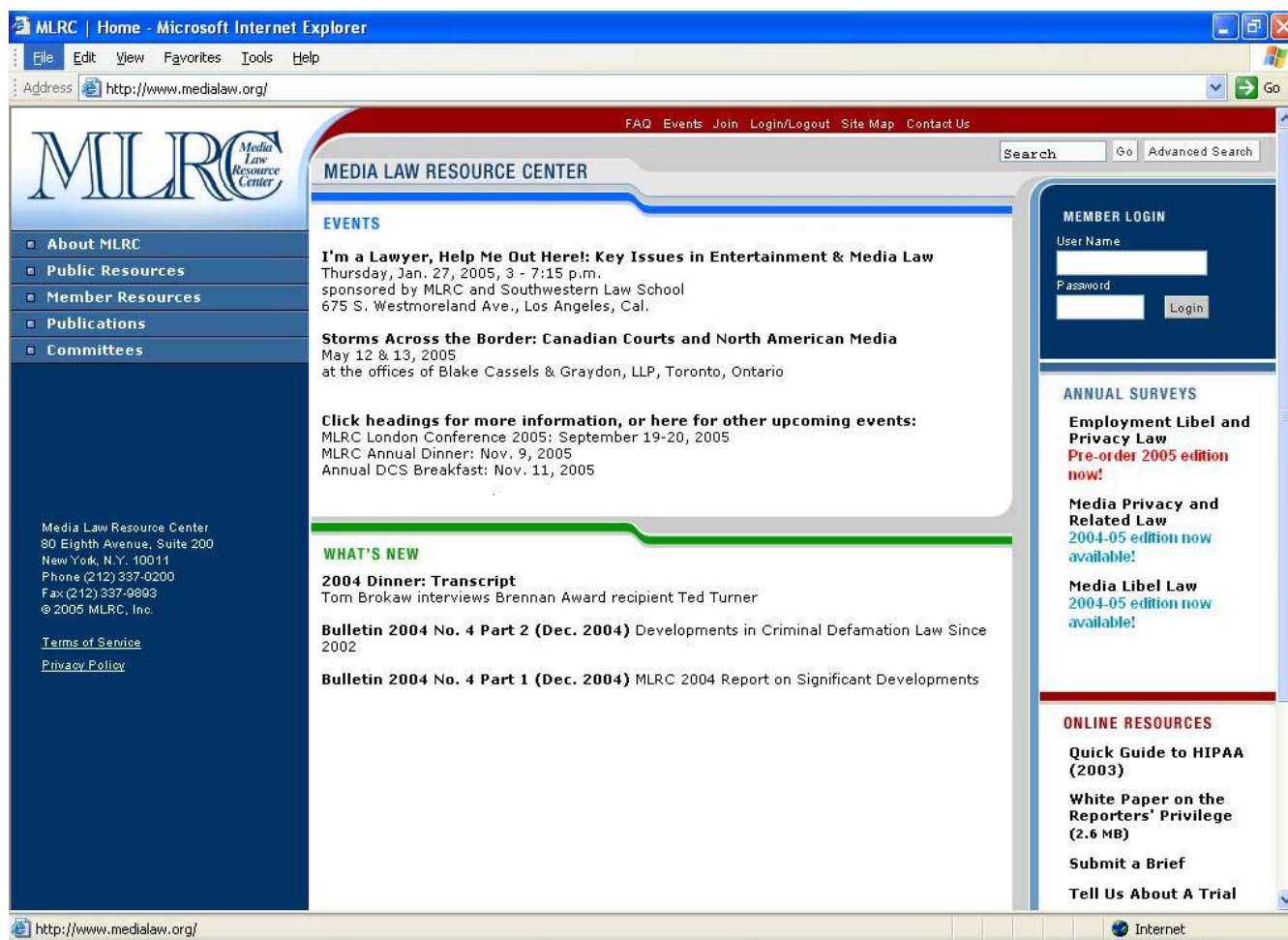
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Note: Associate members have access to the archive of the MLRC Bulletin and to the International Committee's web page and forum for the exchange of news, comments and ideas.

Contact Debby Seiden, dseiden@medialaw.org, for details.

FCC Tempers Move Toward Strict Liability in Indecency Decisions

By Reginal J. Leichty

A trio of decisions last month suggest that, after pushing the broadcast indecency standard's outer limits for nearly a year, the Federal Communications Commission may be charting a more balanced approach in 2005.

