

# MILRC Media Law Resource Center

## MEDIA LAW LETTER

Associate Member Edition

Fall 2005

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**MLRC Calendar**

January 26, 2006  
MLRC & Donald E. Biederman  
Entertainment & Media Law Institute  
of South Western Law School  
Los Angeles

September 27-29, 2006  
NAA/NAB/MLRC Media Law Conference  
Arlington, Virginia

*Legal Challenges of Creativity in a Changing  
and Increasingly Regulated Media Environment*

## MLRC London Conference Explores Developments in International Media Law

On September 19-20, over 190 delegates from around the world convened at Stationers' Hall in London to discuss developments in libel, privacy, reporters privilege, newsgathering and related areas of media law.

This was MLRC's fourth, and largest, conference in London – with delegates from Australia, Canada, England, France, Germany, Holland, New Zealand, Scotland, United States and Wales.

### *Day One*

The conference opened with speech from Lord Justice Henry Brooke, of the Court of Appeal of England and Wales, on the subject of "Reynolds and Responsible Journalism." Lord Justice Brooke surveyed recent developments in the law of privilege, noting that the privilege is still evolving under UK law.

Laura Handman, Davis Wright Tremaine, and Mark Stephens, Finers Stephens Innocent, then led a session on Libel Law Developments that picked up the themes of Lord Justice Brooke's speech. The session examined, in a practical way, how the Reynolds privilege is working in UK libel cases with comparisons to recent libel trials and issues in the U.S.

The Honorable Thomas Munro Gault, of the New Zealand Supreme Court, delivered a speech to the conference entitled "What Is the Editor to Do? - Constraints on the Freedom of Expression" – offering personal reflections on the republication decisions journalists must



make to balance libel and privacy issues against the public's interest in being informed.

Andrew Nicol QC, Doughty Street Chambers, and Charles Tobin, Holland & Knight LLP, led a discussion on developments in the law of reporters privilege – including developments and fallout from the Judith Miller case.

Andrew Caldecott QC, 1 Brick Court, Sebastian Seelman-Eggebert, Latham & Watkins (Hamburg) and Cliff Sloan, The Washington Post Company led a session on privacy law developments, including a discussion of the impact of the *Von Hannover v. Germany* decision by the European Court of Human Rights on publishers worldwide.

### *Day Two*

The second day of the conference began with a speech by Lord Justice Igor Judge on a new pilot program in

*(Continued on page 6)*





### MLRC London Conference

(Continued from page 5)

England allowing cameras in courts on a limited basis. American Judge Hiller Zobel offered his perspective on the U.S. experience with cameras in courts. Alastair Brett, Times Newspapers Limited and Jonathan Sherman, Boies, Schiller & Flexner LLP led a group discussion on the subject.

The next session, led by John Battle, Independent Television News and Thomas Kelley, Faegre & Benson LLP, focused on the related subject of reporting on court proceedings – including contempt of court restrictions in the UK and other common law jurisdiction that restrict reporting on trials and other criminal proceedings.

The Honourable James Jacob Spigelman, Chief Justice of the Supreme Court of New South Wales, Australia delivered an afternoon speech entitled “The Principle of Open Justice.” Judge Spigelman’s speech surveyed the concept of open justice in the English and Australian legal systems – with a comparison to U.S. access law developed out of cases such as *Richmond Newspapers v Virginia*.

David Bodney, Steptoe & Johnson LLP and Siobhain Butterworth, Guardian Newspapers Ltd., led an afternoon session focusing on the UK’s recently enacted FOIA statute, comparing the language and application of the statute to laws in the U.S. and elsewhere.

Day Two of the conference concluded with a mock jury session on the theme “Libel and Responsible Journalism” moderated by Michael Sullivan, Levine Sullivan Kock & Schulz, LLP. At issue was a mock newspaper

story that republished allegations of misconduct against a high-profile athlete. Desmond Browne QC, 5RB, argued on behalf of the Claimant. Gavin Millar, QC, Doughty Street Chambers, argued on behalf of the Defendant. The jury deliberations were televised live to delegates. Jurors split 6-6 on whether the article was defamatory. But they tilted 9-3 in favor of the defendant, finding that the article was published responsibly. Jason Bloom, Courtroom Sciences Incorporated, Dallas, Texas, and Dave Heller coordinated the session with Michael Sullivan.

### *In-house Counsel Breakfast*

Finally, a new session was included as part of the conference. Approximately 50 in-house lawyers from the UK, US and Australia met to discuss issues of particular concern, including retaining counsel and conflicts issues (i.e., “defense-only” representation) and the rise in conditional fee agreements.

Copies of the speeches delivered at the conference will be published shortly by MLRC.

## MLRC BULLETIN 2005:3A

### *The Global Media: Comparative Studies on European and American Media Law*

Contact Debby Seiden at [dseiden@medialaw.org](mailto:dseiden@medialaw.org)  
for ordering information



## MLRC London Conference 2005 – Mock Jury Exercise Article

### Daily Record Exclusive: 100 Meter Record Holder Faces Career Threatening Doping Probe

By Isaac Intrepid  
Special to Daily Record

Testers employed by the World Anti-Doping Agency have revealed to the **Daily Record** that Scott Collins, the 100 meters world record holder, has tested positive for the banned drug “Zedra1B.”

The result is not positive confirmation that Collins has used the illegal performance enhancing drug. That will hinge on the results of the new test he submitted to this week.

Collins, the favourite for gold in this weekend’s World Championships, submitted to mandatory retesting earlier this week at his training base in Seaside. The results won’t be known until after the World Championships – casting a cloud over his participation. Collins manager confirmed that Collins will race and that there is “absolutely no reason for him not to.”

Collins meteoric rise from the college ranks to world record holder in only eighteen months has drawn the attention of fans as well as the Anti-Doping Agency.

Three months ago testers surprised Collins at his hotel in Singapore where he was staying as part of a delegation promoting a 2012 Olympic bid. In an angry late night confrontation, Collins allegedly pushed a tester out of his hotel room. WADA later conceded that it was a violation of its own rules to conduct random testing after midnight. But testers were frustrated the next day too when Collins left the delegation and returned early to the U.K.

Random testing is routine, but some think Collins’ rise merits special attention. Photos of Collins at UCLA show a “bean pole” sprinter – as his coach there described him. His dramatically developed physique during the subsequent 2004 season in which he broke the world mark has been the subject of intense speculation in sporting circles.

Other sprinters have expressed surprise at the improvement Collins has shown under his German trainer, Dr. Gunter Meisner. One sprinter who declined to be named, told the **Daily Record**, “two years

ago Collins was middle of the pack – now he’s setting records. To do that you are either the best athlete of the century or you’re using something.”

The news about the test result comes at a critical time for Collins’ endorsement career. He has reportedly been offered \$1 million per year for the next five years by *McDonalds* to promote the fast-food chain’s new “Running Ronald” menu of reduced-fat burgers and multivitamin juices.

McDonalds was sorely embarrassed last year when its Happy Meal pitchman, American baseball slugger Joe McGuire, admitted during a criminal investigation that he had taken steroids for several years.

Whether this new scandal will sour *McDonalds* on the Collins deal remains to be seen. Advertising analysts warn that in the current climate businesses have to approach athlete endorsement deals with extreme caution.

However doubts remain over WADA’s ability to test for “Zedra1B” -- a powerful “new generation” compound that can rapidly build muscle mass and strength. The compound can be nearly impossible to conclusively detect because it is chemically similar to a substance found in over the counter cold and flu medications – leading to risks that athletes will be tarred by false positives.

This was highlighted by last month’s decision of the Court of Arbitration for Sport in Lausanne to overturn a lifetime ban imposed on the Jamaican hurdler, Earl Bennett, following evidence that he had been taking a flu-remedy.

All attempts by the **Daily Record** to contact Collins at his training camp failed. However his sister and manager, Kelly Collins, confirmed that her brother had tested positive for Zedra1B and had been retested in Seaside. She said he “has faced terrible jealousy” from many established sprinters on the circuit and that he “has nothing to hide despite the false positive on one sample.”

Punishments for doping violations range from a suspension to a lifetime ban.



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Michael Sullivan, Levine Sullivan Koch & Schulz LLP  
Charles Tobin, Holland & Knight LLP  
Kurt Wimmer, Covington & Burling  
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## Mock Trial at MLRC's London Conference Explores Libel and Responsible Journalism

By Jason S. Bloom, M.A.

In the hypothetical matter of *Scott Collins v. Isaac Intrepid and The Daily Record*, mock jury research was conducted in the form of a Mock Trial at the MLRC London Conference on Tuesday September 20, 2005 at Stationer's Hall, London. For the Mock Trial, a group of 12 mock jurors was recruited from the trial jurisdiction.

### ***Sports Star Accused of Misconduct***

The Claimant in the exercise was "Scott Collins," a world-record holding track star, who claimed that "*The Daily Record*" and its reporter, "Isaac Intrepid," defamed him by publishing an article headlined "Daily Record Exclusive: 100 Meter Record Holder Faces Career Threatening Doping Probe."

The article accurately reported that Collins tested positive for the banned drug "Zedral B." It reported his manager's denial which claimed the result was a false positive caused by Collins use of an over-the-counter cold remedy to alleviate his respiratory problems. The article also republished allegations linking Collins to steroid use.

The defense position was that the article was not defamatory – that it simply raised legitimate questions. But if found to be defamatory, the defense argued that publication was protected by a qualified privilege under UK law, i.e., that it was "responsible journalism."

Having jurors determine whether a publication is responsible journalism is a departure from current UK law. At present, jurors are only allowed to determine disputes over predicate facts. The judge then determines whether the privilege applies.

For purposes of the exercise, the question of responsible journalism was put to the jurors to see what factors indicative of responsible journalism actually resonate with average people.

### ***The Exercise***

At the outset of the Mock Trial, the mock jurors were given time to review the article before listening to a neutral overview of the case, as presented by Michael Sullivan of

Levine Sullivan Koch & Schulz. After this, the Barristers presented summary arguments to the mock jurors, with the conference delegates as the trial audience.

Gavin Millar QC, Doughty Street Chambers, representing the defendants, went first. He emphasized the press's right to raise serious questions about matters of public concern, e.g., the use of drugs in sports. Desmond Brown QC, 5RB, represented the Claimant. He stressed the seriousness of the newspaper's allegations and potential flaws in the publication of the story, e.g., failing to directly contact Collins.

Following the presentations, the 12 mock jurors retired to deliberate for one hour. The jury deliberations were broadcast via closed-circuit television to the conference delegates. The mock jury deliberated the following questions:

### ***Meaning***

1) The first step in reaching a decision is to determine the natural and ordinary meaning of the article in dispute. Claimant has argued that the article is defamatory in that it implies he is guilty of taking performance enhancing drugs – a serious accusation that would naturally damage his reputation.

Defendant has argued that the article is not defamatory. That at worst, the article only means that reasonable grounds exist to inquire whether Claimant has been taking such drugs and that this meaning cannot reasonably be considered defamatory.

Is the article defamatory?

### ***Defense of Responsible Journalism***

2) If the article is defamatory, you may nevertheless find in favor of the Defendant if he proved by the balance of probabilities that the article was published responsibly. If Defendant failed to prove this, you must find in favor of Claimant.

In deciding whether the article was published responsibly you should consider the totality of circumstances under which Defendant researched and published the article, balancing each, as appropriate under the circumstances. The

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## Mock Trial at MLRC's London Conference Explores Libel and Responsible Journalism

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relevant factors may include a) the seriousness of the allegation against Claimant; b) the importance to the public in learning of the allegation; c) the source of the allegation; d) the steps Defendant took to verify the article; e) the urgency of reporting the allegation; f) whether Defendant made sufficient attempts to speak to Claimant prior to publication; g) and the balance and tone of the article. This list of relevant factors is not meant to be exhaustive; you may consider other pertinent circumstances of publication

Did Defendant prove the article was published responsibly?

### **Damages**

3) If the article is defamatory and was not published responsibly, Claimant is entitled to an award of damages to vindicate his reputation, and to compensate him for injury to reputation and the distress the article caused him.

An award of more than £200,000 is generally considered excessive. But the decision as to damages is yours and yours alone.

What amount of damages do you award Claimant?

### **Results**

The initial mock jury vote on defamatory meaning was 9-3 for the Claimant. But after 30 minutes of deliberations, the mock jury panel deadlocked on the issue 6-6.

They then considered the question of responsible journalism. The mock jury panel deliberated the issue and ended up with a 9-3 vote in favor of the defendants, finding that the article was published responsibly. These 9 jurors focused primarily on the article's balance in discussing the failed drug test – and did not appear to fault the newspaper for also republishing unproven allegations of steroid use.

Damages were then discussed by the three mock jurors who voted in favor of the Claimant on defamatory meaning and rejected the responsible journalism defense. The three mock jurors, all women, would have awarded damages in the amounts of £ 50,000, £ 100,000 and £100,000.

The most prevalent pro-Claimant jury themes were: sympathy for Mr. Collins, the timing of the article, and

the inference that the length and great detail in the article demonstrated an intent to be defamatory, rather than just informative.

The defense themes that were most operative in the mock jury deliberations were: the public's right to know, nothing stated in the article was untrue, and that Mr. Intrepid was reporting the story "as is."

### **Group Discussion**

Upon conclusion of the deliberations, the mock jury was released and the conference delegates had a brief group debrief, offering their impressions of the Mock Trial and the jury system. This included several spirited comments by UK delegates questioning the ability of jurors to follow legal instructions. It also included spirited defenses of the jury system by lawyers from both sides of the Atlantic.

*Jason S. Bloom, M.A. is a senior trial consultant at Courtroom Sciences, Inc. in Irving, TX. He assisted in the presentation of this mock jury exercise. Mr. Bloom specializes in assisting attorneys with case presentations, trial strategy, and jury selection. He can be reached at (972) 717-1773 or by email at [jbloom@courtroomsciences.com](mailto:jbloom@courtroomsciences.com).*

## **MLRC BULLETIN 2005:3B**

### ***MLRC's Supreme Court Report Certiorari Petitions in the 2004 Term***

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for ordering information*

## “Storms Across the Border” Conference Examines Canadian Media Law Landscape & Risks for U.S. Publishers

On May 12-13, 2005, MLRC members and Canadian media lawyers met in Toronto for MLRC and Ad IDEM’s (Advocates in Defense of Expression in the Media) “Storms Across the Border” Conference.

The Conference was planned by John Borger, Faegre & Benson (co-chair); Brian Rogers (co-chair); Susan Grogan Faller, Frost Brown Todd LLP; Daniel Henry, CBC; Bruce E.H. Johnson, Davis Wright Tremaine LLP, Seattle; Thomas Kelley, Faegre & Benson; James Stewart, Butzel Long; and Kurt Wimmer, Covington & Burling. It was presented with the support of Media/Professional Insurance and First Media Insurance.

MLRC member and Ad IDEM co-founder Brian Rogers and MLRC Executive Director Sandy Baron welcomed over 60 lawyers from Canada and the US for a discussion of recent developments and trends in the law to better assess the risks of cross-border publishing in the new global media environment.

### ***Jurisdiction Developments***

Paul Schabas, Blake Cassels & Graydon in Toronto and Bob Lystad, Baker & Hostetler, Washington, D.C., led the discussion on jurisdiction developments. The session focused on the impact of the decision in *Bangoura v. Washington Post* where the trial court justified taking jurisdiction in part because the *Post* is a prominent publication that ought to be prepared to defend itself any where in the world.

An appeal in the case was heard in February. Paul Schabas, who represents the *Post*, and Brian Rogers, who together with Kurt Wimmer, Covington & Burling, coordinated an amicus brief with over 50 signatories, reported that the Court of Appeal was receptive to the defense arguments that the lower court incorrectly applied Canada’s “real and substantial interest test” in asserting jurisdiction.

Bob Lystad described the U.S. approach illustrated by the Fourth Circuit’s decision in *Young v. New Haven Advocate* and related cases and the focus on whether the defendant’s publication “targeted” the forum jurisdiction.

The discussion turned to the question of how lawyers should advise their clients. One cautious approach would

be for U.S. newspapers and magazines to remove from their website editions contentious articles concerning Canadian residents. US publishers are generally not censoring their web content. Some US publishers on the border are simply assuming that they will be sued in Canada.

Several recent cases were discussed. The NY Post is currently defending an action in Vancouver, Canada. The newspaper was sued by a former NHL General Manager who was described by a sports columnist as a “bully.”

Several years ago the Detroit Press was sued in Canada by an NHL player. The newspaper then sued in the U.S. for a declaratory judgment that the Canadian action would be unenforceable in the U.S. The U.S. court never reached the merits because plaintiff ended up dropping the case, apparently to avoid litigating both in Canada and the U.S.

This mirrors the approach taken by Dow Jones and Yahoo! in recent cases – although U.S. courts in both cases declined to enjoin the foreign actions for jurisdictional reasons.

This issue has come up again in the case of U.S. author Rachel Ehrenfeld who defaulted in a UK libel action brought against her by a Saudi citizen. Ehrenfeld has now brought an action in New York seeking a declaratory judgment that the English award is unenforceable in the U.S.

The delegates discussed the merits and practicality of responding to foreign libel actions by defaulting.

### ***Libel Developments***

Jim Stewart, Butzel Long, Ann Arbor, Michigan, and Fred Kozak, Reynolds Mirth Richards & Farmer LLP, Edmonton, Alberta, led the discussion on libel developments.

They contrasted the result of the mock jury exercise that was held last year at the MLRC/NAA/NAB Libel Conference with an exercise held at Ad IDEM’s annual conference. Both exercises used the same news article, but the presumption of falsity under Canadian law led to a verdict for plaintiff in that exercise.

Both juries thought the mock news article was unfair to plaintiff but U.S. jurors concluded they could not do anything about it under the instructions they received. Although under U.S. law, plaintiffs’ bear the burden of prov-

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**“Storms Across the Border” Conference Examines Canadian Media Law Landscape & Risks for U.S. Publishers**

(Continued from page 11)

ing falsity, several U.S. lawyers noted that in cases that go to trial, jurors might ignore the burden and find for plaintiff.

The contrasting role of summary judgment as a defense was discussed. In Canadian practice summary judgment is not the robust defense it is in the U.S. Instead it is limited to defenses like statute of limitations or absolute privilege.

Although the defense of qualified privilege was rejected in Canada in *Hill v. Scientology*, Canadian lawyers opined that the defense could still be argued in Canada on the right facts.

The session also touched on the problem in Canadian libel litigation of having to plead particular facts to support a defense at the earliest stage of the case – and how this can limit a media defendant’s efforts to mount a defense of truth or privilege.

Lawyers from Quebec noted that province’s separate law under which a media defendant can be liable for truthful publications. Quebec applies a fault standard to all claims under which truthful publication that do not meet “professional standards” can be actionable.

### ***Reporting on Courts***

Daniel Burnett, Owen Bird, Vancouver, British Columbia and Herschel Fink, Honigman Miller Schwartz & Cohn, Detroit, Michigan, led the discussion on the issues and problems that arise in reporting on Canadian court cases under the country’s law of contempt.

Under Canadian law the publication of material that *might* influence a jury can be a contempt of court and therefore certain information on trials can be subject to publication bans. In Canada jurors are not sequestered. And it was noted that “Michael Jackson-style” trial coverage would violate Canadian law.

Several recent high profile murder trials illustrated these difficulties. In one case, a U.S. newspaper containing trial coverage was blocked from entry into Canada and Canadian cablecasters blocked feeds from U.S. stations. A Michigan newspaper was worried that its papers would not be allowed into Canada – and the paper later closed its Canadian advertising office. And in

an even more unusual response, a Canadian library far away from the location of the criminal trial nevertheless censored articles from U.S. papers for fear of violating the contempt rules.

This was contrasted with the U.S. approach of greater *voir dire*, sequestration and change of venue – and well as self imposed restraints on reporting sensitive information. The ban on publishing documents mistakenly released in the Kobe Bryant case was noted as a rare exception to the rule against prior restraints in the U.S.

Delegates also discussed the problem of how the rules of contempt are to be applied to publication on the Internet. And it was debated whether the Canadian rules allowed reporters access to more information than is available in the U.S. – albeit under restrictions on when they could report the information.

### ***Broadcast Regulations***

Greg Schmidt, LIN Television; Jack Goodman, Wilmer Cutler & Pickering, and Daniel Henry, Canadian Broadcasting Corporation led the Broadcast Regulations session. The U.S. lawyers began by discussing the current climate surrounding indecency complaints against broadcasters – from Janet Jackson to Olympics ceremony controversy – and how such complaints are being used by the FCC in license renewals to coerce payments of fines.

This was contrasted to the more permissive Canadian standards with respect to indecency. But it was noted that Canadian regulations have instead been applied against Canadian broadcasters for statements considered offensive to minorities and women. For example, radio broadcasts by Howard Stern that insulted French Canadians contributed to Canadian broadcaster dropping his show – although U.S. signals make the show available in Canada.

Canadian regulators also refused to renew the license of a radio broadcaster (CHOI) for a “shock jock’s” offensive statements about minorities – even where some comments were apparently true. The regulators cited the “impact” of the statements on minorities.

The session also considered recent privacy law developments in Canada, including the law in Quebec which provides decidedly more protection than other provinces.

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## Canadian Appeals Court Rules Country Has No Jurisdiction Over the Washington Post in Internet Libel Case

By Paul B. Schabas and Ryder L. Gilliland

The Ontario Court of Appeal this month overturned a trial court ruling that would have allowed a former UN Drug Control Official, Cheikh Bangoura, to sue the *Washington Post* in Ontario over articles published by *The Washington Post* in 1997 – three years before Bangoura moved to Ontario. *Bangoura v. The Washington Post*, C41379 (Sept. 16, 2005). The judgment is available online at: [www.ontariocourts.on.ca/decisions/2005/september/C41379.htm](http://www.ontariocourts.on.ca/decisions/2005/september/C41379.htm)

It is the first time an appellate court in Canada has considered the issue of jurisdiction in an Internet libel case. The decision provides a useful precedent for other jurisdictions (Canadian and elsewhere), many of which have yet to develop a practical approach to jurisdiction in Internet libel cases.

### Background

The trial court was of the view that *The Washington Post*, as a major newspaper “often spoken of in the same breath as the *New York Times* and the *London Telegraph*”.... should have reasonably foreseen that the story “would follow the plaintiff wherever he resided.”

Some described this as the “moving target” approach to jurisdiction, increasing concerns that plaintiffs might “forum-shop” to bring American defendants into Canada, where libel laws are much more plaintiff-friendly than in the U.S. (Canada has libel laws similar to those in England).

### Court of Appeal Judgment

The Court of Appeal judgment, a unanimous decision written by Justice Robert Armstrong, emphatically rejected the lower court decision, emphasizing that in order for a libel action to proceed in Ontario there must be a “real and substantial connection” between the action and the jurisdiction.

The judgment illustrates that the Canadian “real and substantial connection test” – applied properly – can serve as a practical tool for determining whether a Court should accept jurisdiction in an Internet libel case. The eight factors considered by Canadian courts in applying the test are:

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

The Court of Appeal dealt with the first two factors in short order. Although the lower court said that damage to Bangoura’s reputation would have the greatest impact in Ontario, where he now lived, the Court of Appeal noted that distribution of the articles in Ontario was minimal (there were only seven subscribers in Ontario in 1997), and that there was no evidence that anyone (other than Bangoura’s lawyer) had accessed the articles, anywhere. Accordingly, there was no evidence that Bangoura suffered significant damages in Ontario.

The Court of Appeal also rejected the finding that because of *The Washington Post*’s status as a leading newspaper, the defendants should have foreseen that they would be sued anywhere in the world, stating:

It was not reasonably foreseeable in January 1997 that Mr. Bangoura would end up as a resident of Ontario three years later. To hold otherwise would mean that a defendant could sue almost anywhere in the world based upon where a plaintiff may decide to establish his or her residence long after the date of publication.

In considering the other factors, the Court of Appeal found no unfairness to Bangoura, who had moved to the jurisdiction years later. It also raised concerns about courts having to enforce foreign awards in similar circumstances, noting that too readily accepting jurisdiction for publications on the Internet “could lead to Ontario publishers and broadcasters being sued anywhere in the world with the prospect that Ontario courts would be obliged to enforce foreign judgments obtained against them.”

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## Canadian Court Rules Country Has No Jurisdiction Over the Washington Post in Internet Libel Case

(Continued from page 13)

Perhaps the most interesting aspect of the *Bangoura* decision is its respect for the practice of American courts not enforcing foreign libel awards that are made under laws inconsistent with the actual malice rule established in *New York Times Co. v. Sullivan*. The lower court saw this as an “unfortunate expression of lack of comity,” rather than a factor that would weigh against accepting jurisdiction.

However, the Court of Appeal accepted the American position, stating:

The motion judge’s conclusion does not take into account that the rule in *New York Times v. Sullivan* is rooted in the guarantees of freedom of speech and of the press under the First Amendment of the U.S. Constitution. In any event, the reality is that American courts will not enforce foreign libel judgments that are based on the application of legal principles that are contrary to the actual malice rule. Although the Supreme Court of Canada has rejected the rule for perfectly valid reasons, it is, in my view, not correct to say that the American courts’ unwillingness to enforce a Canadian libel judgment is “an unfortunate expression of lack of comity.” Canada and the U.S. have simply taken different approaches to a complex area of the law, based upon different policy considerations related to freedom of speech and the protection of individual reputations.

Under Canadian law courts can refuse to enforce a foreign judgment if it is based on “repugnant laws and not repugnant facts”, and the Court of Appeal commented that “it could be argued that an American court’s refusal to recognize a Canadian judgment based on principles divergent from *New York Times Co. v. Sullivan* would fall into the category of repugnant law rather than repugnant fact.”

The apparent acceptance of the American practice of not enforcing foreign libel judgments will now be an important factor weighing against assuming jurisdiction against U.S.-based defendants. The fact that a case is international in nature (as opposed to inter-provincial) also weighs against taking jurisdiction.

Thus, two parts of the eight-part test will always weigh against an Ontario court assuming jurisdiction in an international Internet libel case. That said, the other factors must still be considered. If *Bangoura* had resided in Ontario at the time of the publication, and/or if there were evidence that the publication in Ontario were more widespread (as was the case in *Dow Jones & Co. Inc. v. Gutnick* – the leading Australian case, although decided on *forum non conveniens* grounds), the application of the real and substantial connection test may have led to a different result.

### Conclusion

The *Bangoura* decision follows closely on the heels of two significant English decisions. Roman Polanski successfully sued Vanity Fair and its American publisher Condé Nast in England without ever setting foot in the country (he was even permitted to testify via video conference – perhaps the first ‘virtual libel tourist’).

Also this year, the English Court of Appeal in *Jameel* threw out a defamation action on the basis of abuse of process because only five people in England – including Jameel’s solicitor and two business associates – accessed the online version of the defamatory item. Jurisdictional challenges were not raised in *Jameel* or *Polanski*, because under English law they will fail as long as there is some publication within the jurisdiction.

The Canadian “real and substantial connection” test, developed over the past fifteen years, may provide an approach worthy of adoption elsewhere, as it forces courts to consider meaningful connections between the action and the jurisdiction, not just whether there was publication within the territory. The Ontario Court of Appeal’s well-reasoned application of the test in *Bangoura* demonstrates that the Canadian approach can lead to a sensible result.

*Paul B. Schabas and Ryder L. Gilliland of Blake, Cassels & Graydon LLP in Toronto represented the Washington Post in the matter. The Washington Post was supported on appeal by a broad multinational media coalition led by Kurt Wimmer, Covington & Burling, and Brian Rogers, Toronto.*

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**Perhaps the most interesting aspect of the *Bangoura* decision is its respect for the practice of American courts not enforcing foreign libel awards that are made under laws inconsistent with the actual malice rule.**

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## Update: Australian Defamation Law Reform

### *Victoria's push for uniform defamation laws in Australia*

By Chris Sibree

Uniform defamation laws throughout Australia have long been a holy grail. For many years the States and Territories have retained their own laws relating to defamation. Some States and Territories have retained the common law while others have enacted legislation. This legal patchwork has serious implications for the Australian media which is required to negotiate seven sets of defamation laws, particularly in the modern environment of national publication and online new services.

Commonwealth Attorney-General Phillip Ruddock revived the call for uniform defamation laws a number of years ago by proposing reform at a national level based on his preferred defamation framework using the Federal Government's corporations power under the Constitution. His blueprint included retaining a right of action for corporations and the dead and requiring a publisher to prove both truth and a public interest in the subject matter before a justification defence arises.

In 2004, the Australian Standing Committee of Attorneys-General (SCAG), comprising the Attorneys-General of all Australian States and Territories, responded by putting forward their preferred Uniform Defamation Model Provisions to be enacted in their respective jurisdictions. SCAG, critical of certain parts of the Commonwealth's proposed reforms, produced a more media-friendly proposal.

Mr Ruddock has warned the States and Territories that they must enact acceptable uniform defamation laws by the beginning of 2006 or the Federal Government would impose its own, but was prepared to make compromises in the interest of achieving reform.

#### ***Victoria's Reform Bill***

The *Defamation Bill 2005* (Vic) (the Bill), which received its Second Reading on 7 September 2005, is Victoria's step towards enacting model defamation laws. It follows model bills introduced in the Western Australia and South Australia parliaments earlier this year. Other Australian jurisdictions are now following suit. It is likely therefore that the States and Territories' model defamation laws will be enacted before the end of the year.

Many features of the Bill's proposals should be welcomed by the media, especially the offer of amends procedures, the cap on non-economic damages and a one year limitation period. Also, importantly, it makes truth alone a defence to defamation, in line with the common law. The Bill compared favourably to the Federal Government's proposals which are far more plaintiff-friendly.

One main area of concern remains for the media. That is the defence of qualified privilege, which is based on the current provisions in the New South Wales *Defamation Act*. New South Wales' Courts have interpreted the requirement of "reasonableness," required to make out the statutory defense, in a manner that makes it very difficult for the media to prove.

The key elements of the Bill are:

#### **Retention of the general law of defamation**

The Bill retains the common law of defamation for civil liability, except to the extent that the Bill provides otherwise. The test for defamatory meaning is still common law based.

#### **1. Defamation proceedings barred for certain entities or persons**

The Bill bars a corporation from suing for defamation unless it is not a public body and it either is a not-for-profit entity or employs fewer than 10 persons and is unrelated to another corporation. This alters the current Victorian position bringing it into line with the current New South Wales *Defamation Act* and is contrary to the Commonwealth's approach. The proposed provision does not preclude an individual associated with a corporation from suing for defamation merely because defamatory material also defames the corporation.

The Bill also prohibits a deceased person, or any of their representatives, from suing or being sued for defamation, including where publication occurs prior to death. This reflects the current position in all States and Territories, except Tasmania, and is contrary to the Commonwealth's proposal.

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## Update: Australian Defamation Law Reform

(Continued from page 15)

### 2. Offers of amends

The Bill outlines a detailed “offer of amends” procedure, similar to that found in New South Wales, the Australian Capital Territory and the United Kingdom. Under the procedure, it provides a time frame within which a publisher must make an offer and what the offer must include.

The proposed procedure is beneficial to publishers, particularly as rejection of a reasonable offer provides a publisher with a defense to any defamation claim.

A Court must, unless the interests of justice require otherwise, generally award indemnity costs (which is about 90% of legal costs, rather than the usual party/party costs) against an unsuccessful party if the Court is satisfied that the party unreasonably failed to make or accept a settlement offer. Any statement or admission made in connection with an offer to make amends is not admissible in any proceedings. An apology does not constitute an admission of fault or liability.

### 3. Defenses

The Bill codifies defenses of justification, fair reporting of a public document or a proceeding of public concern, absolute privilege, qualified privilege, honest opinion and innocent dissemination. Generally, the defenses are similar to the current common law defenses. The differences between the current Victorian common law position and the Bill’s proposals are outlined below:

- a. The Bill’s “contextual truth” defense is wider than the current common law *Polly Peck* defense. ( Normally at common law, to establish a defence of justification the defendant must prove the truth of each defamatory imputation pleaded by the plaintiff. However, where the imputations complained of were not separate and distinct but carried a “common sting,” the *Polly Peck* defence provides a justification defence where the defendant proves that this common sting was true: see *Polly Peck (Holdings) Plc v Trefold* [1986] QB 1000 at 1032.) This is because the Bill’s “contextual truth” defense applies even if the contextual imputations are separate and distinct from the defamatory imputations of which the plaintiff complains.
- b. The Bill extends the defense of absolute privilege to matter that is subject to absolute privilege under corresponding Australian model defamation laws.
- c. The codified defense for fair reporting of public documents and proceedings of public concern lists more matters to which the defense applies. Further, the defense is only defeated where the plaintiff proves that the material was not published honestly for the information of the public or the advancement of education.
- d. A statutory qualified privileged defense is contained in the Bill based on section 22 of the *Defamation Act 1974* (NSW). The statutory defense differs from the common law by providing a broader basis for finding that a recipient had the necessary interest in receiving the defamatory information. As for the common law, the defense still fails where publication was actuated by malice. The drawback of the proposed new defense is that it retains the requirement of the publisher to prove it was “reasonable” in the circumstances. However, the defense does require the Court to take into account both the public interest in publishing the matter expeditiously and the nature of the defendant’s business environment when assessing “reasonableness.”
- e. The Bill’s “honest opinion” defense (akin to that of fair comment at common law) clarifies that the opinions of employees, agents and third parties are also capable of supporting the defense for a corporation.
- f. The Bill’s “innocent dissemination” defense clarifies that providers of Internet and other electronic and communications services will generally be considered subordinate distributors and are not liable for publication of defamatory material on services they provide, except where they knew or ought reasonably to have known the material was defamatory or their lack of knowledge was due to negligence on their part. ( Under clause 91 of schedule 5 of the *Broadcasting Services Act 1992* (Cth), internet service providers and internet content hosts are given a limited amount of protection

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### Update: Australian Defamation Law Reform

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for common law claims, including claims for defamation for material hosted or carried by them. However, the extent of the protection is not absolute and its breadth is unclear, not applying to ordinary email or broadcasting services.)

#### 4. Damages and costs

One of the most important features of the Bill is a cap on damages for non-economic loss of A\$250,000 (approximately \$189,000 U.S.) The Commonwealth provisions propose no cap and there is currently no cap at common law in Victoria. This amount is indexed and can only be exceeded where the Court is satisfied that the circumstances are such as to warrant an award of aggravated damages. No award of exemplary or punitive damage can be made under the Bill. Damages are to be assessed by the presiding judge, and not the jury.

The Bill sets out factors that can be relied on in mitigation of damages, such as the making of an apology or cor-

rection by the publisher and whether the plaintiff has brought proceedings for defamation in relation to another publication having the same meaning or effect as the publication in question.

Aside from the impact that an offer of amends may have when determining costs, the Bill provides that the Court may also have regard to the way in which parties conducted their case when making costs orders.

#### 5. Limitation of actions

The Bill prohibits a plaintiff from commencing proceedings for defamation more than one year after the publication of the defamatory material, except by order of the Court in certain situations. Currently in Victoria, a plaintiff has six years to commence defamation proceedings under the *Limitation of Action Act 1958* (Vic).

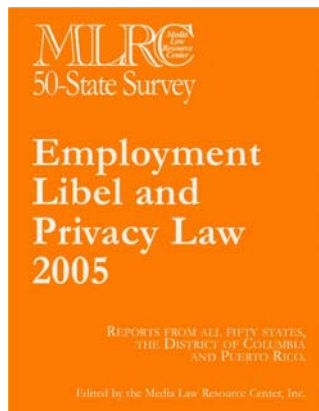
*Chris Sibree is a lawyer with Minter Ellison in Sydney, Australia.*



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## UK Court Grants Media Access to Pleadings

By Gina Latner

An unlikely division of the UK's High Court of Justice, the Technology and Construction Court, gave an important ruling which provides authority for opening up court files to journalists. *Multiplex Construction (UK) Limited -v- Cleveland Bridge UK Limited* (Aug. 31, 2005) (Wilcox, J.).

In the UK Court not all files and records are open for inspection. In the instant case an application was made pursuant to Civil Procedure Rule 5.4, which provides:

*5.4 (5) Any other person (ie. apart from a party to the proceedings) may:- (b) if the court gives permission, obtain from the records of the court a copy of any other document (ie. other than the claim form, judgment etc) filed by a party, or communication between the court and a party or another person.*

In the application by the Australian Broadcasting Corporation ("ABC") and its journalist, Sarah Curnow, the Court, exercising its discretion, ordered disclosure of the statements of case (pleadings) in a case between the UK subsidiary of an Australian construction giant, Multiplex Construction (UK) Limited and a steel fabrication subcontractor on their Wembley football stadium project site, Cleveland Bridge UK Limited.

The ABC wanted to see the documents to assist with the production of a television program about Multiplex, including the activities of Multiplex UK, and covering the dispute relating to the Wembley project. Such serious journalistic interest was held to be demonstrably legitimate for these purposes.

Cleveland Bridge gave their consent to the Application, but it was fiercely resisted by Multiplex on various grounds including, their argument that the "public justice" or "open justice" principle only applies to trials and not interlocutory hearings, that the case was too complicated for the public, and that the target company, a publicly quoted on the Australian Stock Exchange, would have to face burdensome disclosure obligations and media scrutiny.

Mr. Justice Wilcox held that it would be fair and just to order disclosure of the documents sought. The ruling adds

weight to the fundamental principle of open justice in English law, and strength to the presumption that cases should be heard in public and decisions made in public.

The Judge robustly rejected the Claimant's argument that interlocutory proceedings should be distinguished from trial proceedings with regard to the requirement for open justice. In doing so he stated that there can be no legitimate distinction to be drawn between decisions made in interlocutory proceedings and those at final trial.

Multiplex UK's argument that pleadings are a moving target and potentially such that disclosure at an interlocutory stage would not be in the interests of justice because it would place commercial parties under a significant burden to respond to media scrutiny, was rejected on the basis that

the powers of the Court to prevent vexatious and embarrassing pleadings are a sufficient safeguard for these purposes.

The Judge commented that it is not the role of the Court to judge whether matters are too complex to be understood by the public.

The role of the press in reporting judgments and interlocutory proceedings is a fundamental freedom, and there ought be no denial to the media of the statements made to the Court outlining the nature of a significant commercial dispute which had already endured public comment.

This judgment affirms the principle, and indeed the new culture of freedom of information within the UK justice system, and confirms the relaxation of previous attitudes which took a more cautious approach to disclosure of court proceedings. It upholds the principle of open justice in interlocutory proceedings as part of the overall trial process and gives confidence to journalists in their role as the watchdog of our justice system.

*Gina Latner is a lawyer with Finers Stephens Innocent LLP in London. She represented Australian Broadcasting Corporation in this case together with Stephen Collins (of ABC), Mark Stephens of Finers Stephens Innocent LLP and Andrew Nicol QC of Doughty Street Chambers. Multiplex Construction (UK) Limited were represented by Alex Panayides of Clifford Chance LLP and Paul Darling QC of Keating Chambers.*

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**The ruling adds weight to the fundamental principle of open justice in English law, and strength to the presumption that cases should be heard in public and decisions made in public.**

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## Criminal Libel Case in Thailand Draws International Attention

In recent months, media attorneys and advocates from around the world put a spotlight on a criminal libel prosecution in Thailand against Supinya Klangnarong, a Thai journalist and campaigner for media reform.

The trial, which began in July, and a related civil suit against the *Thai Post*, stem from statements Ms. Klangnarong made in the *Post* about political favoritism of the telecommunications conglomerate Shin Corporation. The case is being tried in a criminal court in Bangkok.

The case is unusual among journalist defamation cases in that it does not involve articles written by Ms. Klangnarong, but rather quotes of hers printed in the *Post*. In 2003, Ms. Klangnarong published a report based on her investigation into the relationship between Shin Corp. and Thailand's government, entitled "Communication under Shin's regime: the conflict of business and political interest?"

Shin Corp. was formerly headed by Thailand's Prime Minister Thaksin Shinawatra. Upon assuming office, Mr. Shinawatra handed his share of the firm and control over to relatives. In July, 2003 the *Thai Post* published an interview with Ms. Klangnarong, in which she reiterated allegations and conclusions drawn from her investigation to the effect that Shin Corp. had benefitted because of its ties to the Prime Minister. Shin Corp. is suing the *Thai Post* for libel in a separate civil action.

### *Amicus Effort*

The Thai criminal court does not accept amicus briefs, but an amicus group offered to submit a witness statement addressing the international norms surrounding criminal libel prosecutions. The International Bar Association also sent a lawyer to observe and assess the fairness of the proceedings.

Several MLRC members contributed to a statement to be given by Toby Mandel, legal director of the British human rights group Article 19. Mandel was prepared to read the statement on August 19. At the last minute, attorneys for Shin Corporation objected, claiming that they needed additional interpreters in the courtroom.

The defense team had provided two in-court interpreters, but Shin Corp. argued that it needed additional help. Trial is set to resume August 30, but Mr. Mandel was not sure whether he would be able to return to Thailand and, if so, whether the court would allow his statement into evidence.

MLRC members, including Robert Balin of Davis, Wright, Tremaine, based their contributions to Mr. Mandel's witness statement in customary international law, as well as regional and Thai law.

The major legal issues they addressed included the validity of criminal libel, the higher burden on plaintiffs when the allegedly libelous speech concerns matters of public interest, a fair comment defense, under which they argue that Ms. Shinawatra's statements reflected opinion, and not statements of fact, and the application of a rebuttable presumption of truth on behalf of the defendants.



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## UK Court of Appeal Allows *Times* to Raise Reynolds Defense in Lance Armstrong Case

### *Trial court should have allowed newspaper to present defense*

In a lengthy decision, the Court of Appeal of England and Wales reversed a trial court decision that had struck out a newspaper's *Reynolds* qualified privilege defense in a libel action filed by cyclist Lance Armstrong. *Armstrong v. Times Newspapers Ltd.*, [2005] EWCA Civ 1007 (July 29, 2005) (Brooke, Tuckey, Arden, JJ.).

#### **Background**

At the end of 2004, the trial judge, Mr. Justice Eady, ruled that the *Sunday Times* had no chance of successfully raising the *Reynolds* qualified privilege defense in the case. *Armstrong v Times Newspapers Ltd* [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 seven] 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."

#### **Court of Appeal Decision**

After a lengthy discussion of the facts and the proposed basis for the defense, the Court of Appeal ruled that it was an error to strike out the defense without at least hearing testimony from the defendants.

Among other things, the reporters would have testified about the sourcing of the article and the timing of publication – relevant factors to the defense.

Lord Justice Brooke concluded that "fairness demands that the merits of the *Reynolds* defense in this action should be properly investigated at the trial and not disposed of in a summary way."

Armstrong is represented by barristers Richard Spearman QC and Matthew Nicklin, 5RB; and the firm Schillings. The *Times* is represented by barristers Andrew Caldecott QC and Heather Rogers; and in-house solicitor Gillian Phillips.

### **Canadian Court Rejects Single Publication Rule in Internet Libel Case**

The Court of Appeal in British Columbia rejected the single publication rule in an Internet libel case. *Carter v. B.C. Federation of Foster Parents Association, et al.*, 2005 BCCA 398 (Aug. 3, 2005). At issue in the case were statements made about plaintiff in an online forum. The trial court held claims over certain online statements were time barred. The Court of Appeal reversed.

After reviewing UK and Australian cases rejecting the single publication rule, *see, e.g., Loutchansky v. Times Newspapers Ltd.*, [2002] Q.B. 783 (C.A.) and *Dow Jones & Company Inc. v. Gutnick*, [2002] HCA 56, the court concluded:

If defamatory comments are available in cyberspace to harm the reputation of an individual, it seems appropriate that the individual ought to have a remedy. In the instant case, the offending comment remained available on the internet because the defendant respondent did not take effective steps to have the offensive material removed in a timely way. Although, for the reasons noted by the trial judge, legislatures may have to come to grips with publication issues thrown up by the new development of widespread internet publication, to date the issue has not been legislatively addressed and in default of that, I do not consider that it would be appropriate for this Court to adopt the American rule over the rule that seems to be generally accepted throughout the Commonwealth; namely, that each publication of a libel gives a fresh cause of action.

## European Court of Human Rights Rejects Challenge to Irish Libel Award

By Michael Kealey

Supporters of Irish defamation law reform received a blow from The European Court of Human Rights last month when it rejected a claim by Independent Newspapers, a major Irish media player, that the limited guidance given to juries in defamation actions in Ireland infringed its right to freedom of expression guaranteed by Article 10 of the European Convention on Human Rights. *Independent News and Media and Independent Newspapers Ireland Limited v. Ireland*, Application No. 55120/00 (June 16, 2005).

The decision came on the heels of news that the Irish cabinet had apparently delayed libel reform pending a review of privacy laws, even though legislation had been promised last year. There has been no statutory change since the Defamation Act 1961, which is modelled on the UK's 1952 Act.

### Background

The decision was the end of a long road, starting with a comment piece in the *Sunday Independent* published almost thirteen years ago in December 1992. In July 1997, a jury awarded former Government Minister, Proinsias de Rossa, damages of IR£300,000 (approx US \$450,000) for libel over the article. Two years later, the Irish Supreme Court upheld the award.

Independent Newspapers appealed to the European Court and its case against Ireland was argued in October 2003. Ironically for an institution which has sat in judgment on allegations that domestic courts have failed to decide cases within a reasonable time, the European Court took almost two years to deliver its decision.

The jury had decided that the article falsely alleged that Mr de Rossa was involved in or tolerated serious paramilitary crime, was anti-Semitic and supported violent communist oppression. The timing of the article was significant. It appeared as Mr de Rossa was leading negotiations for the formation of a coalition government. All sides agreed the defamation was serious. Nonetheless, the newspaper argued that the award was excessive and disproportionate to any damage done to Mr de Rossa's reputation.

Importantly, the *Sunday Independent* sought to challenge the system under Irish constitutional and defamation law whereby juries determine the size of the award without any detailed guidance by the trial judge. They alleged that this procedure in practice leads to erratic and often excessive awards. In 1997, the Irish Supreme Court had held in *Dawson v Irish Brokers Association* (Unreported, Supreme Court, 27 February 1997) that:

Unjustifiably large awards, as well as the costs attendant on long trials, deal a blow to the freedom of expression entitlement that is enshrined in the Constitution.