In the most high-profile of these decisions, addressing complaints filed against ABC Television and its affiliates for airing an uncut version of the graphic WW II movie "Saving Private Ryan," the Commission found that expletives used in the film were not used to pander, titillate, or shock the audience, but rather to provide a realistic depiction of what soldiers experienced during the war. *In re Complaints Against Various Television Licensees Regarding Their Broadcast on November 11, 2004, of the ABC Television Network's Presentation of the Film "Saving Private Ryan,"* FCC 05-23, (2005).

This decision suggests that – after Janet Jackson's revealing moment during the 2004 Super Bowl triggered a notable shift in the FCC's enforcement of the indecency rules – the Commission is once again placing a significant emphasis on context when analyzing indecency complaints.

Under traditional Commission analysis, actionable broadcast indecency describes or depicts sexual or excretory organs or activities in a manner patently offensive as measured by contemporary community standards for the broadcast medium (indecent content is prohibited during non-safe harbor hours of 6 am to 10 pm).

In making indecency findings the Commission has considered: (i) the context of the broadcast; (ii) the explicitness or graphic nature of the broadcast; (iii) whether the broadcast repeats or dwells upon sexual or excretory subjects; and (iv) whether it appears to pander, titillate or shock.

In several cases last year the Commission stretched this traditional balancing test, finding violations where the material only *referenced* sexual acts and where the depiction of a sexual organ was fleeting. These decisions seemingly ignored the Commission's usual consideration of whether the material "dwells on or repeats at length" descriptions of sexual or excretory organs and activities

and appeared to soften the "patently offensive" requirement to a standard where mere innuendo is actionable.

The Commission also took action in 2004 to define "profanity" and prohibited profane words during the 6 am-10 pm time period, while suggesting that a single utterance of the "F-Word" is an actionable violation without regard to context. These changes appeared to set the stage for a near strict liability indecency standard.

Complaint Against "Saving Private Ryan"

In three decisions released in late February, however, the Commission seems to be taking a more restrained approach, including placing a renewed emphasis on context. In the "Saving Private Ryan" decision, the Commission stated that "in light of the

overall context of the film, including the fact that it is designed to show the horrors of war ... and the repeated warnings provided by ABC, not only in the introduction, but also at each commercial break,

we find that the complained-of-material is not patently offensive as measured by contemporary community standards."

Commenting on the case, FCC Chairman Powell said, "Context remains vital to any consideration of whether profanity or sexual content constitutes legally actionable indecency...[t]he Commission must stay faithful to considering complaints within their setting and temper any movement toward stricter liability if it hopes to give full effect to the confines of the First Amendment."

This raises the question of whether the indecency standard will be applied consistently. Will, for example, the indecency standard be applied in the same way to a "realistic" police drama as it is in a WWII movie?

Complaints Against Sitcoms

In another departure from last year's aggressive enforcement practices, the Commission appeared, in two recent cases, to strengthen the "patently offensive" prong of the indecency analysis. Considering com-

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A trio of decisions last month suggest that the Federal Communications Commission may be charting a more balanced approach in 2005.

FCC Tempers Move Toward Strict Liability in Indecency Decisions

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plaints about the shows “Will and Grace” and “Arrested Development” that allegedly included “references” to graphic sexual content and “sexual innuendo,” the Commission determined that the material was not patently offensive because the cited dialogue was “neither sufficiently graphic nor explicit” to render the program indecent. *In re NBC Telemundo licensing Co., Licensee of Station WRC-TV, Washington, D.C.*, Memorandum, Opinion and Order, FCC 05-38, (2005); *In re Fox Television Stations, Inc, Licensee of station WTTG(TV), Washington, D.C.*, Memorandum, Opinion and Order, FCC 05-36 (2005).

Despite these recent decisions, the future of the broadcast decency standard is murky. The House of Representatives recently approved legislation to significantly increase the penalties for indecency violations, including mandatory license reviews for repeat offenders and individual liability for artists. Similar legislation is pending in the Senate, where the Chairman of the Senate Commerce Committee has called for expanding the indecency regulations to cable and satellite services.

This Congressional pressure, combined with the departure of FCC Chairman Michael Powell and other ex-

pected turnover at the Commission, could easily cause the FCC to once again take a more aggressive stance.

President Bush’s recent comments suggesting that parents need to take responsibility for what their children watch on television has shifted some of the intense focus away from broadcasters, but only the appointment of a new FCC Chairman, resolution of pending indecency legislation on Capitol Hill, and completion of the Janet Jackson case, will provide the clarity broadcasters seek in this area of the law.

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