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***The Sunday Independent sought to challenge the system under Irish constitutional and defamation law whereby juries determine the size of the award without any detailed guidance by the trial judge.***

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The newspaper also sought to rely on U.K. and European case law, including *Rantzen v Mirror Group Newspapers* [1993] 4 ALL ER 975 and *Tolstoy Miloslavsky v U.K.* [1995] 20 EHRR 442 – that addressed the issue of excessive libel damage awards.

Its arguments were as follows. In 1993, the Supreme Court had upheld an award given to a barrister, Mr Donagh McDonagh, against the *Sun* newspaper for a very grave defamation. In *McDonagh v News Group* (Unreported, Supreme Court, 23 November 1993) the Supreme Court had determined, however, that the award of IR£90,000 was at “the top of the permissible range.” The newspaper argued that it was wholly illogical that a jury should determine the award in the *de Rossa* case without having the benefit of this information. Only if they were armed with knowledge of the Supreme Court's views as to an appropriate award for a serious libel could the jury properly determine the level of compensation to which Mr de Rossa was entitled.

Independent Newspapers said that juries should also be told the level of awards in personal injury actions so as to make appropriate comparisons with damage to reputation. If such guidelines and procedures were not in place, the Irish legal system did not adequately protect the defendant's right to freedom of expression. Such changes in procedure had been introduced in the UK after *Rantzen and John -v- MGN* [1996] 2 All E R 35.

(Continued on page 22)

## European Court of Human Rights Rejects Challenge to Irish Libel Award

(Continued from page 21)

In its substantive defense, Ireland relied on the latitude given by the ‘margin of appreciation,’ principle and stressed the significant difference in size between the award against Independent Newspapers and that made in *Tolstoy Miloslavsky* – £1,500,000.

It said that there were distinguishing features between the UK and Ireland in the guidelines given to the jury and in the roles of the appellate courts. As the Supreme Court in *De Rossa* had stressed that : “the damages awarded by a jury must be fair and reasonable ... and must not be disproportionate to the injury suffered” Irish law had met its Convention obligations. The Court did however reiterate its long standing reticence to intervene, stating:

(The) Court is only entitled to set aside an award if it is satisfied in all the circumstances the award is so disproportionate to the injury suffered and wrong that no reasonable jury would have made such an award.

Independent Newspapers argued that the circumstances of *de Rossa* could not realistically be separated from those in *Tolstoy Miloslavsky* and if the law in England at the time of that case was a breach of Article 10, then so must the law in Ireland under the present circumstances. The newspaper argued that in *Tolstoy Miloslavsky* the ECHR determined that a lack of adequate and effective safeguards against a disproportionately large award is a breach of rights under Article 10. A system which not only permits but requires the determining body to be deprived of information relating to matters that are acknowledged to be relevant can never be

thought to provide adequate and effective safeguards against disproportionately large awards.

### ***ECHR Decision***

By a six to one majority (Judge Barreto of Portugal dissenting), the ECHR preferred Ireland’s arguments. The Court stressed that a “*State remains free to choose the measures which it considers best adopted to address domestically the Convention matter at issue.*”

As the trial judge in *de Rossa* had, among other things, given the jury an example of a relatively minor defamation case (without naming it or letting the jury know the size of the award), his charge could be distinguished from that in *Tolstoy Miloslavsky*.

Finally, “*the requirement of proportionality distinguishes the appellate review at issue in the present case (by the Irish Supreme Court) and Tolstoy Miloslavsky.*”

As long ago as 1991, the Law Reform Commission said that Irish law failed in its two main aims: to protect persons from unjustified attacks on their good name and to allow for the publication of matters of public interest.

It proposed reform including giving guidance to juries. Its stance was supported by the Legal Advisory Group which was established by the Minister for Justice and which reported last year. Despite this, defamation law in Ireland remains unreformed. The European Court’s decision is unlikely to act as an impetus for change.

*Michael Kealey is a solicitor with William Fry, Dublin, Ireland.*

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## EU Parliament's Last Minute Surprise Changes to "Rome II" Rescue Press Rights

### *An Opportunity for U.S. Press Organizations to Weigh in on Pending EU Legislation*

By David S. Korzenik and Aaron Warshaw

The European Union is in the midst of developing its choice-of-law rules which will govern non-contractual cross-border causes of action. That project - part of the larger process of "harmonizing" the divergent laws of European states - is known as "Rome II." For many months the general expectation was that the press would fare poorly under the anticipated draft. But on July 6, 2005, the European Parliament unexpectedly modified the working draft of "Rome II" - making an exception to the EU's choice-of-law rules that would govern cross-border defamation and privacy claims.

The European Parliament rejected a troublesome "place of harm" rule that would have left journalists uncertain about what substantive law might apply to claims directed against their broadcasts and publications.

#### ***Target Audience or Place of Editorial Control***

The new Rome II draft now carves out an exception for tort claims against media, so that choice-of-law would turn instead on the location of the *target audience* and, if that is not readily ascertainable, then, the place in which *editorial control* is exercised. Publishers and broadcasters would thus be in a far better position to anticipate the substantive law that would apply to potential defamation and privacy claims against them in EU courts.

Rome II now goes before the European Council as part of the co-decision process, but the changes made by the European Parliament are a positive and dramatic development in favor of the press. The European Parliament's action should receive active support and encouragement from U.S. and non-European media organizations so that the new draft can make its way into law.

The new legislation, if enacted, would likely apply to non-EU media defendants through the Rome II's principle of universal application of Article 2. But, at minimum, the precedent and model of Rome II would cer-

tainly inform future action by legislators and courts in this area. Hence, its ultimate importance to U.S. and other non-EU media caught in the cross-hairs of EU claimants.

#### ***Background***

In the United States, we manage choice-of-law issues through a patchwork of forum state rules. And while the substantive laws of defamation and privacy surely vary from state to state, they do not vary so widely or so radically as do the defamation and privacy and press regulation laws of the different EU countries.

For example, the law of privacy in France can be unusually aggressive, while French libel law is milder. In the U.K. the picture is reversed: UK libel law is far more effective for plaintiffs while UK privacy law is still only beginning to develop and strengthen under pressure from the European Court of Human Rights.

Thus, it would be quite jarring for a French journalist to find his or her work in France to be controlled by UK press law; just as it would be nettlesome for a UK journalist to discover that his/her activities on a story in the UK was the proper subject of French privacy law. The unpredictability and lack of clarity of European choice of law rules, thus, make the practice of journalism all the more difficult.

Given the difficult press issues engaged by Rome II, various media groups in Europe have actively expressed their concerns to the European Parliament about the potential impact of Rome II on a free press. Their recent appeals to MEPs who are concerned about freedom of expression have met with some success for a variety of reasons.

As much as UK courts are quick to welcome and adjudicate cases against U.S. media under UK law, the UK is, nonetheless and understandably, more circumspect about submitting its citizens and its press to the media laws of other EU nations. It is interesting that, thus far, as the revised Rome II draft goes before the European Council, the UK, France and Sweden have emerged as the early supporters of the new draft.

(Continued on page 24)



## EU Parliament's Last Minute Surprise Changes to "Rome II" Rescue Press Rights

(Continued from page 23)

### ROUND 1

#### *Place of Harm v. Place of Origin*

The European Parliament (the European Union's legislative branch) and the European Commission (the European Union's executive branch) oversee the "harmonization" of procedural and substantive law.

The European Commission advanced the initial draft of Rome II on July 22, 2003. This draft made the governing law "the country or countries in which the harmful event occurred" unless "a substantially closer connection with another country" existed.

The international media community uniformly criticized this rule as lacking in any clarity. It would, they argued, lead to unpredictable legal results that could not be fairly anticipated by practicing journalists and it would expose the press and broadcasters to claims in multiple foreign jurisdictions and to forum shopping.

Among the press organizations expressing those concerns were the European Federation of Journalists, the Periodical Publishers Associations, the European Broadcasters Union, and Article 19. Initially, media groups offered and advocated a "place of origin" rule to govern choice of law in media torts, but their initial efforts before the European Parliament's Legal Affairs Committee did not go well.

#### *Press Loses Round 1*

The Legal Affairs Committee of the European Parliament took up Rome II beginning in 2004 as the regulation underwent a series of re-drafts. On March 14, 2005, the Committee's Rapporteur, Diana Wallis MEP of the UK, hosted a seminar of "experts in private international law" who were invited to submit position papers.

The media groups continued to press for a "place of origin" rule. The Legal Affairs Committee adopted its final report on June 21, 2005. It did little to accommodate the press' concerns. Its draft created a number of changes to the original, among them: 1) applying the law of the publisher or broadcaster's habitual residence for the *right of reply* and to any preventative or *injunctive measures*; 2) a three-year review period; and 3) creation of a European Media Code and/or European Media Council.

But, the Legal Affairs Committee's final draft still held fast to the "place of harm" rule for privacy and defamation claims. Specifically, it required that "the law of the country in which the most significant element or elements of the loss or damage occur or are likely to occur shall be applicable."

The only exception to the general rule was when a "manifestly closer connection with a forum country" existed in light of country of publication or broadcast, language, and audience size in light of "the need for certainty, predictability and uniformity of result."

MEP Wallis took the view that this new "flexible" element should be sufficient to address and protect the concerns expressed by the media. Faced with this setback, the media organizations monitoring the new legislation altered their strategy and turned to MEPs outside the Legal Affairs Committee.

### ROUND 2

#### *Informal MEP Media Committee*

Before the European Parliament met in Strasbourg on July 6, 2005, the European Federation of Journalists and other groups representing journalists and media took their case to MEP's outside the Legal Affairs Committee and to an informal committee of MEP's who share a special interest in matters that pertain to freedom of expression and the press.

Among the members of this informal group were French MEP Jean-Marie Cavada, a former journalist and CEO of Radio France, and Italian MEP Lili Gruber, an author and former television news anchor.

MEP Cavada recommended a *target audience or place of editorial control rule* to accommodate the press' concerns – an adjustment that could also pass muster with MEP's who would not accept the "place of origin rule." The French solution prevailed as the European Parliament at the last minute adopted MEP Cavada's proposal.

The final draft provides that claims for harm "caused by the publication" will be governed by the law of "the country to which the publication or broadcasting service is principally directed or, if this is not apparent, the country in which editorial control is exercised, and that country's law shall be applicable.

(Continued on page 25)

## EU Parliament's Last Minute Surprise Changes to "Rome II" Rescue Press Rights

(Continued from page 24)

The country to which the publication or broadcast is directed shall be determined in particular by the language of the publication or broadcast or by sales or audience size in a given country as a proportion of total sales or audience size or by a combination of those factors." Art. 6, Amendment 57.

The final European Parliament rule reflects "a communications environment operating increasingly on a continent-wide basis," where "the various forms of law relating to the personality and historically established press traditions in the European Union point to the need for more uniform prerequisites and rules for dispute resolution." Art. 26a, Amendment 54(3).

The final draft adopts one element advanced by the Legal Affairs Committee, the creation of "a self-obligating European Media Code and/or a European Media Council which can provide consolidating decision-making guidelines for the relevant courts as well." *Id.* This component, however, was criticized as "unnecessary and inappropriate" by the EFJ.

Pamela MoriniPre, of the European Federation of Journalists in Brussels, who has been actively monitoring developments in Rome II observed that it was initially difficult to get traction on press concerns in part because technical issues such as "choice of law" do not immediately engage public attention and because it takes time for Parliament members to appreciate how different constituencies will be affected by the new rules.

It will be important for the European Council participants to see that press and media groups follow and appreciate what they are doing in this important area.

*For more information on Rome II's procedural history and drafts:*

<http://www.dianawallismep.org.uk/pages/rome2.html>

<http://www2.europarl.eu.int/oeil/file.jsp?id=235142>

*David S. Korzenik is a member and Aaron Warshaw is a summer associate at Miller Korzenik Sommers LLP in New York, NY.*



## 50-STATE SURVEYS



## Media Privacy and Related Law 2005-06

REPORTS FROM ALL FIFTY STATES,  
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## UK Court of Appeal Issues Landmark Privacy Decision

### *A Boost for Privacy Rights in England; A Blow for Those Who Wish to Trade in Them*

By Godwin Busuttill

In this latest instalment of a long-running legal saga centring on photographs taken at the wedding of the actors Michael Douglas and Catherine Zeta-Jones in New York in November 2000, the Court of Appeal of England & Wales has handed down a landmark privacy judgment recognising for the first time that the Court has a duty to protect individuals' privacy rights. *Douglas v Hello! Limited* [2005] EWCA Civ 595 (18 May 2005).

#### **Background**

The Douglases granted *OK!* magazine an exclusive licence to publish photographs of their wedding reception. They went to great lengths to ensure that only approved photographers took photographs of the event.

A paparazzo managed to get into the reception and take some snaps of the happy couple. These unauthorised photographs were sold to *Hello!* magazine, a rival of *OK!*'s.

*Hello!* were going to publish these photos as a 'spoiler.' *OK!* found out. The Douglases and *OK!* obtained an interim injunction preventing *Hello!* from publishing. The Court of Appeal discharged the injunction ([2001] QB 267) and *Hello!* published them. The Douglases and *OK!* pursued *Hello!* for damages.

After a trial in London in 2003, Mr. Justice Lindsay awarded the Douglases £3,750 each for the distress caused to them by the publication of the unauthorised photographs, an additional £7,000 for the cost and inconvenience of having to deal hurriedly with the selection of authorised photographs for *OK!*, to counteract the effect of the 'spoiler', and to *OK!* just over £1 million mainly in respect of loss of profit from the exploitation of the authorised photographs. See [2003] 3 All ER 996 for a report of Lindsay J's judgment on liability.

*Hello!* appealed against the Judge's rulings on liability and his award of damages to *OK!*. The Douglases cross-appealed on the quantum of damages, *OK!* on the footing that the damages awarded to it could be sustained with reference to other economic tort-based causes of action.

#### **Right of Privacy**

The Court of Appeal upheld the award of damages to the Douglases, holding that their privacy had been violated by the publication of the unauthorised photographs. It declined to increase the damages on a 'notional licence fee' basis principally because they had granted *OK!* an exclusive licence to publish photographs of the wedding.

The Court also overturned the substantial award of damages to *OK!*, deciding that *OK!* had no legal right to enforce against *Hello!*. The Court held that private information was capable of being exploited commercially and legal rights in such information could be transferred to a commercial publisher. But the licence in this case had not achieved this.

The judgment has far-reaching ramifications for the rapidly evolving law of privacy, commercial confidentiality and image rights in England & Wales, particularly in the media context.

A full account of these will be provided in a later edition of this newsletter. But to highlight some of the more important points now:

English Courts, following the decision of the European Court of Human Rights in *Von Hannover v Germany* [2004] EMLR 379 (24 June 2004), are under a positive duty to protect individuals' privacy:

"[it has been observed] that the Strasbourg jurisprudence provides no definite answer to the question of whether the Convention *requires* states to provide a privacy remedy against private actors.

That is no longer the case...the European Court of Human Rights [in *Von Hannover*] has recognised an obligation on member states to protect one individual from an unjustified invasion of private life by another individual and an obligation on the courts of a member state to interpret legislation in a way which will achieve that result." (paras [47] – [49]).

(Continued on page 27)

## UK Court of Appeal Issues Landmark Privacy Decision

(Continued from page 26)

The test for what constitutes ‘confidential information’ has been reformulated:

“It seems to us that information will be confidential if it is available to one person (or a group of people) and not generally available to others, provided that the person (or group) who possesses the information does not intend that it should become available to others.” (para 55)

Similarly the test for ‘private information’:

“What is the nature of ‘private information’? It seems to us that it must include information that is personal to the person who possesses it and that he does not intend shall be imparted to the general public. The nature of the information, or the form in which it is kept, may suffice to make it plain that the information satisfies these criteria.” (para 83)

There is no fundamental objection in law to private information being exploited for profit:

“Recognition of the right of a celebrity to make money out of publicising private information about himself, including his photographs on a private occasion, breaks new ground...we do not see this as any reason to draw back. We can see no reason in principle why equity should not protect the opportunity to profit from confidential information about oneself in the same circumstances that it protects the opportunity to profit from confidential information in the nature of a trade secret.” (para 113)

And the commercial value of such information may be protected in the same way as a trade secret:

“Where an individual (‘the owner’) has at his disposal information which he has created or which is private or personal and to which he can properly deny access to third parties, and he reasonably intends to profit commercially by using or publishing that information, then a third party who is, or ought to be, aware of these matters and who has knowingly obtained information without authority, will be in breach of duty if he uses or publishes the information to the detriment of the owner.” (para 118)

Albeit that the owner’s right in such information is not in the nature of an intellectual property right:

“... confidential or private information, which is capable of commercial exploitation but which is only protected by the law of confidence, does not fall to be treated as property that can be owned and transferred.” (para 119) “[the Douglasses’] interest in the private information about events at the wedding did not amount to a right to intellectual property. Their right to protection of that interest does not arise because they have some form of proprietary interest in it. If that were the nature of the right, it would be one that could be exercised against a third party regardless of whether he ought to have been aware that the information was private or confidential. In fact the right depends on the effect on the third party’s conscience of the third party’s knowledge of the nature of the information and the circumstances in which it was obtained.” (para 126)

The Court of Appeal was wrong to have discharged the interim injunction. The injunction should have been maintained because the Douglasses had a very strong case that their privacy had been infringed and damages were never going to be an adequate remedy:

“The sum of [damages awarded to the Douglasses] is...small in the sense that it could not represent any real deterrent to a newspaper or magazine, with a large circulation, contemplating the publication of photographs which infringed an individual’s privacy.” (para 257)

The last of these rulings - although obiter - may be of concern to the media as it suggests that prior restraint should be granted more readily in privacy cases.

Injunctive relief, however, presupposes that an individual finds out before publication that his privacy is about to be violated. In the light of *Douglas v Hello!*, the media may be well advised to take greater care to avoid this happening.

*Godwin Busuttill is a barrister at 5 Raymond Buildings in London. Plaintiffs in the case were represented by barristers Desmond Browne QC and David Sherborne of 5 Raymond Buildings. Defendants were represented by James Price QC and Giles Fernando of 5 Raymond Buildings.*

## Update: European Reporters Privilege Case Continues

### *Hans Martin Tillack Fights to Protect Sources*

By Christoph Arhold

This past Fall, MLRC reported on German journalist Hans Martin Tillack's fight to protect his journalistic sources in a leak investigation that has interesting parallels to the Plame case in the U.S. See *MediaLawLetter* Nov. 2004 at 33.

In 2004, police in Belgium searched Mr. Tillack's home and office, seizing his computer and files in search of the identity of an EU official who may have leaked information to him.

Since the last report, Tillack has exhausted his remedies under Belgian law and his interim remedies under European Community law. While the main proceedings before the EC courts continue, Mr. Tillack may in parallel petition the European Court of Human Rights with respect to the Belgian rulings.

#### **Background**

In 2002 the German magazine *Stern* published articles by its Brussels-based EU correspondent, Hans-Martin Tillack, on allegations of fraud and mismanagement in Community Institutions, and the investigation of those allegations by the EC's Anti-Fraud Office ("OLAF").

The magazine articles relied on internal OLAF documents, so OLAF began to investigate the source of the leak and issued a press release which stated, on the basis of internal rumors, that a journalist (clearly Mr. Tillack) might have bribed an EU official to obtain the documents.

Mr. Tillack complained to the European Ombudsman, who decided in November 2003 that OLAF wrongly accused Mr. Tillack of bribery on evidence no more solid than rumor and hearsay.

Mr. Tillack published further articles critical of the Commission, including one in November 2003 on

OLAF's Director-General. In February 2004 OLAF complained officially to the Belgian and German judicial authorities that Mr. Tillack had bribed Commission officials to obtain EU documents, and asked them to launch simultaneous investigations against him.

The German authorities (*Untersuchungsrichter*) found the evidence insufficient to justify a search warrant. The Belgian *Procureur du Roi* (Public Prosecutor), however, requested a *juge d'instruction* (magistrate) to investigate the case. On March 19, 2004, Belgian police searched Mr. Tillack's home and office, and sealed or seized nearly all his and *Stern's* archives, working documents and computers.

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***In 2004, police in Belgium searched Mr. Tillack's home and office, seizing his computer and files in search of the identity of an EU official who may have leaked information.***

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The rumor of bribery arose from a claim by a then Commission spokesman that he had heard something to that effect from a former colleague, although the supposed source subsequently denied making any such allegation.

Because there was no real evidence that Tillack had illegally obtained the information, it was clear that OLAF's real aim is to identify the source of the leak. But because OLAF claims it is the victim of an alleged bribery, it could become a party to the Belgian proceedings and thus gain access to the seized files and presumably the identity of the source.

#### ***No Protection of Sources***

Mr. Tillack petitioned the Belgian *juge d'instruction* in March 2004 to have the Belgian seizure measures lifted, arguing that the investigation violated the protection of journalistic sources laid down in Article 10 of the European Convention on Human Rights.

The *juge d'instruction*, however, refused to acknowledge a breach of Article 10. The judge's decision was based mainly on the allegation that the source had breached his or her duty of confidentiality and that Tillack had possibly obtained the information wrongfully.

(Continued on page 29)



**Update: European Reporters Privilege Case Continues**

(Continued from page 28)

The judge said it would in general be unacceptable “to use the right to keep sources secret in order to conceal offences,” since this would “be likely to endanger public safety by creating a state of impunity.”

Mr. Tillack challenged the order by a petition to the *Chambre des mises en accusation*, which confirmed the order and its reasoning in September 2004. He then appealed to the *Cour de Cassation*, Belgium’s Supreme Court.

The Belgian Supreme Court rejected Tillack’s appeal on December 1, 2004, despite the *Avocat Général*’s (court prosecutor’s) opinion, which supported Mr. Tillack and stressed that the Belgian courts had not bothered to double-check the evidence presented by OLAF before ordering the searches and seizures, but simply accepted it as the “truth.” See “*Conclusions du Ministre public*” filed with the “*Greffe de la Cour de Cassation*” (Registrar of the Supreme Court) on November 29, 2004: “*Force est de constater que, de cette manière, la chambre des mises en accusation a fondé sa décision relative à la régularité des actes d’instruction sur des pièces dont elle n’avait pas pu prendre connaissance.*”

All national remedies have now been exhausted. Mr. Tillack may, however, file an application with the European Court of Human Rights (“ECHR”) to declare the search and seizure by the Belgian authorities a violation of Article 10. The deadline to file is June 1, 2005.

**Belgium’s New Shield Law**

Until recently Belgium did not recognize a journalist’s right to protect the identity of sources. However, that changed last month with the enactment of a new law in the wake of the Tillack case and an earlier decision by the ECHR that Belgium had violated Article 10 of the Convention by searching a journalist’s home for evidence in a third party criminal investigation. See *Ernst v. Belgium*, No. 33400/96, ECHR, July 15, 2003, not published.

The new Belgian shield law grants journalists the right to protect their sources, and prevents them from being compelled to disclose any information, or

documents and their contents, that would lead to the identification of their sources.

The law also allows journalists the right to remain silent if called as witnesses, and expressly stipulates that they are protected against searches, seizures and phone-tapping. In addition, it prevents them from being sued for illegal retention of stolen documents or complicity in violation of professional secrecy by a third party.

Indeed, journalists will only be forced to identify their sources if the information sought is of crucial importance for assisting in the prevention of crimes that constitute a serious threat to the physical integrity of any person, and only if there is no other way to obtain it.

This new law is a major step towards protection of journalistic sources in Belgium, and illustrates the country’s previous deficiencies in that regard.

**European Court of Justice Proceedings**

In June 2004, Tillack also brought an action in the European Court of Justice to try and protect the identity of his sources. The European Court of Justice is an institution of the EU that has jurisdiction to hear and determine actions brought by individuals and the member states over EU treaties and provisions.

Tillack applied to the European Court of Justice for an interim measure (a preliminary injunction) to stop OLAF from obtaining, inspecting, or examining the contents of the documents and information seized by the Belgian judicial authorities. (Interim measures are granted if three basic conditions are satisfied: the applicant must establish a *prima facie* case, immediate relief is needed and the balance of interests favor the applicant.)

Tillack argued that OLAF violated EU regulations by having Belgian judicial authorities seize his files and computer. On October 15, 2004, the Court dismissed the request, on the ground that a *prima facie* case was lacking. See Case T-193/04 R, *Tillack v. Commission*, available through [www.curia.eu.int](http://www.curia.eu.int).

The court reasoned that OLAF’s decision to forward information to Belgian authorities did not “cause injury” to Tillack because Belgian judicial authorities had discretion whether to search Mr. Tillack’s premises.

(Continued on page 30)

**Update: European Reporters Privilege Case Continues***(Continued from page 29)*

Tillack's appeal of this decision was dismissed on April 19, 2005. See Order in Case C-521/04 P(R), *Tillack v Commission*, available at [www.curia.eu.int](http://www.curia.eu.int).

The court agreed that OLAF's "forwarding of information" had no legal binding effect on the decision whether to search Mr. Tillack's premises. OLAF's decision was not the *determining* cause, since Belgian law enforcement was left with sole discretion to decide what kind of measures to take. Consequently, no causal link between OLAF's action and the injury resulting from the search and seizure measures could be established. The reasoning of the decision is very brief, and it does not address some of Mr. Tillack's main arguments, especially on points of causation.

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***The Tillack case may also have helped convince the Belgian legislature to enact statutory protection for reporters' sources.***

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**Conclusion**

Although the legal steps taken by Tillack in Belgium and at the EU level were unsuccessful, they have been useful in three aspects. The decisions by the European Court of Justice have increased awareness, including among many Members of the European Parliament ("MEPs"), of the shortcomings of the legal construction on which OLAF is based, and the limited judicial control over it. The European Courts' judicial restraint may lead to further efforts by the EU's elected officials to reform OLAF.

In addition, just recently on May 17, 2005, the pressure on OLAF was further increased by a European Ombudsman

special report to the European Parliament according to which OLAF made incorrect and misleading statements in its submissions during its inquiry of the Tillack case (see <http://www.euro-ombudsman.eu.int/release/en/2005-05-17.htm>).

Another positive side-effect of the legal actions is that some MEPs have already put the European Commission under immense political pressure to abstain from trying to learn the identity of Tillack's sources through the material seized by Belgian police.

The new Commissioner responsible for OLAF, Mr. Siim Kallas, has confirmed in reply to MEPs' questions that "*the Commission does not intend, for the time being, to become a party ("partie civile") in the criminal action.*" (Answer to written question

E-3026/04.) The Commission is not legally bound by this statement, but to act contrary to it would amount to political hara-kiri. Mr. Tillack's sources can therefore feel relatively safe for the moment.

Finally, the Tillack case may also have helped convince the Belgian legislature to enact statutory protection for reporters' sources. The statute will certainly provide strong protection going forward.

*Christoph Arhold is a senior associate with White & Case LLP in Brussels and represents Hans-Martin Tillack before the EC courts with colleagues Ian Forrester QC and Nathalie Flandin.*

***Save the Date***

**LEGAL CHALLENGES OF CREATIVITY IN A CHANGING AND INCREASINGLY REGULATED MEDIA ENVIRONMENT**

**January 26, 2006  
Los Angeles, California**

## New Zealand Television Allowed to Report on Contents of Leaked Document

By William Akel

The High Court in New Zealand has recently delivered an important decision on breach of confidentiality and contempt as relates to the media. *Berryman v The Solicitor General and Scott*, Wild J, 3 May 2005, CIV 2003-485-1041.

The case concerned the crucial area of express and implied undertakings as to confidentiality involving a sensitive document obtained in discovery in litigation; the leaking of that document to the media; and then the posting of the document on the Internet.

The issue the High Court had to determine was whether the television channel that obtained the leaked document should be enjoined from broadcasting or otherwise using the document, despite it being posted on the Internet.

### Background

The facts were relatively straight forward as related to the injunction. The plaintiffs were involved in litigation with the Solicitor-General of New Zealand. They sought non-party discovery from the New Zealand Defense Force (NZDF) of a crucial engineer's report relating to the collapse of a bridge which resulted in the death of a person driving over it.

The bridge had been built for the plaintiffs by the Army but the materials were supplied by the plaintiffs. The plaintiffs assumed full responsibility for the bridge's maintenance. A Coroner's Inquest into the death found the bridge collapsed as a result of plaintiffs' failure to maintain it.

The NZDF did not produce or refer to the report at the Coroner's Inquest. The plaintiffs' counsel claimed a "cover up" by the Army in not producing the report. The plaintiffs sought a further Coroner's Inquest into the collapse of the bridge and the death that resulted from it.

The NZDF produced the crucial report to the plaintiffs counsel during the course of litigation seeking that the High Court order a new inquest. Plaintiffs' counsel then leaked a copy of the report to Television New Zealand after the High Court ruled the report could not be used in the

litigation before it because of a statutory prohibition against use of the report (having been prepared for an Army inquiry).

The NZDF found out about the leaking of the report. It sought return of the document from TVNZ and advised TVNZ that if it broadcast the contents of the report it would be at risk of committing, or being a party to the commission of, a contempt of court.

TVNZ declined to hand the report back but gave an undertaking not to broadcast the contents of the report pending determination of an urgent injunction hearing.

As this was going on, the plaintiffs' counsel then took the extraordinary step of posting the sensitive report on the Internet.

As well as seeking injunctive relief against TVNZ, the NZDF also sought orders against the plaintiffs' counsel arising from his breach of undertakings as relates to discovery. Counsel for the NZDF said "*It would be hard to imagine a more calculated, deliberate and extreme breach of court rules than that committed in this case by the plaintiffs' counsel.*"

On 26 April 2005 the High Court adjourned the contempt application against plaintiffs' counsel but proceeded to deal with the injunction against TVNZ.

### Injunction Against TV New Zealand

On March 3, 2005 the High Court Justice Wild delivered the decision. It summarized the arguments for the NZDF and TVNZ. For the NZDF it was argued:

1. The ability to prevent publication of confidential material in the mass media, as opposed to the Internet, was still a result which was of substantial benefit to the NZDF in terms of damage control arising out of the plaintiffs' counsel's actions.
2. TVNZ would itself be in contempt of court if it broadcast a report knowing the document had been obtained by way of discovery.
3. The High Court should impose safeguards for abuse of its discovery process and contempt of court by not allowing TVNZ to broadcast the sensitive report.

(Continued on page 32)

### New Zealand Television Allowed to Report on Contents of Leaked Document

(Continued from page 31)

4. In this respect the law of contempt was a justifiable limitation on freedom of expression rights. There was no public interest defense to a civil contempt.

For TVNZ it was argued that:

1. The fact that the sensitive report had made its way into the public domain released TVNZ from any obligation it may have to return the report. TVNZ should not be enjoined given that it could obtain the report from a public domain source, that is the Internet.
2. There was a distinction between NZDF's remedies against those who breach their obligations, and the rights of TVNZ and the New Zealand public once the confidential information was in the public domain.
3. The integrity of the court process, particularly as related to the confidentiality of discovery, was an issue between the plaintiffs' counsel and the Army, and not between the Army and the television company.
4. Any limitation on TVNZ's freedom of expression rights, and those of the New Zealand public to receive information, could not be demonstrably justified bearing in mind that the report had been published on the Internet.
5. There is no difference in principle between confidential information making its way into the public domain by way of breach of contract and as a result of contempt.

#### High Court Decision

After considering many of the leading authorities in both England and New Zealand on the importance of freedom of expression, breach of confidence, contempt, and publication on the Internet, Justice Wild held in TVNZ's favor principally for the following reasons:

1. There was a certain futility and pointlessness enjoining TVNZ from using the report when it was already in the public domain.

2. The court could not be blind to the realities of the situation. The court does not uphold the administration of justice and, in particular, the integrity of its discovery process, by making "futile" and "stupid" orders.
3. Discovery obligations involve duties of confidence, and the difference between an undertaking and a court order was not a point of distinction as submitted by NZDF.
4. TVNZ should not be subject to any greater restriction than other branches of the media (although they also had been put on notice that to publish the report would be in contempt of court).

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***There was a certain futility and pointlessness enjoining TVNZ from using the report when it was already in the public domain.***

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The High Court referred in particular to the distinction between a party in contempt and third parties made by Lord Nicholls in the UK House of Lords decision in *Attorney-General v Punch Ltd*[2003] 1 All ER 289 at 301.

“¶ 55 Disclosure of information which is already fully and clearly in the public domain will not normally constitute contempt of court in the type of case now under discussion. Contempt lies in knowingly subverting the court's purpose in making its interlocutory order by doing acts having some significant and adverse effect on the administration of justice in the action in which the order is made. If the third party publishes information which is already fully and clearly in the public domain by reason of the acts of others, then the third party's act of publication does not have this effect.”

Although Justice Wild referred to the plaintiffs' counsel's action placing the court in a dilemma, the end result is a pragmatic and common sense one. The integrity of the court process is protected by NZDF's contempt proceedings against the counsel involved. The administration of justice is not advanced by making orders that would make the courts look stupid. Freedom of expression rights are enhanced.

*William Akel is a partner at Simpson Grierson in Auckland, New Zealand and represented Television New Zealand in this matter.*

## Fifth Circuit Affirms There's No Jurisdiction Over German Publisher

By Thomas Leatherbury

The Fifth Circuit recently affirmed the dismissal of a suit alleging claims for libel, intentional infliction of emotional distress, tortious interference, and civil conspiracy against several German publishers for lack of personal jurisdiction. *Fielding v. Hubert Burda Media, Inc.*, No. 04-10297, 2005 WL 1531441 (5th Cir. June 30, 2005) (Jolly, Davis, Clement, JJ.).

### Background

Plaintiffs Thomas Borer, the former Swiss ambassador to Germany, and his wife, Shawne Fielding, a former Miss Dallas and Mrs. Texas, sued Hubert Burda Media, Bertelsmann AG, and Gruner & Jahr and a number of related companies for publication of numerous articles about an alleged affair Borer had with a German model and cosmetic saleswoman while he was ambassador.

The allegations, based on statements the model made and later recanted, were originally published by a non-party Swiss magazine and were republished in *Bunte* and other magazines owned by the Burda defendants and in *Stern* and other magazines affiliated with the other defendants. In the wake of the publicity, Borer lost his ambassadorship and Fielding suffered a miscarriage.

### Fifth Circuit Decision

The Fifth Circuit reviewed the district court's determination of lack of personal jurisdiction *de novo*. The Court discussed the U.S. Supreme Court's holdings in *Calder* and *Keeton* as well as pertinent Fifth Circuit and other federal precedents. With respect to *Burda*, the Court found that a Texas circulation of approximately 70 copies of *Bunte* per week out of a total weekly printing of approximately 750,000 issues did "not meet the 'substantial number of copies ... regularly sold and distributed' requirement of *Keeton*."

In looking at the *Calder* "effects test," the Court held that the "clear focus of the seven *Bunte* articles was the alleged affair between Borer and [the model] and its aftermath, activities which occurred in Germany and Switzerland."

Passing references in one *Bunte* article to Texas and to Fielding's ex-husband in Dallas and the republication of a picture from her SMU yearbook "served merely to supply

background, biographical information." The research done by a Burda contractor in Texas was of only "marginal importance."

The Court found that the brunt of the effects of the articles was felt in Germany, not in Texas. The Court further concluded that plaintiffs had not shown that the Burda defendants knew that sufficient harm would be suffered in Texas to fix jurisdiction there or even that the plaintiffs had resided in Texas during any time relevant to the suit. Thus, the trial court was correct in holding that it did not have specific personal jurisdiction over the Burda defendants.

In considering whether to exercise specific personal jurisdiction over Gruner & Jahr, the publisher of *Stern*, the Court reached a similar conclusion since *Stern* sent only about 60 copies a week to Texas, since the *Stern* articles made no reference to Texas or to Fielding's prior activities in Texas at all, and since the *Stern* articles contained no information obtained from Texas or Texas sources.

Finally, the Court considered the propriety of the exercise of general jurisdiction over Bertelsmann in the context of plaintiffs' complaint that they were denied the opportunity to take additional jurisdictional discovery. Although the Fifth Circuit appeared to accept the single business enterprise theory adopted by one intermediate Texas court – that a court may exercise general personal jurisdiction over an out-of-state corporation when a subsidiary of the out-of-state corporation is subject to the court's general jurisdiction – the Court found that the Plaintiffs had not made an adequate showing to justify the exercise of general jurisdiction over Bertelsmann.

The Plaintiffs had shown only that a Bertelsmann subsidiary had a registered agent for service of process in Texas and that this did not suffice to establish general jurisdiction. The Court concluded that the Plaintiffs had "not even made a preliminary showing of jurisdiction" and thus could show no prejudice from the district court's refusal to allow them to pursue additional jurisdictional discovery.

*Tom Leatherbury and Mike Raiff, Vinson & Elkins L.L.P., represented Hubert Burda Media, Inc. and related defendants. Robert L. Raskopf and Marc C. Ackerman, White & Case LLP, represented Gruner & Jahr. Charles L. Babcock, Jackson Walker L.L.P., represented Bertelsmann. Plaintiffs were represented by Larry Lesh and Kent C. Krause.*

**The brunt of the effects of the articles was felt in Germany, not in Texas.**



## Media Amicus Brief Filed in Ehrenfeld v. Bin Mahfouz

### Author Seeking Declaration That UK Libel Judgment is Unenforceable in the U.S.

**Kurt Wimmer**

In *Ehrenfeld v. Bin Mahfouz*, No. 04-CV-9641 (RCC) (S.D.N.Y.), an American author and researcher into the causes and financing of terrorism has filed an action seeking a declaratory judgment that a default libel judgment obtained by a billionaire Saudi Arabian sheik in a London court is not enforceable in the United States.

The defendant has moved to dismiss, and, on June 10, 2005, a coalition of companies and associations filed a memorandum of law *amicus curiae* in support of her efforts. The *amicus* group included Amazon.com; the American Society of Newspaper Editors; Article 19, a London-based freedom of expression advocacy group; the Association of Alternative Newsweeklies; the Association of American Publishers; the Authors Guild; the Electronic Frontier Foundation; the European Publishers Council; John Fairfax Holdings, Ltd., one of Australia's largest publishers; the Newspaper Association of America; the Online News Association; NYP Holdings, Inc., the publisher of the New York Post; the Radio-Television News Directors Association; Reporters Committee for Freedom of the Press; Times Newspapers Limited, publisher of the London Sunday Times; and the World Press Freedom Committee.

### Background

Plaintiff Rachel Ehrenfeld, a U.S. citizen and the director of the U.S.-based American Center for Democracy, wrote *Funding Evil: How Terrorism is Financed and How to Stop It*. The book was published in 2003 by Bonus Books, a U.S. publisher, solely in the United States. The book alleges that defendant Khalid Salim a Bin Mahfouz, a subject of Saudi Arabia, financially supported Al Qaeda in the years preceding the September 11, 2001, terrorist attacks on New York and Washington, D.C.

Mr. Bin Mahfouz alleges that Dr. Ehrenfeld's statements concerning him in *Funding Evil* are false and defamatory, and he brought a libel action against Dr. Ehrenfeld. Mr. Bin Mahfouz did not bring his action in the United States, where Dr. Ehrenfeld works and lives and where *Funding Evil* was published.

Instead, he followed the lead of so many other Saudi Arabian libel tourists and sued Dr. Ehrenfeld in London, despite the fact that only 23 copies of her book were purchased by English citizens from Internet sites. (The English court also noted that the first chapter of *Funding Evil* was available on the ABC.com website, which was of course available in England, and that the website as a whole might have received as many as 211,000 hits during the period when the chapter was available; there was no evidence, however, that any U.K. resident had actually read the chapter at ABC.com.)

Clearly, Mr. Bin Mahfouz meant to avoid the application of U. S. libel law and the protections that the First Amendment provides to libel defendants by his choice of forum. Dr. Ehrenfeld chose not to defend against Mr. Bin Mahfouz's English libel action, and the suit progressed to a default judgment.

Mr. Bin Mahfouz was able to obtain "substantial damages," as he has describes it on his website, against Dr. Ehrenfeld, including his attorneys' fees. He also obtained an injunction against the publication of *Funding Evil* in the United Kingdom, and even an extraordinary "declaration of falsity" in which the court entered a determination into the record (without, of course, the benefit of the views of Dr. Ehrenfeld, Bonus Books or any other witnesses) that *Funding Evil* is false and defamatory.

This default judgment might never be executed against Dr. Ehrenfeld, particularly given Mr. Bin Mahfouz's arguments that U.S. courts do not have jurisdiction over him (a view that is perhaps influenced by the fact that Mr. Bin Mahfouz is a defendant in multi-billion-dollar litigation brought by the families of 9/11 victims in the Southern District of New York).

But its value to Mr. Bin Mahfouz's campaign against Dr. Ehrenfeld and other journalists who have also linked him to the funding of terrorism is obvious. Predictably, a summary of the case, which tellingly did not include the salient facts that the court's ruling was a default judgment and that Dr. Ehrenfeld did not appear to defend herself, was trumpeted on Mr. Bin Mahfouz's website:

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## Media Amicus Brief Filed in Ehrenfeld v. Bin Mahfouz

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“On 3 May 2005, Mr Justice Eady in the High Court in London awarded Sheikh Khalid bin Mahfouz, Abdulrahman bin Mahfouz and Sultan bin Mahfouz substantial damages in their libel action against Rachel Ehrenfeld and Bonus Books. The Judge also made a declaration that the allegations contained in a book, “Funding Evil”, written by Rachel Ehrenfeld and published by Bonus Books were false and highly defamatory of the Claimants. The Judge ordered the Defendants to pay the Claimants’ costs of the action and publish a correction and apology. The full Judgment of Mr Justice Eady will be made available shortly.”

([http://www.binmahfouz.info/news\\_20050503.html](http://www.binmahfouz.info/news_20050503.html))

Interestingly, after this quote was pointed out to the court in the brief submitted by *amici*, Mr. Bin Mahfouz published a more complete version of the case history on his website.

Remarkably, this version seems to imply that Dr. Ehrenfeld submitted to the English court “material of a flimsy and unreliable nature, and the claimants have taken the trouble to demonstrate its lack of merit.” This statement is attributed to the English judge; it is curious, to say the least, given that Dr. Ehrenfeld neither appeared nor submitted anything to the English court.

### ***Libel Judgment’s Chilling Effect***

Dr. Ehrenfeld complained that this English default judgment, as well as the English court’s “declaration of falsity” and its injunction against publication, will have “a chilling effect on [Dr. Ehrenfeld’s] ability to attract publishers interested in publishing her books.”

This potential chilling effect was supported by the *amici*, who pointed out that publishers, who carry insurance policies imposing obligations to review the liability risks of works they consider for publication, may well shy away from an author subject to such a judgment.

A further and more direct chilling effect was demonstrated by the menacing message that reportedly was delivered to Dr. Ehrenfeld when she was served with papers for the English action – “you had better respond, Sheikh bin

Mahfouz is a very important person, and you ought to take very good care of yourself.” See *Another First Amendment Landmark Case?*, EDITOR & PUBLISHER, Mar. 21, 2005.

The major point made by the *amici*’s brief was the broader one – that the chilling effect of Mr. Bin Mahfouz’s forum-shopping tactics will not be limited to Dr. Ehrenfeld. Increasingly, publishers are being subjected, based on *de minimis* availability of their works abroad, to the jurisdiction of foreign courts that apply laws that do not comport with the first amendment or U.S. public policy, at the behest of libel tourists such as Mr. Bin Mahfouz.

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***Bin Mahfouz also obtained an injunction against the publication of Funding Evil in the United Kingdom, and even an extraordinary “declaration of falsity.”***

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These judgments cause concrete and specific harm to U.S. publishers. Those with assets abroad are particularly vulnerable. But even smaller publishers, newspapers and online media outlets operating entirely in the United States seeking funding for their expressive activities are likely

to be handicapped in their day-to-day business activities when subjected to potentially crippling foreign judgments. Individual investigative journalists and authors will be even more chilled.

Because of the broad current impact of the default judgment, *amici* urged the court to find that the dispute between the parties was sufficiently concrete to issue a declaratory judgment. They argued that litigation against U.S. publications and authors in foreign countries constitutes a clear threat to the ability of the U.S. press to vigorously investigate and publish news and information about the most crucial issues before the U.S. public – including, as in this case, the funding and sources of terrorism.

The English judgment provides compelling evidence of the ease with which the subjects of critical investigative journalism are able to punish U.S. authors by using the courts of another country to avoid the protections of the First Amendment, and *amici* urged the court to provide a counterweight against this tactic for U.S. authors and publishers by issuing a declaratory judgment.

This approach could provide a weapon that could be used against foreign libel litigation. As MLRC members well know, Internet publication and distribution of newspapers, books and other media has led to litigation in

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## Media Amicus Brief Filed in Ehrenfeld v. Bin Mahfouz

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which the courts of Australia, Canada, England, France, Germany, Italy and Zimbabwe, among others, have applied local laws to determine the liability of publishers and authors.

If publishers may be sued in any country in which a handful of citizens have accessed or purchased their works over the Internet, the media will lose the essential ability to predict the law that will apply to their publications. This trend, if unrestrained, will lead to publishers curtailing speech that would be protected in their home country out of legitimate concern that a more restrictive legal system will define their liabilities after publication.

The principle that such judgments would be unenforceable to the extent they do not comport with the laws of the country in which the work was published would protect free expression and enable publishers to retain the full benefit of their countries' laws in an Internet-enabled publication marketplace.

### UK Judgment Unenforceable

If Mr. Bin Mahfouz did attempt to enforce the default judgment against Dr. Ehrenfeld, it is clear that under U.S. law it would be unenforceable against her because it was rendered by a legal system that does not comply with the requirements of the first amendment. *See Matusевич v. Telnikoff*, 877 F. Supp. 1 (D.D.C. 1995) (answering questions certified from the D.C. Circuit Court of Appeals), 159 F.3d 636 (D.C. Cir. 1998), conforming to judgment of Maryland Court of Appeals, 702 A.2d 230 (Md. 1997); *Abdullah v. Sheridan Square Press*, No. 93 Civ. 2515 (LLS), 1994 WL 419847 (S.D.N.Y. May 4, 1994).

*Amici* urged that this principle be effectuated without forcing Dr. Ehrenfeld to await the execution of an English default judgment that is quite likely never to occur.

The Declaratory Judgment Act (DJA) provides a means by which a federal court "may declare the rights and other legal relations of any interested party" in the "case of an actual controversy within its jurisdiction." 28 U.S.C. § 2201(a).

An "actual controversy" is a "real and substantial controversy admitting of specific relief through a decree of a conclusive character," as opposed to an advisory opinion on a "hypothetical set of facts." *Aetna Life Ins. Co. v. Haworth*, 300 U.S. 227, 241 (1937).

Here, the *amici* argued that the English default judgment creates an immediate and real harm that gives rise to an actual controversy. In order to succeed, however, it will be essential for Dr. Ehrenfeld to convince the court that *Dow Jones & Co. v. Harrods, Ltd.*, 237 F. Supp. 2d 394, 407 (S.D.N.Y. 2002), *aff'd*, 346 F.3d 357 (2d Cir. 2003), does not control the outcome of the case.

***The English judgment provides compelling evidence of the ease with which the subjects of critical investigative journalism are able to punish U.S. authors by using the courts of another country to avoid the protections of the First Amendment***

### Distinguishing Dow Jones v. Harrods

In *Dow Jones*, the court found a dispute to be insufficiently real and immediate where the requested declaratory relief was sought before the ongoing English defamation proceeding in question had been concluded.

In contrast, the court in *Yahoo!, Inc. v. La Ligue Contre Le Racisme et L'Antisemitisme*, 169 F. Supp. 2d 1181 (N.D. Cal. 2001), *rev'd on other grounds*, 379 F.3d 1120 (9th Cir. 2004), *reh'g en banc granted*, 399 F.3d 1010 (9th Cir. 2005), granted the plaintiff's motion for summary judgment in a similar declaratory judgment action where there were "no relevant appellate proceedings" pending in a French lawsuit stemming from the content of plaintiff's Internet publications. *See* 169 F. Supp. 2d at 1188.

*Dow Jones* distinguished *Yahoo!* on this ground, stressing its inapplicability to "an incipient lawsuit, or litigation still in its early stages." *Dow Jones*, 237 F. Supp. 2d at 413.

The *Dow Jones* court acknowledged that "it is easier to satisfy the threshold of a justiciable controversy when the claim implicates First Amendment rights." *Dow Jones*, 237 F. Supp. 2d at 409.

As the *Yahoo!* court recognized, "[t]he loss of First Amendment freedoms, for even minimal periods of time, unquestionably constitutes irreparable injury" and hence gives rise to a real and immediate threat within the con-

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**Media Amicus Brief Filed in Ehrenfeld v. Bin Mahfouz***(Continued from page 36)*

text of the DJA's "actual controversy" requirement. 169 F. Supp. 2d at 1190.

Here, Dr. Ehrenfeld and *amici* argued that the harms to Dr. Ehrenfeld arising out of the English judgment give rise to an actual controversy because the judgment is final and valid under English law. The English action is not an incipient or ongoing proceeding. Instead, it has – as had the French action in *Yahoo!* – been reduced to a final judgment which has already begun to have effects in the United States.

This judgment – and Mr. Bin Mahfouz's publicizing of it – has undermined Dr. Ehrenfeld's professional reputation. It has created a risk of financial liability which may compromise her ability to borrow funds. And it has, perhaps most crucially, threatened and chilled her constitutionally protected expressive activity.

*Amici* argued that *Dow Jones* is not to the contrary – in fact, it supports the issuance of a declaratory judgment in Dr. Ehrenfeld's favor. In *Dow Jones*, it was unclear at the time of the U.S. litigation whether *Dow Jones* would be held liable in the English courts, let alone "[w]hat specific relief would be granted, whether monetary or injunctive" and whether any ruling "would be sustained on final appeal." *Id.* (In fact, *Dow Jones* did prevail over Harrods in the English litigation, although it undoubtedly required significant expenditures to achieve that victory.)

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***Ehrenfeld and amici argued that the harms to Dr. Ehrenfeld arising out of the English judgment give rise to an actual controversy because the judgment is final and valid under English law***

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**Conclusion**

As was the case in *Yahoo!*, the foreign proceeding has concluded. Indeed, the *Dow Jones* court itself noted that "Dow Jones would have a substantial likelihood to prevail ... were the remedy *Dow Jones* proposed limited, such as it was in *Yahoo!*," to a declaration that a foreign order sought to be executed domestically would not be cognizable under American law and would thus be unenforceable in the United States. *Dow Jones*, 237 F. Supp. 2d at 432-33.

Moreover, Dr. Ehrenfeld's action does not seek to enjoin an English court. Because she seeks only a declaration of her

legal rights under U.S. law as applied domestically, a judgment in Dr. Ehrenfeld's favor would not give rise to issues of interjurisdictional conflict.

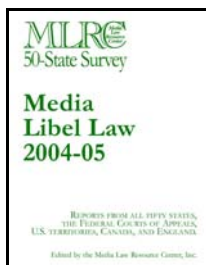
As the *Dow Jones* court noted, "comity ceases where a foreign judgment's actual conflict with vital public concerns of the forum state begins

to prejudice or undermine domestic interests." *Dow Jones*, 237 F. Supp. 2d at 446.

*Kurt Wimmer, a partner with Covington & Burling in Washington, D.C., coordinated the media amicus effort in this case. Rachel Ehrenfeld is represented by Mark Platt of Kornstein Veisz Wexler & Pollard, LLP, of New York. Khalid Salim Bin Mahfouz is represented by Geoffrey Stewart of the New York office of Jones Day, Stephen Brogan of the Washington, D.C. office of Jones Day, and Michael Nussbaum of Bonner, Kiernan, Trebach & Crociata of Washington, D.C.*

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## ALI Project on Enforcement of Foreign Judgments

By Thomas Leatherbury

At the annual meeting of the American Law Institute this May in Philadelphia, the membership approved the final draft of the Project on Recognition and Enforcement of Foreign Judgments.

The project has taken the form of a proposed federal statute. Of particular interest has been one of the Reporters' Notes concerning cases and commentary on attempts to enforce foreign libel judgments in the United States.

While the current case law uniformly rejects the efforts

to enforce foreign libel judgments because foreign courts' failure to observe First Amendment constitutional protections violates fundamental public policies of the United States, initial drafts of the Reporters' Note criticized the case law and relied on law review articles to cast doubt on whether the First Amendment was a fundamental public policy which justified the refusal to enforce foreign libel judgments.

The Reporters' Note went through several iterations before the Project's final draft and, as adopted by the ALI membership, reads as follows:

(d) *The public-policy exception and the First Amendment.* Recent American cases have invoked the public-policy exception to deny enforcement of libel or other judgments obtained in foreign countries after determining that the libel or other law of those countries was contrary to the "fundamental importance of the free flow of ideas and opinions on matters of public interest and concern" at the heart of the First Amendment. See *Telnikoff v. Matusевич*, 347 Md. 561, 602, 702 A.2d 230, 251 (1997) (declining to enforce an English libel judgment obtained by one English resident against another, both of whom were Russian émigrés, where offending letter and published comments had no connection with the United States, but with one judge dissenting), *aff'd* (table), 159 F.3d 636 (D.C. Cir. 1998); *Yahoo!, Inc. v. La Ligue Contre le Racisme et L'Anti-semitisme*, 169 F.Supp.2d 1181 (N.D. Cal. 2001) (barring enforcement of a French injunction requiring Yahoo! to block French internet users from accessing on-line auctions of Nazi paraphernalia on ground of inconsistency with First Amendment), *rev'd* for want of jurisdiction, 379 F.3d 1120 (9th Cir. 2004); *Bachchan v. India Abroad Pubs., Inc.* 154 Misc. 2d 228, 585 N.Y.S.2d 661 (Sup. Ct. N.Y. Cty. 1992) (declining to enforce an English libel judgment against a foreign news agency operating in New York that distributed an allegedly libelous news story both in New York and in the United Kingdom, in circumstances where English common law imposed strict liability for false statements, including statements concerning bribes allegedly paid by arms manufacturers to politically well-connected Indians). In a fourth case, *Dow Jones & Co. v. Harrods, Ltd.*, 237 F.Supp. 2d 394, 432-433, 446 (S.D.N.Y. 2002), *aff'd*, 346 F.3d 357 (2d Cir. 2003), a court in the United States declined to enjoin a libel action in England against a U.S.-based publisher on the ground that it was premature, but added that it would have "little hesitation" in refusing to enforce a judgment inconsistent with First Amendment principles, citing *Bachchan* and the district-court decision in *Yahoo!*.

These cases have provoked extensive debate in academic journals over two issues raised by these foreign judgments implicating First Amendment rights. One issue is whether there are some foreign judgments that would not pass muster under the First Amendment that do not rise to the level of "repugnan[ce] to the public policy of the United States." Compare EUGENE F. SCOLES ET AL., *CONFLICT OF LAWS* 1335 n.12 (4th ed. 2004) and Joachim Zekoll, "The Role and Status of American Law in the Hague Judgments Convention Project," 61 *Alb. L. Rev.* 1283, 1305-1306 (1998) (criticizing the implicit holding in *Bachchan* that even "minor" deviations from American free-speech standards violate public policy and render judgments unenforceable), with Kyu Ho Youm, "Suing American Media in Foreign Courts: Doing an End-Run Around U.S. Libel Law," 16 *Hastings Comm. & Ent. L.J.* 235 (1994) (pointing out that American libel law offers publishers significantly more protections than does English law). The second issue is whether a territorial connection or nexus with American interests other than the presence of assets in the United States should be necessary to trigger the public-policy exception in American courts. See Linda J. Silberman and Andreas F. Lowenfeld, "A Different Challenge for the ALI: Herein of Foreign Country Judgments, an International Treaty, and an American Statute," 75 *Ind. L. J.* 635, 644

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(2000) (criticizing *Telnikoff* on the ground that U.S. public policy was not implicated because there was no U.S. party or transaction involved and inviting an analysis of public policy that identifies the U.S. interests at stake and shows how those interests are threatened); Craig A. Stern, “Foreign Judgments and The Freedom of Speech: Look Who’s Talking,” 60 *Brook. L. Rev.* 999 (1994) (criticizing *Bachchan* because “the policies of the freedom of speech indicate that neither the United States nor New York has an interest in applying the Free Speech Clause to *Bachchan*, while England apparently does have an interest in applying its law of defamation”).

However these issues are resolved in particular cases, the practical importance of the public-policy exception has increased with the advent of the World Wide Web. See *Lewis v. King*, 2004 WL 2330166, [2004] EWCA Civ 1329 (affirming a decision of the High Court, Queen’s Bench Division, to allow American citizen Don King to proceed in an English court with a libel action brought against Lennox Lewis, the British boxer, Lewis’s American promotion company, and Lewis’s American lawyer for comments made to American boxing publications and then distributed over the Internet); *Bangoura v. The Washington Post* [2004] 235 D.L.R. (4th) 564 (finding that Ontario was an appropriate forum for a libel suit against the U.S.-based Washington Post for communications appearing on its web page in circumstances where the alleged libel was based on the plaintiff’s work in Africa and where plaintiff only later became a citizen and permanent resident of Canada; and rejecting the contention of unfairness by the defendants because the “defendants should have reasonably foreseen that the story would follow the plaintiff wherever he resided” and noting that it “would be surprised if [the Post] were not insured for damages for libel or defamation anywhere in the world, and if it is not, then it should be.”); *Dow Jones & Co., Inc. v. Gutnick* [2002] HCA 56 (2002) (upholding jurisdiction of Australian court over the U.S.-based Dow Jones in a libel action by a South African plaintiff living in Victoria, Australia, on the basis of an article published on the defendant’s web site that was downloaded by subscribers in Australia and limiting damages to that suffered by the plaintiff in Victoria).

Foreign courts have reacted in different ways to concerns about the impact of the Internet on libel law, and in particular to the constitutional protection afforded to speech in the United States in the context of a global publication. In *Gutnick*, the joint judgment of the High Court observed that “those who post information on the World Wide Web do so knowing that the information they make available is available to all and sundry without any geographic restriction” and indicated that defendants ran the risk of liability in those jurisdictions in which the publication was not lawful. Justice Kirby, in a separate opinion, reflected on the need for national legislative attention and international discussion, noting that a foreign publisher with no assets in the jurisdiction could wait until an attempt was made to enforce the judgment in its own courts where the judgments might be regarded “as unconstitutional or otherwise offensive to a different legal culture.” In the *Lewis* case, the English Court of Appeal was unimpressed with defendant’s argument that England was an inappropriate forum because the U.S. plaintiff would not have been able to obtain relief in the United States, and held that England was a proper forum. On the other hand, in *Jameel v. Dow Jones & Co., Inc.*, [2005] EWCA Civil 75 (2005), a different Court of Appeal stayed a libel action brought by foreign claimants against the U.S.-based Dow Jones where only five subscribers in England had accessed the hyperlink disclosing claimants’ names, noting that the damage recovery and vindication for plaintiff are minimal and that the “cost of the exercise will have been out of all proportion to what has been achieved.”

The discussion above suggests that issues such as Internet defamation are the ones most likely to raise the public-policy question. See also 47 U.S.C § 230 (2002), which protects Internet providers from liability. At the same time, the impact of particular developments in Europe, such as the European Convention on Human Rights and the International Covenant of Civil and Political Rights, on the libel laws of many countries including England, may result in greater sensitivity to principles akin to the First Amendment. See, e.g., the recent decision of the European Court of Human Rights, *Case of Steel & Morris v. The United Kingdom*, Application no. 68416/01 (Feb. 15, 2005), holding that England’s failure to provide legal aid to defendants in a suit against them by McDonald’s for libel gave rise to an absence of procedural fairness and equal-

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ity in the proceedings and constituted an interference with defendants' freedom of expression in violation of Article 10 of the European Convention on Human Rights. See generally Michael Traynor, "Conflict of Laws, Comparative Law, and The American Law Institute," 49 Am. J. Comp. L. 39,396 (2001).

Also of interest is the Reporters' agreement to a suggestion from the floor to add a reference in the Comments to the draft statute which would specifically mention "the chilling of free speech" as an example of a violation of fundamental public policy.

We have not yet seen the Project as revised to include changes such as this one which were suggested during the debate at the meeting. If this change is made, this should make it significantly more difficult to enforce foreign libel judgments.

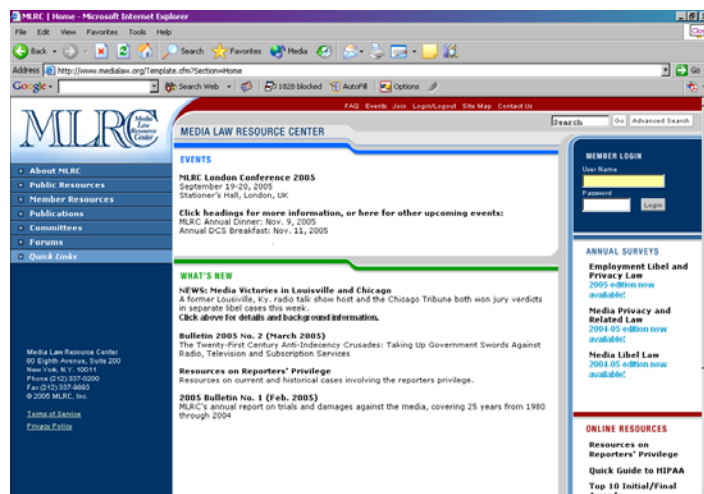
Finally, at the meeting, the ALI's Executive Director Lance Liebman indicated that the ALI will undertake a project on Privacy in the near future. Please stay tuned for further information on this project as it takes shape.

*Thomas Leatherbury, a partner at Vinson & Elkins LLP in Dallas, is a member of the American Law Institute and was a participant on the Project on Recognition and Enforcement of Foreign Judgments. Also involved in working on the Project were MLRC members Carl Solano, Schnader Harrison Segal & Lewis LLP; Mark Hornak, Buchanan Ingersoll, P.C.; Kurt Wimmer, Covington & Burling; Lucien Pera, Armstrong Allen, PLLC; and Jack Weiss, Gibson Dunn & Crutcher. Professor Eric Freedman, Hofstra Law School also deserves a special thanks.*

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## Senate Judiciary Committee Considers Federal Shield Law

By Randall Warden

### Introduction

With *The New York Times*' reporter Judith Miller in jail for refusing to reveal confidential sources to a federal grand jury investigating the leak of a CIA agent's name to the press, the Senate Judiciary Committee is turning its attention to a federal shield law introduced by Senators Richard Lugar (R-IN), Chris Dodd (D-CT), Bill Nelson (D-FL), James Jeffords (I-VT), and Frank Lautenberg (D-NJ) on July 18, 2005. The Committee held a hearing on Wednesday, July 20, 2005, to investigate the issues and implications of the proposed Free Flow of Information Act (S. 1419). This July bill is a revised version of the bill originally introduced in February by Senator Lugar. The featured witnesses before the Committee included *Time* reporter Matthew Cooper, *Time* Editor-in-Chief Norman Pearlstine, *The New York Times* columnist William Safire, media lawyers Floyd Abrams and Lee Levine, and University of Chicago Law School Professor Geoffrey Stone. Deputy Attorney General James Comey, who submitted written testimony criticizing the proposed legislation, cancelled his appearance at the last minute to attend House meetings on the Patriot Act.

The hearing highlighted three fundamental justifications for the proposed bill: (1) the privilege is necessary to preserve a free, uninhibited press; (2) the proposed law could clear up confusion about the current state of the law; and (3) diplomatic and international concerns counsel against maintaining a legal system that is willing to send a journalist to jail for preserving the trust of a confidential source. Conversely, the hearing identified two basic criticisms of a federal shield law: (1) a reporter's privilege hinders law enforcement; and (2) the ease of conveying information over the internet could turn any individual into a "reporter" claiming protection under the law. This summary will provide an overview of the panelists' testimony on these issues.

### JUSTIFICATIONS

#### *Reporter's Privilege is Necessary to Preserve a Free Press*

The main argument advanced for establishing a media shield law is that the protection is vital to the preservation of

a free press. A free press, in turn, is essential to the maintenance of our democratic system of government.

The panelists at the Senate hearing testified that the absence of a federal shield law produced a "chilling effect" on sources: confidential sources, fearing that reporters will cave under the threat of imprisonment and reveal their identity, will simply refuse to provide information to reporters. At the hearing, William Safire testified that reporters receive newsworthy information that goes beyond prepared government press releases by cultivating relationships with sources and developing trust. He asserted that "we slam the door on that at great peril to our freedom."

Moreover, Lee Levine pointed out that *The Cleveland Plain Dealer* recently withheld publication of two news stories which relied on confidential sources because of the fear of a federal subpoena. So, the panelists argued, the recent wave of subpoenas aimed at journalists has resulted in the public being deprived of valuable news. Indeed, the supporters of the bill asserted that the privilege is not for the benefit of the reporter; rather, as Matthew Cooper testified, "this privilege is about the public's right to know."

#### *A Federal Shield Law is Needed to Clarify Confusion*

Currently, 49 states and the District of Columbia have some sort of media shield protection in place through either a codified statute or judicial decision. Federal courts interpreting the fractured Supreme Court decision *Branzburg v. Hayes*, 408 U.S. 665 (1972), are split on the issue.<sup>1</sup>

This confusion in the law breeds uncertainty. Matthew Cooper reported to the Committee that he cannot effectively do his job without knowing what promises he can legally make to sources and which ones he cannot. Without assurances of confidentiality, sources will choose not to divulge certain information to reporters. Professor Geoffrey Stone asserted that "the absence of a federal privilege directly undermines the policies of forty-nine states and the District of Columbia and wreaks havoc on the legitimate and good faith understandings and expectations of sources and reporters throughout the nation."

Floyd Abrams testified that "When *Branzburg* was decided, it was less than clear to many observers whether a federal shield law was needed. For most of the 33 years

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## Senate Judiciary Committee Considers Federal Shield Law

(Continued from page 41)

that followed, journalists were held to be protected by the First Amendment when they sought to protect their sources from being disclosed. But that has changed radically in recent years and even more so in recent days.” As the Court itself noted in *Branzburg*, Congress has the ultimate authority to decide whether a reporter’s privilege is necessary and desirable. In order to ensure that the decision of all but one state is not undermined, supporters argued that a federal shield law was necessary to reduce the confusion and uncertainty that leads sources to withhold information of public importance.

### *Diplomatic and International Concerns Counsel in Favor of a Privilege*

In his testimony to the Committee, Senator Richard Lugar pointed out that any country that jails journalists is in bad company. He cited a report by Reporters Without Borders indicating that roughly half of the 107 journalists currently in jail are in China and Cuba. Such comparisons do not bode well for the United States’ reputation in the international community. From Moscow to London, foreign media are criticizing the state of affairs in the United States. Senator Lugar reported that *The Guardian* in London concluded that “the American constitution no longer protects the unfettered freedom of the press.”

Developing countries look to the United States as a model of freedom and democracy, a constitutional system that has withstood the test of time. Senator Lugar argued that the media shield law is important because it will demonstrate the importance of a free press to these developing nations as they work to build democracies that will last. Floyd Abrams asked, “How can the United States provide no protection when countries such as France, Germany and Austria provide full protection and nations ranging from Japan to Argentina and Mozambique to New Zealand provide a great deal of protection?”

## CRITICISMS

### *A Reporter’s Privilege Hinders Law Enforcement*

The primary criticism of a federal shield law is that it impedes effective law enforcement. In his prepared testimony submitted to the Committee, Deputy Attorney General James

Comey argued that the bill would make it difficult for the Justice Department to combat terrorism. However, this criticism was aimed at an earlier version of the bill. The bill introduced shortly before the hearing had been amended to provide an exception to the privilege “to prevent imminent and actual harm to national security.” Comey’s absence was noted with frustration by nearly all of the senators in attendance, as they were deprived of asking him whether the revised bill satisfied the Justice Department’s concerns.

Some of the senators expressed concern over what would constitute “imminent and actual harm to national security” and questioned whether the bill should also include exceptions for when a crime, such as kidnapping, has been committed or when public safety is at stake. Professor Geoffrey Stone testified that a reporter should also be compelled to disclose a source when the source has committed a crime by leaking information to the reporter.

Supporters of the legislation argued that a confidential tip often brings a breaking story to the attention of law enforcement. If the tipster chose not to reveal the information to a reporter fearing exposure of his identity, law enforcement would actually be worse off without the privilege.

Moreover, William Safire argued that it is improper for the government to use the press essentially as investigatory agents. The government has powerful methods for gathering evidence, while the reporter only has the power of trust. Once sources stop trusting the reporter, information stops flowing to the public. Safire also pointed out that a majority of the States Attorneys General signed on to an amicus brief supporting the recognition of a reporter’s privilege in the recent cases involving Judith Miller and Matthew Cooper. If law enforcement was noticeably hindered by the various state shield laws, these Attorneys General would certainly not advocate for a reporter’s privilege.

### *The Problem of Defining Who is Protected*

In the hearing, Senator John Cornyn expressed concern over the scope of protection of the proposed privilege. The basic fear is that a growing wave of individual

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**Senate Judiciary Committee Considers Federal Shield Law**

*(Continued from page 42)*

reporters and internet “bloggers” might make it difficult to limit the privilege. Cornyn worried that the privilege might give protection to individuals publishing inaccurate information. Senator Patrick Leahy also noted that previous efforts to codify a reporter’s privilege have failed in part because of disagreement on who would be protected.

William Safire first responded that journalism is not a privileged profession – the “lonely pamphleteer” serves the same function as *The New York Times* reporter. Professor Stone advocated for a functional approach based on the perspective of the source: “The source should be protected whenever he makes a confidential disclosure to an individual, reasonably believing that that individual regularly disseminates information to the general public.” The definition of the term “covered person” in the bill delineates who may claim protection under the bill, but the precise reach of the definition was not discussed in the hearing.

**Conclusion**

Senators Dianne Feinstein and Charles Schumer asked the Chairman of the Committee, Senator Arlen Specter, to schedule another hearing so that a representative of the Department of Justice may testify. But with the Senate Judiciary Committee now facing a Supreme Court nomination, it may have little time to address the matter in the near future.

Representative Mike Pence (R-IN) and Representative Rick Boucher (D-VA) introduced an identical bill in the House (H. R. 3323) on July 18, 2005.

*Randall Warden, University of Virginia Law '06, is a summer associate in the Washington, D.C. office of Vinson & Elkins L.L.P.*

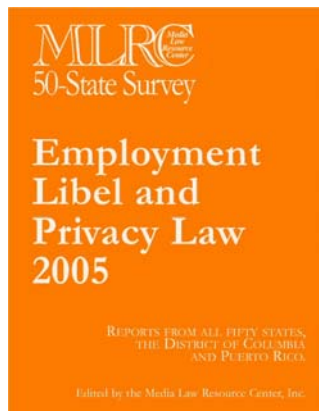
<sup>1</sup> Senator Lugar testified that the Eleventh, Ninth, and Fifth Circuits have recognized some form of a privilege.



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## U.S. Supreme Court Issues *Grokster* Decision

### **Reaffirms *Betamax* Holding and Announces Standard for Active Inducement of Copyright Infringement**

By Jon Hart and Kat Fuller

On June 27, 2005, the United States Supreme Court issued a unanimous decision in the high-profile copyright case *Metro-Goldwyn-Mayer Studios, Inc. v. Grokster, Ltd.* (“*Grokster*”), No. 04-408 (June 27, 2005). The Court reaffirmed the rule of law it announced in 1984 in *Sony v. Universal*, 464 U.S. 417 (1984) (“*Sony-Betamax*”), but held that the *Sony-Betamax* rule does not immunize the distributor of a technology from liability for secondary copyright infringement where the distributor of the technology intentionally induces direct infringement by others.

The Court held that: “one who distributes a device with the object of promoting its use to infringe copyright, as shown by clear expression or other affirmative steps taken to foster infringement, is liable for the resulting acts of infringement by third parties.” *Id.*, slip op. at 19.

The Court vacated the decision of the U.S. Court of Appeals for the Ninth Circuit and remanded the case to the trial court to decide whether defendants *Grokster* and *StreamCast*, both distributors of peer-to-peer file sharing software, are liable for inducing end-users of their software to infringe plaintiffs’ copyrights.

Such a finding of liability might be based, the Court said, on “words and deeds going beyond distribution” of the software, words and deeds from which the trial court might find “a purpose to cause and profit from third-party acts of copyright infringement.” *Id.* at 24.

The trial court may not presume or impute fault, based on defendants’ distribution of software that was used to infringe, but may infer “a patently illegal objective from statements and actions showing what that objective was.” The Court not only vacated the entry of summary judgment for defendants *Grokster* and *StreamCast*, but sug-

gested that, on remand, “consideration of [the plaintiffs’ motions] for summary judgment will be in order.” *Id.*

Justice Souter wrote the opinion of the Court. Justice Ginsberg filed a concurring opinion, in which Chief Justice Rehnquist and Justice Kennedy joined. Justice Breyer also filed a concurring opinion, in which Justice Stevens and Justice O’Connor joined. The text of the Supreme Court’s decision can be found at <http://a257.gakamaitech.net/7/257/2422/27jun20051200/www.supremecourtus.gov/opinions/04pdf/04-480.pdf>.

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***The Court remanded the case to the trial court to decide whether defendants Grokster and StreamCast, both distributors of peer-to-peer file sharing software, are liable for inducing end-users of their software to infringe plaintiffs’ copyrights.***

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#### ***The District Court Decision***

In 2002, plaintiff motion picture studios, music publishers and songwriters sued defendant software distributors alleging that the vast majority (nearly 90%) of files exchanged through the use of defendants’ peer-to-peer file-sharing software was copyrighted

material, of which most (approximately 70%) was owned by plaintiffs. *Metro-Goldwyn-Mayer Studios Inc. v. Grokster*, 259 F.Supp.2d 1029, 1033 (C.D.Cal. 2003).

The question presented in the trial court was whether *Grokster* and *StreamCast* could avail themselves of the staple-article-of-commerce defense, under the U.S. Supreme Court’s decision in *Sony-Betamax*, which had held that distribution of a product that was used for, or was “merely ... capable” of, substantial noninfringing use did not constitute secondary copyright infringement.

On cross-motions for summary judgment, the trial court held that *Grokster* and *StreamCast* could not be found secondarily liable for copyright infringement committed by users of their software because neither defendant had any actual knowledge of specific infringement or material involvement in the trading of copyrighted materials by end-users and neither defendant had the right and ability to supervise their end-users’ conduct. *Id.* at 1038, 1043.

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## U.S. Supreme Court Issues *Grokster* Decision

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### ***The Impact of Napster***

The copyright owners appealed to the U.S. Court of Appeals for the Ninth Circuit. The Ninth Circuit had previously considered the circumstances under which a distributor of peer-to-peer software could be held secondarily liable for copyright infringement in *A&M Records, Inc. v. Napster, Inc.*, 239 F.3d 1004 (9<sup>th</sup> Cir. 2001) (“*Napster I*”).

In *Napster I*, the Ninth Circuit held that peer-to-peer software distributor Napster could not avail itself of the staple-article-of-commerce defense because Napster had actual, specific knowledge of direct infringement committed by end-users of its software. *Id.* at 1022. The Ninth Circuit interpreted *Sony-Betamax* as “declin[ing] to impute the requisite level of knowledge where the defendants made and sold equipment capable of both infringing and ‘substantial noninfringing uses.’” *Id.* at 1020.

It concluded that Napster *could* be held liable for contributing to copyright infringement committed by its users because Napster actually knew of specific infringing material traded on its system, had the ability to remove or block access to the system by suppliers of the infringing material, and nevertheless failed to block such access or to remove the material. *Id.*

### ***Ninth Circuit Decision in Grokster***

The Ninth Circuit affirmed the district court’s partial grant of summary judgment in favor of defendants Grokster and StreamCast, concluding that, under its earlier decision in *Napster I*, distribution of the current versions of the Grokster and StreamCast software did not give rise to liability under either a contributory infringement or a vicarious infringement theory. *Metro-Goldwyn-Mayer Studios Inc. v. Grokster*, 380 F.3d 1154 (9<sup>th</sup> Cir. 2004).

Specifically, the Ninth Circuit found that the defendants’ software was both capable of, and was actually being used for, noninfringing purposes, including trading works with the consent of the copyright owners and trading public domain works not protected by copyright. *Id.* at 1161-1162.

Therefore, under the Supreme Court’s *Sony-Betamax* decision, the defendants could avail themselves of the staple-article-of-commerce doctrine unless they were found to have “reasonable knowledge of specific infringement” at a time when the infringement occurred. *Id.* at 1162.

In that regard, the court found that the plaintiffs had failed to raise genuine issues of material fact because, unlike Napster’s more centralized system, StreamCast’s decentralized network and Grokster’s quasi-decentralized, supernode-type network included no central index, neither defendant hosted infringing files or lists of infringing files, and the defendants did not regulate or provide access to the infringing files. *Id.* at 1163.

The court also held that defendants’ failure to modify their software to filter out specific infringing files or to monitor users’ access to their user networks via a login and password mechanism did not give rise to liability under a theory of contributory infringement. *Id.*

### ***Supreme Court Reaffirms Sony-Betamax***

The Supreme Court rejected the invitation of the copyright owners to revisit *Sony-Betamax*, which held that, under the staple-article-of-commerce doctrine, a distributor of a product that is capable of substantial noninfringing uses is not secondarily liable for copyright infringement committed by users of the product based merely on its distribution of the product.

Instead, the Court reaffirmed its holding in *Sony-Betamax*, stressing that “mere knowledge of infringing potential or of actual infringing uses would not be enough . . . to subject a distributor to liability.” Slip op. at 19. (The plaintiffs had argued that a defendant seeking to invoke the staple-article-of-commerce doctrine in its defense should have to prove that non-infringing uses of its products predominated over infringing uses.)

### ***Active Inducement Test***

The Court adopted an active inducement test intended to “balance the interests of protection and innovation.” *Id.* at 23-24. Just as the *Sony-Betamax* court

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## U.S. Supreme Court Issues *Grokster* Decision

(Continued from page 45)

adopted the staple-article-of-commerce doctrine from patent law, the *Grokster* court looked to patent law as the source of its active inducement standard. *Id.* at 19.

The Court's inducement test would not subject a product distributor to liability for "mere knowledge of infringing potential or of actual infringing uses" or for "ordinary acts" incident to product distribution, such as offering customers technical support or product updates. *Id.*

The active inducement test looks to whether the defendant actually intended to induce copyright infringement by others. The Court found the trial court record "replete with . . . evidence that Grokster and StreamCast, unlike the manufacturer and distributor in Sony, acted with a purpose to cause copyright violations by use of software suitable for illegal use." *Id.* at 21.

As evidence that "active steps were taken with the purpose of bringing about infringing acts," the Court looked to advertising messages communicated by the defendants and at assistance the defendants gave to users "in locating and playing copyrighted materials."

In addition, the Court found three features of the evidence before the trial court "particularly notable":

- (1) each company showed itself to be "aiming to satisfy a known source of demand for copyright infringement, the market comprising former Napster users";
- (2) "neither company attempted to develop filtering tools or other mechanisms to diminish the infringing activity using their software"; and
- (3) the "commercial sense" of each company's business turned on high-volume use, which the record showed to be infringing use. *Id.* at 20-21.

The Court was careful to note, however, that none of these elements taken alone could justify an inference of unlawful intent. Rather, the Court emphasized that the "entire record" led the Court to believe that in the case of *Grokster* and StreamCast "[t]he unlawful objective is unmistakable." *Id.* at 22.

The Court also stressed that "in the absence of other evidence of intent, a court would be unable to find contributory infringement merely based on a failure to take affirmative steps to prevent infringement, if the device is

otherwise capable of substantial noninfringing uses." Such a holding, the Court said, "would tread too close to the *Sony* safe harbor." *Id.* at 22, fn.12.

Rather, the Court held, that "one who distributes a device with the object of promoting its use to infringe copyright, as shown by clear expression or other affirmative steps taken to foster infringement, is liable for the resulting acts of infringement by third parties." *Id.* at 19. The plaintiff must show "purposeful, culpable expression and conduct" intended to induce infringement. *Id.*

Accordingly, the Court emphasized, the announcement of the inducement standard, coupled with reaffirmation of the staple-article-of-commerce doctrine announced in *Sony-Betamax*, would not "compromise legitimate commerce or discourage innovation having a lawful promise." *Id.* at 19-20.

## Court Rejects Ninth Circuit's Test

The Supreme Court rejected the Ninth Circuit's interpretation of *Sony-Betamax* as requiring "reasonable knowledge of specific infringement" at a time when the infringement occurs. The Court explained that, while *Sony-Betamax* "limits imputing culpable intent as a matter of law" from the characteristics or uses of a distributed product, "nothing in *Sony* requires courts to ignore evidence of intent if there is such evidence." *Id.* at 17.

Where evidence goes beyond a product's characteristics or the knowledge that it may be put to infringing uses, and shows "statements or actions directed to promoting infringement," *Sony-Betamax* will not preclude liability. *Id.*

*Jon Hart is a member and Kat Fuller an associate at Dow, Lohnes & Albertson, PLLC in Washington, D.C. Jon, Kat, and Dow Lohnes member Jim Burger authored an amicus brief in Grokster on behalf of Intel Corporation urging the Supreme Court to reaffirm Sony-Betamax.*

## **Tory v. Cochran: U.S. Supreme Court Strikes Down Overly Broad Injunction Issued After A Defamation Trial**

By Jean-Paul Jassy

The United States Supreme Court's first defamation case in 14 years came to the right conclusion, but without deciding the core issue presented for review. On May 31, 2005, the Court decided *Tory v. Cochran*, Case No. 03-1488, striking down an injunction preventing Ulysses Tory and Ruth Craft from ever again mentioning famed attorney Johnnie L. Cochran, Jr. in any public forum.

In a 7-2 decision authored by Justice Breyer, the Court determined that the injunction, which was issued after a defamation trial, was an overly broad prior restraint on speech, and was unconstitutional. The Court clearly was influenced by the death of Cochran on March 29, 2005, only one week after oral argument. *Tory v. Cochran*, No. 03-1488, 125 S. Ct. 2108 (May 31, 2005).

### **Background**

In the early 1980's, Cochran represented Tory in a civil rights suit. Tory was dissatisfied with Cochran's services and, over the next few decades, periodically picketed in front of Cochran's office. Tory purportedly carried signs that challenged Cochran's abilities as an attorney. In separate correspondence, Tory demanded the return of money he believed Cochran owed to him. Ultimately, Cochran sued Tory for defamation and false light invasion of privacy.

Tory could not afford an attorney at the trial court level, and his case was tried before a judge and without a jury. Cochran waived any claim to money damages and only sought an injunction.

The trial court granted preliminary injunctive relief. At the conclusion of the trial, it found Tory liable for defamation and false light invasion of privacy. The trial court issued a permanent injunction preventing Tory and his putative spouse Ruth Craft (who was not a defendant and not given an opportunity to defend herself at trial)

from ever again saying anything in any "public forum" about Cochran or his law firm (which was not a plaintiff and presented no evidence of damages at trial).

The California Court of Appeal affirmed the trial court's injunction, ruling that a permanent injunction following a defamation trial was not a prior restraint and was not subject to the overbreadth doctrine.

The Court of Appeal also rejected several other challenges to the injunction and the underlying finding of liability, including attacks on the grounds of opinion, actual malice (Cochran conceded his status as a public figure), of and concerning and publication. The California Supreme Court denied review.

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***In briefing before the Supreme Court, Tory and Craft took the position that injunctions should never be allowed in defamation cases, at least not for public figures***

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### **Supreme Court Decision**

Tory and Craft petitioned the United States Supreme Court, raising the following question:

"Whether a permanent injunction as a remedy in a defamation action, preventing all future speech about an admitted public figure, violates the First Amendment."

In the Petition for a Writ of Certiorari, Tory and Craft pointed to a split in the law since the seminal decision in *Near v. Minnesota*, 283 U.S. 697 (1931), disapproving the use of any form of prior restraint in defamation cases. Although most jurisdictions follow the maxim that "equity will not enjoin a libel," at least four federal circuits (the Third, Fifth, Sixth and Ninth) and nine state supreme courts (Alabama, California, Georgia, Massachusetts, Minnesota, Missouri, Nebraska, Nevada and Ohio) have, expressly or tacitly, condoned injunctions on purportedly false or damaging speech.

In briefing before the Supreme Court, Tory and Craft took the position that injunctions should never be allowed in defamation cases, at least not for public figures. Even if injunctions could be permitted in certain limited circumstances, they would need to be narrowly tailored.

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***Tory v. Cochran***

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The case was heard on March 22, 2005. On March 29, 2005, Cochran died. Following Cochran's death the Court called for supplemental briefing. Cochran's attorney asked for Cochran's widow to be substituted as the Respondent, and suggested that the injunction was moot as to Cochran.

Tory and Craft agreed to substitute Cochran's widow as Respondent, but denied that the case was moot.

Justice Breyer, writing for the Court, issued its opinion on May 31, 2005. The Court rejected the contention that the injunction was moot, observing that it still "remains in effect," and that "[n]othing in its language says to the contrary."

The decision went on to hold that the injunction "continues significantly to restrain petitioners' speech, presenting an ongoing federal controversy."

"At the same time," the Court observed, "Johnnie Cochran's death makes it unnecessary, indeed unwarranted, for us to explore petitioners' basic claims, namely (1) that the First Amendment forbids the issuance of a permanent injunction in a defamation case, at least when the plaintiff is a public figure, and (2) that the injunction (considered prior to Cochran's death) was not properly tailored and consequently violated the First Amendment."

Instead, the Court noted that the "injunction, as written, has now lost its underlying rationale" given Cochran's death.

Consequently, the Court concluded that "the injunction, as written, now amounts to an overly broad prior restraint upon speech, lacking plausible justification. As such the Constitution forbids it."

The Court vacated and remanded the case, suggesting that an "appropriate party" could ask for new injunctive relief, but the Court was not willing to express any view on the "constitutional validity" of any as yet unformed "new relief, tailored to these changed circumstances."

***Thomas and Scalia Dissent***

Justice Thomas, along with Justice Scalia, dissented on procedural grounds. According to Justice Thomas, Cochran's death made the issue before the Court merely "a matter of case-specific error correction," and the better course was "to avoid passing unnecessarily on the constitutional question" and to dismiss the writ as improvidently granted.

Justice Thomas also observed that the majority's opinion invites some uncertainty by leaving open the possibility that an "appropriate party" could ask for new injunctive relief. Of course, the majority also left open the possibility that any such new relief would be an unconstitutional prior restraint.

***Conclusion***

*Tory v. Cochran* left open the question, which has split jurisdictions throughout the country, whether injunctions could ever issue following a defamation trial. However,

the *Tory* decision did make clear that any such injunctions are presumptively unconstitutional prior restraints, and that, at a minimum, they demand narrow tailoring.

*Jean-Paul Jassy, an associate in the Century City, California office of Sheppard, Mullin, Richter & Hampton LLP, represented Ulysses Tory and Ruth Craft at every stage of the appellate process. Tory and Craft also were represented by Gary L. Bostwick, a partner of Sheppard, Mullin, Richter & Hampton LLP. Professor Erwin Chemerinsky of Duke University Law School was lead counsel for Tory and Craft in the U.S. Supreme Court.*

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***The Tory decision did make clear that any such injunctions are presumptively unconstitutional prior restraints, and that, at a minimum, they demand narrow tailoring.***

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## Supreme Court Rules Grower-Funded Food Advertising Is “Government Speech” Takes First Amendment Challenges Off the Table

By Eric M. Stahl

The advertising campaign featuring the slogan, “Beef. It’s What’s for Dinner,” is credited to cattle producers, who pay for it through mandatory marketing assessments. Nevertheless, the ads amount to the government’s own speech, and therefore the compulsory funding does not implicate the First Amendment, the Supreme Court ruled last month.

The 6-3 decision, *Johanns v. Livestock Marketing Assoc.*, 125 S. Ct. 2055 (May 23, 2005) (Scalia, J.), could signal a significant expansion of the “government speech” doctrine.

Justice Scalia’s majority opinion notes that the decision is the first in which the Court has “squarely held[] that compelled funding of government speech does not alone raise First Amendment concerns.” Further, *Johanns* holds that funding for government speech may be compelled even where the speech is not obviously attributable to the government, and even where it is funded through targeted assessments rather than general tax revenues.

*Johanns* also may be the death knell for numerous pending constitutional challenges to federal programs that compel agricultural producers to fund generic advertising programs for their products. (These programs finance, for example, the well-known “Got Milk?” and “Pork. The Other White Meat” campaigns.)

Courts have had difficulty agreeing on the appropriate framework for evaluating constitutional challenges to these mandatory advertising programs, which have been characterized in various decisions as compelled speech, as restrictions on commercial speech, and as mere economic regulations. *Johanns*, however, holds that once it is determined that the government has established the marketing program and maintains some level of control over the message, the constitutional inquiry ends.

### *Court’s Third Generic Advertising Case*

*Johanns* is the Supreme Court’s third agricultural advertising case in eight years. The two earlier cases each applied a differing legal approach.

In the prior cases, whether the First Amendment applied to the compelled advertising assessments at issue turned on the objectives of the particular regulatory scheme. A mandatory assessment supporting generic advertising for California fruit trees was held not to implicate the First Amendment at all in *Glickman v. Wileman*

*Bros. & Elliott, Inc.*, 521 U.S. 457 (1997), on grounds that the assessments were simply economic regulations, ancillary to a more comprehensive program that restricted growers’ market autonomy.

But four years later, the Court found that a mandatory assessment on mushroom growers violated the

First Amendment protection against compelled association, because the object of that program was simply advertising, and the assessment was not germane to any purpose independent of the speech itself. *United States v. United Foods, Inc.*, 533 U.S. 405 (2001).

Both *Glickman* and *United Foods* left open the possibility that advertising funded by compelled subsidies could be justifiable as government speech. (The government did not raise the argument at all in *Glickman*, and raised it belatedly in *United Foods*.) In fact, the beef assessment program at issue in *Johanns* is substantively identical to the mushroom advertising program that *United Foods* struck down as impermissible compelled speech. In *Johanns*, however, the government-speech defense was squarely in issue.

The beef regulations were issued by the Secretary of Agriculture under the Beef Promotion and Research Act of 1985, 7 U.S.C. § 2901 *et seq.* The regulations assess a “per-head” fee on cattle producers and importers. Over \$1 billion has been collected since 1988. The assessment

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***Johanns, however, holds that once it is determined that the government has established the marketing program and maintains some level of control over the message, the constitutional inquiry ends.***

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## Supreme Court Rules Grower-Funded Food Advertising Is “Government Speech”

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is used primarily to promote beef, including through the familiar trademarked slogan, “Beef. It’s What’s for Dinner.”

The program was challenged by individuals and associations whose members were subject to the assessment. They objected to the compelled advertising because the ads promote beef as a generic commodity, allegedly impeding their ability to promote the superiority of certain types of beef (such as American beef over imports, or certified Angus beef).

After a bench trial, the district court found for the producers, holding that compelling them to subsidize speech to which they object violates the First Amendment. The Eighth Circuit affirmed. That court found that while the challenged advertising amounted to government speech, that fact protected only its content. According to the Eighth Circuit, compelled funding even of government speech still could be challenged under the First Amendment.

### ***Compelled Funding of Government Speech***

In reversing, the Supreme Court majority began with the proposition that in earlier cases invalidating compelled subsidies of speech (such as *United Foods*, *Keller v. State Bar of Calif.*, 496 U.S. 1 (1990), and *Abood v. Detroit Bd. of Ed.*, 431 U.S. 209 (1977)), “the speech was, or was presumed to be, that of an entity other than the government itself.”

According to Justice Scalia, the critical feature of the compelled speech in those cases was its non-governmental nature. In contrast, compelled support of government “is of course perfectly constitutional, as every taxpayer must attest. And some government programs involve, or entirely consist of, advocating a position.”

What makes the beef promotional program the type of governmental speech that is not susceptible to First Amendment challenges? According to the majority, it is that the promotional message “is effectively controlled by the Federal Government itself.” First, the message to promote the image and desirability of beef was established by Congress. Second, although the program is administered by a board of beef producers, the Secretary of Agriculture appoints half of the members, and has the power to remove all of them. Fi-

nally, the Department of Agriculture reviews, and can reject, “every word used in every promotional campaign.”

For similar reasons, the majority rejected the argument that the message is not government speech because it is funded by a targeted assessment administered by a politically unaccountable board. The Court found the political safeguards adequate, and in any event found no precedent for the contention that “every instance of government speech must be funded by a line item in an appropriations bill.”

The Court also rejected the argument that the beef advertisements could not be deemed “government speech” because they are attributed to someone other than the government. Most of the promotions bear the credit line, “America’s Beef Producers,” which, respondents argued, attached their endorsement to a message with which they did not wish to associate.

The majority held that this argument did not support the respondents’ facial challenge, because the regulations do not require any particular attribution. And the argument did not support an as-applied challenge, because the record did not show that anyone viewing the advertising had attributed it to the respondents. The majority allowed that a misattribution theory might hold sway on other facts – that is, the advertisements might not be deemed government speech if it could be shown that the message was understood to be that of individual producers rather than the government.

### ***“Government Speech” Doctrine***

The dissent (written by Justice Souter and joined by Justices Stevens and Kennedy) parted with the majority primarily on this point. “[I]f the government relies on the government-speech doctrine to compel specific groups to fund speech with targeted taxes, it must make itself politically accountable by indicating that the content actually is a government message....”

The beef regulations fail this test, the dissent reasons, because they do not “require the Government to show its hand.” Noting the “government-speech doctrine is relatively new, and correspondingly imprecise,” the dissent suggested it should be harmonized with the First Amendment protection against compelled speech-related assessments by ensuring

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## Supreme Court Rules Grower-Funded Food Advertising Is “Government Speech”

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“democratic checks” on the speech at issue. The beef program, in contrast, permits the government to conceal its role in producing the ads and thereby escape political accountability.

The majority response to this argument consists of a dismissive footnote finding “no authority for this highly refined elaboration – not even anyone who has ever before thought of it.” Faulting the dissent for lacking precedent for its proposed refinement of the definition of “government speech” seems unwarranted, given that the majority opinion admittedly expands the definition of government speech doctrine beyond previous bounds.

In any case, according to the majority, the question is not whether the government fails to disclose its role in promulgating supposedly “government speech.” Rather, under the compelled-subsidy cases, the only issue is whether a reasonable viewer would attribute the speech to an individual who objects to it.

*Johanns* thus suggests that the First Amendment is no bar to compelled funding of the government’s own speech, even where the government deliberately hides its role in promulgating that speech. (It seems reasonable to ask whether this ruling could be a source of mischief in an era of secret executive-branch payments to opinion columnists and of government-sponsored, misattributed video news releases.)

Moreover, such unattributed messages can be deemed government speech, even if they contradict other speech that the government clearly conveys in its own name. As Justice Ginsburg noted in a concurring opinion, dietary guidelines published by the Department of Agriculture – and promoted as the government’s views on dietary health information – urge Americans to *reduce* their intake of beef. (Justice Ginsburg nevertheless concurred in *Johanns*, on the ground that the beef assessments are permissible economic regulations.)

*Johanns*’ conception of government speech raises other questions as well. What level and type of proof would be required to show that speech paid for by a mandatory assessment is reasonably being attributed to the funders, rather than to the government, such that a constitutional question still exists?

Would anecdotal evidence suffice, or would courts insist on the type of consumer survey evidence typically required in Lanham Act misattribution cases? Another potential issue is whether the government will rely on *Johanns* to support a sovereign immunity defense to tort claims based on speech that does not appear to be government speech, but is.

Finally, will *Johanns*’ expanded understanding of government speech eventually lead to erosion of First Amendment protections against certain types of compelled association with speech, or will the majority’s distinction between “compelled speech” and “compelled subsidy

of speech” remain tenable?

*Johanns* produced two additional concurring opinions, by Justices Thomas and Breyer (both of whom joined the majority). Justice Thomas wrote to emphasize that the beef regulations remained subject to an as-applied challenge (including, perhaps, by amended complaint on remand) based on the objectors’ First Amendment right to be free from coercive association with unwanted messages.

Justice Breyer stated that while he would prefer to continue evaluating the advertising assessments as economic regulations (as in *Glickman*), he accepted that the Court has come to view the issue differently.

*Eric M. Stahl is a partner with Davis Wright Tremaine LLP in Seattle. John J. Walsh of Carter Ledyard & Milburn LLP, New York, reviewed and provided valuable input to a draft of this article. Deputy Solicitor General Edwin S. Kneedler and Gregory G. Garre of Hogan & Hartson L.L.P., Washington, D.C., argued the case for Petitioners. Laurence Tribe argued for Respondents.*

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***It seems reasonable to ask whether this ruling could be a source of mischief in an era of secret executive-branch payments to opinion columnists and of government-sponsored, misattributed video news releases.***

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## Computer Plucked from Trash Leads to Prior Restraint Battle

By Bernard J. Rhodes

The evening before the semi-annual “Bulky Item Pickup Day” in Mission Hills, Kansas – a tony suburb of Kansas City – is better than Christmas Eve to scavengers. That evening Dr. Daniel Bortnick, a plastic surgeon with the Monarch Plastic Surgery group, set his old office computer out at the curb in front of his house, expecting it to be picked up the next day by the trash hauler. Before that could happen, however, the computer was picked up by a local scavenger.

A day or two later, the scavenger purchased a stick of RAM memory, inserted it in the computer, and booted up the computer. What he found was startling: scores of “before” and “after” photographs of Monarch plastic surgery patients, as well as the names of 600 patients, financial information on the practice, and even the social security numbers of Bortnick’s partners.

The scavenger then called Tim Vetscher, a reporter for KCTV, the CBS-affiliate in Kansas City, and invited him to view the contents of the computer. Later, the scavenger allowed KCTV to copy the contents of the “My Documents” folder of the discarded computer.

Vetscher then began calling patients whose photographs were on the computer in an effort to obtain an interview with one of the patients. One of the patients Vetscher called then called Monarch, whose lawyer contacted the station and demanded that the station (1) not use any of the information from the computer, and (2) stop contacting Monarch’s patients.

The station responded by pointing out that Bortnick had abandoned all rights in the computer when he set it out at the curb and that the patient-physician privilege belonged to the patients (and not the doctor) and that KCTV was therefore free to speak to any patient who chose to talk to the station.

### ***Claim for Injunctive Relief***

Three weeks after Monarch’s lawyers first contacted KCTV about the computer, Monarch filed a lawsuit against Meredith Corporation, the owner and operator of

KCTV, in Johnson County, Kansas District Court. The lawsuit alleged no cognizable cause of action and the one count in the petition was titled “Claim for Injunctive Relief.”

At the same time it filed the suit, Monarch obtained an *ex parte* temporary restraining order against the station from Johnson County District Court Judge Kevin P. Moriarty. The order prohibited the station from (1) contacting any Monarch patient whose information was on the discarded computer, (2) broadcasting any photographs or patients’ names from the computer, and (3) generically “using” any of the “data or information retrieved from Monarch’s computer” for any purpose.

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***Plaintiff analogized the instant dispute to the prior restraint upheld in the Kobe Bryant case.***

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While the TRO stated on its face that it was issued at 8:30 a.m. that day, Monarch’s counsel did not give the station notice of the TRO until that afternoon, a Friday.

On Sunday, June 19, the station removed the lawsuit to the United States District Court for the District of Kansas. The following morning the station filed an emergency motion to dissolve the TRO. That afternoon District Court Judge John W. Lungstrum scheduled a conference for Tuesday afternoon.

At the conference Judge Lungstrum asked KCTV’s counsel, “as an officer of the court,” to advise the court when KCTV intended to air its report on the discarded computer. Counsel responded that the report was scheduled to air the following week.

Judge Lungstrum then raised, *sua sponte*, the question whether he had subject matter jurisdiction over the lawsuit. He explained that the state court petition sought an injunction only, and not money damages. He said, therefore, he had serious doubts about whether KCTV had met the amount-in-controversy requirement for diversity jurisdiction. He then ordered KCTV to show cause by 5 p.m. the following day why he should not dismiss the matter for lack of subject matter jurisdiction.

In its response to the show cause order, KCTV explained that Monarch alleged in its state court petition that without the requested injunction KCTV was going to broadcast a “sensationalized” story that would cause it

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## Computer Plucked from Trash Leads to Prior Restraint Battle

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irreparable harm. The station further pointed out that the petition alleged that without the requested injunction Monarch would lose current patients and have a difficult time attracting new patients.

KCTV then provided evidentiary support for the fact that Monarch's business generated millions of dollars a year in revenue and that any diminution in that business, therefore, would likely exceed \$75,000. KCTV further argued that the state court petition further alleged damaged to the patients' privacy rights and, by referencing plaintiffs' verdicts in other privacy cases (with the assistance of MLRC research attorneys), those rights were worth more than \$75,000.

Judge Lungstrum was unimpressed. On the afternoon of Friday, June 24, he remanded the case to state court. He ruled that while KCTV's allegations of financial damage might have been sufficient if KCTV had been the plaintiff, they were insufficient to support KCTV's burden of supporting its removal. He explained that while a federal court plaintiff's allegations of jurisdiction are entitled to a presumption of validity, a removing defendant's allegations are not entitled to any presumption. Instead, he ruled that because the state court petition did not allege damages in excess of \$75,000, he did not have subject matter jurisdiction.

KCTV immediately refiled its emergency motion for dissolution of the TRO with the state court that same afternoon. Monarch filed its opposition that evening. In it plaintiff analogized the instant dispute to the prior restraint upheld in the Kobe Bryant case. Specifically, Monarch asserted that just as the Colorado Supreme Court had held in that case that the victim's privacy right outweighed the First Amendment right of the media in reporting on the inadvertently e-mailed transcript of a court hearing in which the victim testified as to her prior and subsequent sexual history, the privacy rights of Monarch's patient outweighed KCTV's First Amendment rights.

KCTV filed its reply on Sunday. With the invaluable assistance of Steve Zansberg from Faegre & Benson (who provided pleadings and background on the Bryant case), KCTV explained why the Kobe Bryant case was wholly inapplicable.

## HIPAA Rights Cited

At 8 a.m. on Monday, June 27, Johnson County District Court Judge Moriarty – who had originally granted the TRO – heard oral argument on KCTV's motion to dissolve the TRO. At the conclusion of the hearing, Judge Moriarty continued the prior restraint. In so ruling he found that the TRO was valid because the patients' "HIPAA privacy rights" outweighed the station's First Amendment rights.

The next day, after waiting on a copy of the transcript of the prior day's hearing, KCTV filed an emergency petition for writ of mandamus with the Kansas Supreme Court. In it KCTV pointed out that HIPAA does not create a private right of action and that, in any event, it only applies to

health care providers, and not to the media. KCTV further argued that even if HIPAA did apply to the media, it was axiomatic that the constitutional right contained in the First Amendment necessarily outweighed a statutory right created by Congress.

***When the Kansas Supreme Court refused to rule by Thursday afternoon, the station made the decision to go ahead with the news report that evening.***

## Station Disobeys Injunction

The station then waited. And waited. When the Kansas Supreme Court refused to rule by Thursday afternoon, the station made the decision to go ahead with the news report that evening – as it had promised its viewers in promotional spots that had been airing since Sunday.

The report contained a discussion of Bortnick's carelessness in discarding the computer, explained what was on the computer and featured interviews with a patient (in silhouette) who had had breast reduction surgery and whose photograph was on the computer, as well as a local plastic surgeon who explained that Bortnick should have never have had the computer at home, and of course should have never set it out at the curb.

The report included the "before" photograph from the computer of the woman who was interviewed in the report. The report also contained a screenshot showing file names from the computer, though none of the file names contained patients' names.

The report was accompanied by an editorial from the station's general manager in which he explained that the station went forward with its report despite the court's or-

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**Computer Plucked from Trash Leads to Prior Restraint Battle**

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der because the story was too important to wait and because KCTV never intended to broadcast photographs of patients without their consent, nor did it ever intend to “out” patients who had had plastic surgery by using their names on-air.

Following the airing of the report, on July 5, Monarch obtained leave from Judge Moriarty to conduct expedited discovery in anticipation of a hearing on Monarch’s motion to convert the still-pending TRO into a preliminary injunction. One week later – before Monarch had served its discovery requests – a purported class action lawsuit was filed against Monarch and Bortnick by two patients alleging negligence, invasion of privacy, breach of fiduciary duty and the tort of outrage.

Two days later, Monarch served just two discovery requests on KCTV: a document request for copies of the information the station had copied from the discarded computer and an interrogatory asking the station to identify all persons who had been shown the computer’s contents.

KCTV responded by providing a copy of the data from the computer and by explaining that the only person outside the station who had been shown any of the information from the computer was the Monarch patient who had been interviewed and who had been provided a copy of her “before” photograph from the computer. Later the same day Monarch unilaterally dismissed its lawsuit against KCTV.

In the accompanying order of dismissal Judge Moriarty expressly dissolved his prior restraint order. Following receipt of the order dissolving the TRO, KCTV notified the Kansas Supreme Court – which had yet to rule on the pending petition for writ of mandamus – that the prior restraint order had been lifted.

KCTV had recently broadcast two similar reports about businesses that had carelessly discarded confidential information: one concerned a title company which discarded loan applications and other financial records in a dumpster, while the other concerned an employee of a national brokerage firm who had discarded a computer which contained financial records of customers.

In both instances, following the airing of the report on the businesses’ actions, KCTV destroyed the confi-

dential data it had acquired. In fact, in one of the two cases the station included in its broadcast report the fact that it was going to destroy the confidential data. Pursuant to that past practice, following the dismissal of Monarch’s lawsuit and the dissolution of the prior restraint, KCTV destroyed all remaining copies of the computer data.

The class action lawsuit against Monarch and Bortnick is pending.

*Bernard J. Rhodes, David C. Vogel and Carrie Josserand of Lathrop & Gage L.C. represented KCTV. Monarch Plastic Surgery and Daniel Bortnick were represented by Kirk Goza of Goza & Honnold, LLC, J. Eugene Balloun, David Rameden, Neely L. Fedde of Shook, Hardy & Bacon LLP, and Jonathan A. Bortnick of Bortnick, McKeon, Sakoulas & Schanker, PC.*

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## Appeal Filed to Sixth Circuit in Retaliation / Access Case

By Jill Meyer Vollman

In *Youngstown Publishing Co. v. McKelvey*, plaintiff sought relief pursuant to 42 U.S.C. § 1983 alleging that Mayor McKelvey of Youngstown, Ohio unlawfully retaliated against *The Business Journal* for exercising its First Amendment rights.

The dispute between *The Business Journal* and Mayor McKelvey began in February 2003 when *The Business Journal* published articles criticizing Mayor McKelvey and his administration for actions associated with planning and constructing a convocation center. In response, Mayor McKelvey issued an oral directive prohibiting City officials from speaking with reporters from *The Business Journal*.

Shortly thereafter, in a letter to the publisher of *The Business Journal*, Mayor McKelvey detailed his policy expressly forbidding City employees from discussing any City business with *Business Journal* reporters and representatives. The letter confirmed the Mayor's instruction regarding the No-Comment policy, and specified that City employees were not to make statements to *The Business Journal* except as necessary to respond to public records requests. As a result of Mayor McKelvey's issuance of the policy, City employees refused to speak with *Business Journal* reporters.

*The Business Journal* then filed a complaint asserting a § 1983 claim for unlawful retaliation for exercise of its First Amendment rights.

The trial court dismissed *The Business Journal's* complaint, 2005 WL 1153996 (N.D. Ohio May 16, 2005). Following the trial court's dismissal of the retaliation claim in May, *The Business Journal* appealed to the Sixth Circuit Court of Appeals. On August 8, its appellate brief was filed focusing mainly on one key argument: that the trial court erred in its application and analysis of the three elements required to prove retaliation. Specifically, the trial court erred in holding that *The Business Journal* was required to prove that Mayor McKelvey's "adverse action" – preventing it from speaking with city employees – was a deprivation of a constitutional right. Instead, as set forth in *The Business Journal's* brief:

*The Business Journal* was punished by Mayor McKelvey for exercising its constitutionally protected right to criticize Mayor McKelvey in the pages of its newspaper. Period. The District Court was distracted from this crucial fact and embarked upon an irrelevant analysis of constitutional protection for newsgathering and communicating with public officials... Instead, it was *The Business Journal's* criticism of Mayor McKelvey that motivated his retaliatory action. Therefore, nothing regarding newsgathering or access to the Mayor's office should or need be considered when determining whether the act that provoked the Mayor's retaliation – speech – was constitutionally protected.

\* \* \*

No retaliation precedent requires the Paper to prove that the adverse action deprives it of a constitutional right. Any such analysis is entirely irrelevant. The Mayor's animus toward the Paper was born of the Paper's exercise of constitutionally protected speech – not its newsgathering or contact with his office.

Like the *Baltimore Sun's* Fourth Circuit appeal on the same issue, *The Business Journal's* appeal has been bolstered by a strong showing of amicus support. An impressive group of media companies and non-profit organizations, led by Chuck Tobin of Holland & Knight, filed an amicus brief expanding on the "adverse action" element, as well as on the importance of protecting the newsgathering rights of journalists. In addition, the American Civil Liberties Union, on behalf of a number of unions representing Youngstown city employees, filed a separate amicus brief urging the Sixth Circuit to reverse the trial court's decision also because of its unconstitutional impact on the First Amendment rights of the city employees who have been gagged.

Briefing will be finished by November, with oral arguments expected in the first half of 2006.

*Jill Meyer Vollman represents The Business Journal, along with colleagues Richard M. Goehler and Maureen P. Haney.*

## New York High Court Rejects Bid for Cameras in Courtroom

In a unanimous decision, New York's high court has rejected an appeal by Court TV challenging the state's statutory ban on cameras in the courtroom, holding that the ban violates neither the federal nor New York state constitutions and that permitting cameras in the courtroom is a legislative prerogative. *Courtroom Television Network LLC v. New York*, (June 16, 2005) (Smith, J.).

In June 2004, a unanimous five judge intermediate appeals court panel similarly rejected Court TV's constitutional challenge. *Courtroom Television Network LLC v. State of New York*, 2004 N.Y. Slip Op. 05386, 2004 WL 1382325 (N.Y.A.D. 1 Dept. June 22, 2004). See also *LDRC LibelLetter* October 2001 at 47; *MLRC MediaLawLetter* July 2003 at 34; *MLRC MediaLawLetter* June 2004 at 19; *MLRC MediaLawLetter* November 2004 at 25.

In considering the challenge to New York Civil Rights Law § 52, the court first recognized that while the First Amendment grants both the press and public a right of access to trials, the ban on televising courtroom proceedings does not amount to a "restriction on the openness of court proceedings but rather on what means can be used in order to gather news."

While affirming that the press has the same right of access to trials as the public, the court found that it "is not imbued with any special right of access ... nor any right to information greater than the public" (citations omitted). Although recognizing that the Supreme Court has acknowledged that the broadcasting of a criminal trial does not amount to a "per se violation of [a defendant's] fair trial rights," the court further cited the Supreme Court's pronouncement that "there is no constitutional right to have [live witness] testimony recorded and broadcast" in holding the ban does not violate the federal constitution. *Citing Chandler v. Florida*, 449 U.S. 560, 569 (1981) (quoting *Nixon v. Warner Communications*, 435 U.S. 589, 610 (1978)).

Turning to Court TV's argument that the ban violated Article 1, section 8 of the New York state constitution, the court rejected Court TV's reliance on courtroom clo-

sure cases to "suggest that New York has granted the press broader rights than those provided under the First Amendment."

While recognizing that courtroom proceedings are presumptively open to the public, that court stated that it has also "clearly and unequivocally held that the state constitutional right of the press to attend a trial is the same as that of any citizen."

Citing its earlier decisions in *United Press Assocs. v. Valente*, 308 NY 71, 85 (1954) and *Johnson Newspaper Corp. v. Melino*, 77 NY 2d 1, 8 (1990), the court concluded that "that there is no additional or broader protection under

the State Constitution ... than under the First Amendment insofar as access to court proceedings is concerned," that would support appellant's argument that the ban is unconstitutional.

In dicta, the court stated that Civil Rights Law § 52 would also withstand a strict scrutiny review

had such analysis been required in that it is a narrowly-tailored means of serving the government's interests in "insuring that criminal defendants receive fair trials ... that witnesses are forthcoming in their testimony ... that the trial court has control of the courtroom and that the integrity of the trial is maintained" (citations omitted).

Finally, the court stated that in New York, the decision of whether to permit cameras in the courtrooms is a "legislative prerogative," and that it would not "circumscribe the authority constitutionally delegated to the Legislature to determine whether audio-visual coverage of courtroom proceedings is in the best interest of the citizens of this state."

Jonathan Sherman and David Boies of Boies, Schiller & Flexner LLP represented Court TV.

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**While the First Amendment grants both the press and public a right of access to trials, the ban on televising courtroom proceedings does not amount to a "restriction on the openness of court proceedings..."**

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## Ohio Federal Court Dismisses Publisher's Retaliation Claim Against Mayor

By Maureen Haney and Gary Steinbauer

A federal court in Ohio dismissed a newspaper publisher's complaint against the Mayor of Youngstown, Ohio after the Mayor directed city officials not to speak to reporters from the paper. *Youngstown Publishing Co. v. McKelvey*. No. 4:05 CV 00625, 2005 WL 1153996 (N.D. Ohio May 16, 2005) (Economus, J.).

The publisher sought relief pursuant to 42 U.S.C. § 1983 alleging that the Mayor unlawfully retaliated against the publisher for exercising its First Amendment rights by directing various city officials not to speak to reporters from the *The Business Journal*.

### Background

*The Business Journal* is a general bimonthly newspaper published in Youngstown, Ohio, which regularly reports on the business of Youngstown City government and Mayor McKelvey. The dispute between *The Business Journal* and Mayor McKelvey began in February 2003 when *The Business Journal* published articles criticizing Mayor McKelvey and his administration for actions associated with planning and constructing a convocation center. In response, Mayor McKelvey issued an oral directive prohibiting City Officials from speaking with reporters from *The Business Journal*.

The oral directive prompted City officials to deny employees of *The Business Journal* information concerning the convocation center project. As a result, *The Business Journal* then issued a series of public records requests to obtain pertinent information on the project, which the City later denied. After *The Business Journal* initiated a mandamus action, the City complied with the public records request and was initially ordered to pay *The Business Journal's* attorney's fees.

Shortly thereafter, in a letter to the publisher of *The Business Journal*, Mayor McKelvey detailed his policy expressly forbidding City employees from discussing any City business with *Business Journal* reporters and

representatives. The letter confirmed the Mayor's instructions regarding the No-Comment policy, and specified that City employees were not to make statements to *The Business Journal* except as necessary to respond to public records requests. As a result of Mayor McKelvey's issuance of the policy, City employees refused to speak with *Business Journal* reporters.

*The Business Journal* responded by filing a complaint under § 1983 asserting a claim for unlawful retaliation for exercise of its First Amendment rights. *The Business Journal* simultaneously filed a motion for preliminary injunction seeking to enjoin Mayor McKelvey and the City from enforcing the policy at issue. The City subsequently filed a motion to dismiss, alleging *The Business Journal's* complaint failed to state a claim upon which relief could be granted, and arguing that *The Business Journal* sought the creation of a heretofore unrecognized constitutional right to compel speech on the part of public officials.

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***The court found that unless the City opened a forum inviting the public or press the information sought by The Business Journal was not otherwise available to the public and therefore not protected under the First Amendment.***

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### District Court Decision

In a consolidated ruling the court denied both the preliminary injunction and granted the City's motion to dismiss *The Business Journal's* complaint. Addressing the preliminary injunction issue the court was unpersuaded by *The Business Journal's* argument that it was engaged in the constitutionally protected activity of publishing news reports questioning the actions of local government officials. Instead, the court noted that there is no constitutional right of access to information that is not otherwise available to the public. The court also stated that granting the press access to information not otherwise available to the public would be tantamount to giving the media a special privilege.

Specifically, the court found that unless the City opened a forum inviting the public or press the information sought by *The Business Journal* was not otherwise available to the public and therefore not protected under

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### Ohio Federal Court Dismisses Publisher's Retaliation Claim Against Mayor

(Continued from page 57)

the First Amendment. The court went on to state that *The Business Journal's* history of access to City employees was not a right that could be enforced under the First Amendment.

While the court did recognize that the publication of news reports questioning City government officials is a constitutionally protected activity, it nevertheless held that *The Business Journal's* complaint failed to allege actions that adversely affect this protected activity.

Furthermore, the court interpreted the Mayor's policy as *not* adversely affecting *The Business Journal's* ability to publish reports questioning the acts of City government officials. Finally, despite the numerous allegations in the complaint, the court found that *The Business Journal* had failed to allege sufficient facts demonstrating that the pol-

icy was motivated by Mayor McKelvey and the City's displeasure with *The Business Journal's* reporting.

In denying the preliminary injunction claim the court noted that although the Mayor's policy did not provide a basis for a retaliation claim, it may have been an unconstitutional prior restraint on speech in so far as it forbid City employees – who themselves enjoy First Amendment rights – from speaking on issues of public concern. The court refused, however, to address this issue head on.

*Maureen Haney and Gary Steinbauer are with Frost Brown & Todd LLC in Cincinnati, Ohio. Ms. Haney, Jill M. Vollman, and Richard P. McLaughlin represent The Business Journal in this matter. Subodh Chandra and Gregory G. Morgione represented Mayor McKelvey and the city of Youngstown.*

#### ***Youngstown Publishing Co. v. McKelvey. No. 4:05 CV 00625, 2005 WL 1153996, \*4-7 (N.D. Ohio May 16, 2005)***

The right of access sought by *The Business Journal* and impeded by the No-Comment Policy is the ability to conduct one-on-one interviews with and receive comments from City employees. Three courts, including a decision arising from this District, faced with similar facts have classified such interviews and comments as “information not otherwise available to the public.” See *Raycom National, Inc. v. Campbell*, 361 F.Supp.2d 679 (N.D. Ohio 2004); *The Baltimore Sun Co. v. Ehrlich*, 356 F. Supp.2d 577 (D. Md. 2005); *Snyder v. Ringgold*, 40 F.Supp.2d 714 (D. Md. 1999) (*Snyder II*); see also *Snyder v. Ringgold*, No. 97-1358, 1998 WL 13528 (4th Cir. Jan. 15, 1998) (*Snyder I*). This set of cases concerns government officials who, in response to unflattering stories published and aired by the news media, instituted policies forbidding government employees from speaking to specific television and print journalists.

\* \* \*

The No-Comment Policy impedes *The Business Journal's* access to information obtained through one-on-one interviews and off-the-record comments. The Court determines that this information is information not otherwise available to the public because the City has opened no forum inviting the public or press to solicit comments from City employees. The mere fact that a City employee may be approached or reached via telephone by any member of the press or public does not indicate that the City has opened a forum to all members of the press for the receipt of interviews and comments. Although Plaintiffs claim that *Business Journal* reporters have, for years, enjoyed access to one-on-one interviews and comments, such access, when it occurred, was privileged. Removal of this privilege does not, as Plaintiffs assert, “place [*The Business Journal*] in an inferior position to that of any other member of the public,” rather, it places *The Business Journal* “on equal footing with members of the public,” who likewise are not guaranteed to receive comments from City employees. The fact that one newspaper or reporter may gain access to an interview or comment by a City employee does not require that all reporters be given access to the same information. A reporter may achieve privileged access to government information, but a reporter does not have a constitutional right to maintain privileged access.



## The New York Times Wins Release of Additional 9/11 Materials

By David McCraw

The New York State Court of Appeals, the state's highest court, ruled in March that the New York City Fire Department is required to make public virtually all of the oral history interviews that the department conducted with its employees to document the department's emergency response at the World Trade Center on September 11. *The New York Times Co. v. City of New York Fire Dep't*, 2005 WL 673573 (N.Y. Mar. 24, 2005) (Smith, J.).

### Background

The ruling came in a freedom of information suit brought by *The New York Times* and later joined by eight families who lost relatives during the 9/11 attacks. In addition to ruling on the oral histories, the Court of Appeals affirmed by a 4-3 vote a lower court's decision that the FDNY could redact the words and voices of callers (but not those of operators) from the tapes and transcripts of 911 calls from the morning of the attacks.

The court also affirmed the FDNY's right to redact limited portions of tapes and transcripts from the department's internal radio dispatch system on the basis of the "intra-agency" exemption under New York's freedom of information law ("FOIL").

As a result of the ruling, the public will now have access to large portions of the FDNY's records documenting the events of September 11. Prior to being sued by *The Times*, the FDNY had taken the position that none of the material was available to the public under FOIL.

### Court of Appeals Decision

Before the Court of Appeals, the FDNY asserted that the oral history interviews constituted advice being given by employees to their supervisors, and therefore the opinions and recommendations contained in them could be redacted under the intra-agency exemption to FOIL.

The court rejected that argument, finding that the FDNY had failed to show that the oral histories were intended to be confidential and noting evidence in the record that some participants thought they were creating a public historic record.

The FDNY also argued for the right to redact expressions of personal feelings from the oral histories. The court held that such redaction is allowable under FOIL's privacy exemption, but only if the FDNY can show that an interviewee will suffer "serious pain or embarrassment as a result of disclosure." The Court of Appeals left it to the trial court to review any redactions the FDNY wanted to make under that standard.

Turning to the 911 tapes and transcripts, the Court of Appeals for the first time adopted a balancing test to determine when FOIL's privacy exemption applied. Several Appellate Division decisions had previously endorsed the test, which weighs the public's interest in disclosure against the potential harm to an individual's privacy interest.

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**The Court of Appeals for the first time adopted a balancing test to determine when FOIL's privacy exemption applied.**

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In a second precedent-setting ruling, the court also held that under New York law relatives of the deceased have a privacy interest in their decedents' affairs and that an agency could recognize that interest in deciding whether FOIL's privacy exemption applied.

The court rejected the argument that any privacy interest ended with the death of the person who was the subject of the records sought under FOIL. In so doing, the court embraced the position adopted by the U.S. Supreme Court in *National Archives and Record Admin. v. Favish*, 541 U.S. 157 (2004), which involved the Vincent Foster autopsy photos.

The majority then found, in an opinion by Judge Robert Smith, that it was reasonable for the FDNY to think that grieving families would be offended by disclosure of the tapes and transcripts. The majority reasoned: "[I]f the tapes and transcripts are made public, they will be replayed and republished endlessly, and ... in some cases they will be exploited by media seeking to deliver sensational fare to their audience."

While the only evidence in the record of reactions from 9/11 families was the affidavits of the eight intervenors – all of whom supported full disclosure – the court ruled that those families and others who shared their view were entitled to have access only to the part of the tape or transcript containing the call of their relative.

The three judges dissenting on the 911 holding said they would have allowed disclosure of the transcripts, albeit with

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## NY Times Wins Release of Additional 9/11 Materials

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certain restrictions. The dissent found that there was a significant public interest in knowing how emergency operations were handled on September 11. “Precisely because of the importance of the September 11th attacks, Americans deserve to have as full an account of that event as can be responsibly furnished,” Judge Albert Rosenblatt wrote. “Indisputably, the 911 tapes would shed light on the effectiveness of the City’s disaster response.”

The dissenters acknowledged the privacy interest of surviving family members, but said the public and private interests could be appropriately balanced by directing the FDNY to release the written transcripts, but not the audio-tapes, with the identities of “non-official callers” redacted.

*The Times* had also sought full release of the internal dispatch tapes and transcripts. The trial court had rejected the FDNY’s claim that the materials could be withheld under the privacy exemption. Instead, that court ruled that the tapes and transcripts must be released, but did permit the FDNY to redact any advice or recommendations caught on the tapes under the intra-agency exemption.

While the FDNY did not appeal the privacy ruling, *The Times* did challenge the FDNY’s right to invoke the intra-agency exemption. Before the Court of Appeals, *The Times* argued that a tape of an emergency operation was not the sort of advisory communication that should be shielded by the intra-agency exemption.

The exemption is designed to encourage agency employees to give forthright advice to their employers in the formulation of policy. *The Times* urged the court to bar agencies from invoking the exemption unless they could show that the communications at issue were deliberative in nature and part of a decision-making process.

The court declined to adopt that standard and held that as long as public employees were exchanging opinions, advice and criticism, the exemption could be applied to those parts of the communications. Under the ruling, the FDNY must still release all the rest of the tapes and transcripts, and the department has said that only a small portion of the tapes and transcripts will require redaction.

In a final section of the decision, the Court addressed whether the FDNY could withhold six unspecified documents that the U.S. Justice Department claimed had to be kept secret because they were to be used in the prosecution of Zacarias Moussaoui, the accused conspirator in the 9/11

attacks. FOIL’s law enforcement exemption applies when disclosure will interfere either with a prosecution or with a defendant’s fair trial rights. Both courts below had rejected the FDNY’s claim that disclosure of the FDNY documents would prejudice Moussaoui’s fair trial rights or interfere with his trial.

The Court of Appeals also expressed doubt about the FDNY’s claim, but said it would give the Justice Department the opportunity, if it wanted, to explain to the trial court why the documents needed to be withheld under FOIL’s law enforcement exemption. While the court acknowledged that the current record – which included an affidavit from the federal prosecutor – did not support withholding the documents, the court said it wanted to make certain that the issue was properly considered because of the “enormous importance to the public interest of an orderly and fair trial for Moussaoui.”

The court did not address the question of the statutory interpretation that *The Times* had raised in respect to the law enforcement exemption. By the terms of FOIL, the exemption applies only to documents “compiled for law enforcement purposes.” The parties agreed that none of the documents at issue in this case were *created* for law enforcement purposes.

*The Times* argued that the words of the exemption should be read to mean that the exemption applies only if the agency created or compiled the documents as part of law enforcement activities. The FDNY took the position that even previously public documents could become exempt once they became part of an investigation or prosecution.

The trial court had accepted the FDNY’s position. The Appellate Division did not rule on the question because it found that, whatever the scope of the exemption, it did not apply here where the FDNY had failed to show that disclosure would interfere with the prosecution of Moussaoui or his fair trial rights. The Court of Appeals likewise side-stepped the question when it sent the matter back to the trial court for possible supplementation of the record by the Justice Department.

*David McCraw, in-house counsel at The New York Times Company, represented The Times in this matter. The intervening families were represented by Norman Siegel of New York. The FDNY was represented by John Hogrogian and Marilyn Richter of the New York City Law Department.*

## Courts Err in Assessing Reporters' "News Boycott" Claims

By Charles D. Tobin

The courts are perhaps understandably uncomfortable with any notion that they can force a mayor or a governor to speak with a particular journalist. But the biggest flaws with both Judge Peter Economus' recent decision in *Youngstown v. McKelvey* and Judge William Quarles' February decision in *Baltimore Sun v. Ehrlich*, 356 F.Supp.2d 577, 33 Media L. Rep. 1476 (D. Md. Feb. 14, 2005) is that *neither newspaper asked for that relief*. Once the judges misdefined that as the issue to be decided – intentionally or otherwise – they predetermined the outcome of the cases in their courts.

### Government Cast Cases as "Access" Issue

Youngstown's mayor and Baltimore's governor were successful at the district court level in recasting the disputes as *government access* litigation. That's not what they are. Instead, the lawsuits seek redress for *government retaliation* based on the content of a citizens' expression. This is the point the newspapers need to drive home in appeals and all future litigants must make crystal clear.

These civil rights lawsuits ask the courts to treat the journalists like ordinary citizens – no better, and certainly no worse. As *The Sun* and its journalists have argued in their Fourth Circuit appeal brief this month, government may not banish journalists on the basis of their speech, any more than it may "ban executive branch contacts with registered Democrats or atheists."

Yet in placing people in time-out based on disapproval of their reporting and commentary, the government has relegated these journalists to a position inferior to everyone else.

Today, Youngstown executive officials will not answer questions from *The Business Journal*, and Maryland's executive branch will ignore calls from two of *The Sun's* journalists.

The rest of the press corps, however, continues to gather the news as usual, and any other citizen stands a

reasonable chance of having local or state government answer their questions. The executive edicts direct that government give these journalists, and only them, the cold shoulder because of what they have written. That is retaliation, pure and simple.

The point did not seem entirely lost on the Ohio court. For example, Judge Economus in *Youngstown v. McKelvey* correctly labeled the case a First Amendment retaliation lawsuit (by contrast, nowhere does Judge Quarles' decision in *Baltimore Sun v. Ehrlich* mention the word "retaliation"). He also correctly identified the appropriate test in these cases, which asks whether:

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***By using the First Amendment yardstick to measure what the government took away, instead of looking to the constitutional protections for the activity that drew the punishment, courts erroneously have raised the bar in retaliation claims brought by journalists.***

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- the plaintiff "is engaged in a constitutionally protected activity,"
- the plaintiff, by virtue of "the defendant's adverse action," has "suffer[ed] an injury that would likely chill a person of ordinary firmness from continuing to engage in that activity[.]"

- "the adverse action was motivated at least in part as a response to the exercise of plaintiff's constitutional rights."

But the Ohio judge, as did Judge Quarles in Maryland, missed the mark by applying the Constitution to the wrong part of the newspapers' case. Both judges looked for a constitutional right to question the executive branch of government – what Judge Economus described as the right to a "give-and-take of information, in the form of one-to-one interviews with and comments from City employees." Finding that the First Amendment does not provide the journalists with a right to a compel a discrete interview, the judges both determined that the First Amendment does not bar the executive officials' edicts.

These "one-to-one interviews," however, are not the "constitutionally protected" activities – the first step in the proper analysis of a retaliation claim – that prompted the mayor's and governor's bans of the journalists.

As *The Business Journal's* and *The Sun's* complaints and injunction papers clearly allege, the retaliation re-

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### Courts Err in Assessing Reporters' "News Boycott" Claims

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sulted from their news reports and commentary. In fact, Maryland's governor's email communicating the edict explicitly condemns the banned Baltimore journalists for, in his view, "failing to report objectively" on his administration.

By using the First Amendment yardstick to measure what the government took away (the opportunity to have questions answered), instead of looking to the constitutional protections for the activity that drew the punishment (reporting and commentary the officials did not like), these courts erroneously have raised the bar in retaliation claims brought by journalists.

Once these plaintiffs alleged that the contents of the journalism caused their banishment, and that they are now on unequal footing with all others in their jurisdictions, they stated a *prima facie* case of First Amendment retaliation. These plaintiffs simply have asked to be restored to the same position as every other citizen and journalist.

*Charles D. Tobin, with Holland & Knight LLP in Washington, D.C., represents The Sun and journalists David Nitkin and Michael Olesker in the litigation against the Maryland governor, Baltimore Sun Co. v. Ehrlich.*

## "News Boycott" Issues

MLRC has observed an increasing number of "news boycott" issues facing our membership – whether it be the efforts of government officials to prohibit employees from speaking to certain reporters or to ban specific media outlets from attending events because of dissatisfaction with their coverage.

We are interested in speaking with those members who have confronted such situations to find out how they are being addressed.

If you or someone you work with has dealt with such a matter and would be willing to discuss your experience, please contact Jennifer O'Brien, MLRC Legal Fellow, at [jobrien@medialaw.org](mailto:jobrien@medialaw.org) or (212) 337-0200 (ext. 203).

## Court Rejects Copyright Challenge to *The Da Vinci Code*

By James Rosenfeld

A New York federal district court rejected author Lewis Perdue's claim that Dan Brown's popular thriller *The Da Vinci Code* infringed two of Perdue's own novels, granting summary judgment for Brown, publisher Random House, Inc. and related entities. *Brown et al. v. Perdue*, 04 Civ. 7417 (GBD) (S.D.N.Y. Aug. 4, 2005) (Daniels, J.).

The Court concluded that the two authors' novels were not substantially similar.

### Background

Dan Brown's novel *The Da Vinci Code* was published by Doubleday, a division of Random House, in March 2003. In the book, protagonist Robert Langdon follows a trail of complex clues, several of them connected to the works of Leonardo Da Vinci, to unlock a centuries-old secret concerning Jesus Christ and Mary Magdalene.

*The Da Vinci Code* became a blockbuster bestseller almost overnight, debuting at number one on *The New York Times* bestseller list and remaining at or near that position for over two years. At the time that Brown and Random House moved for summary judgment, there were over 10 million copies of the book in print in the United States and 15 million copies in print abroad.

Amid this global success, defendant Lewis Perdue claimed that the *The Da Vinci Code* copied two of his own novels – *Daughter of God* (published in 2000) and *The Da Vinci Legacy* (1983). Perdue issued press releases, set up websites and spoke to various media outlets about the books' supposed similarities.

When Perdue threatened to sue for copyright infringement in September 2004, Brown and Random House filed a complaint in federal district court in New York, seeking a declaration that *The Da Vinci Code* did not constitute an infringement of Perdue's two novels under the Copyright Act.

Perdue counterclaimed, seeking at least \$150 million in damages for copyright infringement and unjust enrichment, as well as an accounting of income derived from *The Da Vinci Code* and a permanent injunction barring Brown, Ran-

dom House and companies associated with an upcoming motion picture based on *The Da Vinci Code* (Columbia Pictures Industries, Inc., Sony Pictures Entertainment, Inc., Sony Pictures Releasing Corporation and Imagine Films Entertainment, LLC) from distributing the book or film.

Plaintiffs moved for judgment on the pleadings, or in the alternative, for summary judgment, on their declaratory judgment claim, and to dismiss, or in the alternative for summary judgment, on defendant's counterclaims.

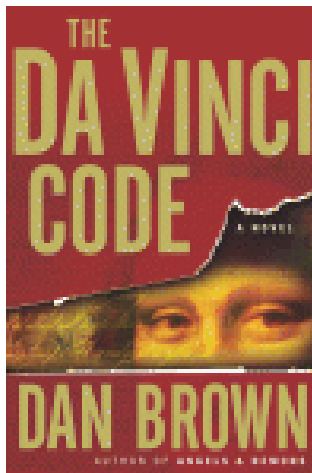
### No Substantial Similarity

The gravamen of Perdue's complaint, the Court noted, was that *The Da Vinci Code* had copied from *Daughter of God* "notions of a divine feminine, the unity of male and female in pagan worship, the importance of Sophia, the 'Great Goddess' of the Gnostic Gospels, the fact that history is relative and is controlled by victors, not losers, and the importance of the Roman Emperor Constantine in requiring a transition from a female to a male dominated religion...."

Other alleged similarities included references to Christianity's adoption of pagan practices, Emperor Constantine and the Council of Nicea, the idea of "the wolf in sheep's clothing" and various other religious ideas, customs and commonplace literary devices. The Court held that "[a]ll of these similarities... are unprotectible ideas, historical facts and general themes that do not represent any original elements of Perdue's work."

The Court buttressed these conclusions with a detailed comparison of the "total concept and feel", theme, character, plot, sequence, pace and setting of the two books, finding a lack of substantial similarity with respect to each of these elements.

Thematically, the Court stated that although both books dealt with figures representing the "divine feminine," the authors' expression of their respective religious themes "differ markedly," since "[in] *The Da Vinci Code*, the divine feminine is expressed as Mary Magdalene, a



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## Court Rejects Copyright Challenge to *The Da Vinci Code*

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true biblical figure, while in *Daughter of God*, the divine feminine figure is Sophia, a fictional second Messiah crucified by Perdue.”

The Court also found that the books differ in total concept and feel: *Daughter of God* features gunfights, violent deaths, “a perilous journey through an Austrian salt mine” and sex scenes, while *The Da Vinci Code* is “an intellectual, complex treasure hunt, focusing more on the codes, number sequences, cryptexes and hidden messages” which serve as clues. It further noted that *The Da Vinci Code* incorporates topics of art and religious history with much greater detail.

The Court further concluded that “the fundamental essence and structure of the plots” were not substantially similar. “*The Da Vinci Code* is simply a different story than that told by *Daughter of God*.”

Nor did the Court find the main characters of the two novels to be substantially similar. For instance, the Court emphasized that *The Da Vinci Code*’s Langdon is a bookish professor of symbology from Harvard who “serves as the intellectual wheel that keeps the plot moving,” solving many riddles and problems.

By contrast, Seth Ridgeway, the hero of *Daughter of God*, is an athletic former police officer. After retiring from the police force with multiple gunshot wounds, Ridgeway has become a professor of philosophy and religion, but *Daughter of God* does not rely primarily on his intellect. The Court likewise compared the heroines and villains of each book in detail, finding no substantial similarity.

Finally, the Court compared the two novels’ sequence, pace and setting, noting differences in each respect, such as the significantly longer time frame of *Daughter of God* and the different geographical locations in which each story takes place.

Based on its consideration of these components of the two authors’ works, the Court found that they were not substantially similar.

The Court noted that Perdue had based his arguments primarily on *Daughter of God*, and therefore refrained from undertaking such an extensive analysis with respect to Perdue’s other novel, *The Da Vinci Legacy*. Nonetheless, it held that “[a] thorough review of *The Da Vinci*

*Legacy*’s plot, themes, characters and other elements supports a finding of noninfringement,” and dismissed Perdue’s infringement claim to the extent it relied on this work.

The Court also rejected Perdue’s remaining counterclaims. It held that his unjust enrichment claim was preempted by the Copyright Act, and dismissed his two claims for an accounting and for a permanent injunction as derivative of Perdue’s infringement claim.

## Conclusion

Based on the Court’s conclusion that Perdue’s books were not substantially similar to Brown’s novel, it granted summary judgment for Brown, Random House and the affiliated counterclaim defendants in all respects. The Court issued a declaratory judgment declaring that “plaintiffs’ authorship, publication and exploitation of rights in and to *The Da Vinci Code* do not infringe any copyrights owned by defendant” and dismissed all of Perdue’s counterclaims.

*Elizabeth A. McNamara, Linda Steinman and James Rosenfeld of Davis Wright Tremaine LLP represented Plaintiffs Dan Brown and Random House, Inc. and Counterclaim Defendants Columbia Pictures Industries, Inc., Sony Pictures Entertainment, Inc., Sony Pictures Releasing Corporation and Imagine Films Entertainment, LLC. Charles B. Ortner of Proskauer Rose LLP was co-counsel for the Columbia, Sony and Imagine Counterclaim Defendants. Defendant/Counterclaimant Lewis Perdue was represented by Cozen O’Connor.*

## MLRC BULLETIN 2005:3B

### *MLRC’s Supreme Court Report Certiorari Petitions in the 2004 Term*

Contact Debby Seiden at [dseiden@medialaw.org](mailto:dseiden@medialaw.org)  
for ordering information

## District Court Should Not Have Terminated Copyright Lawsuit

The Ninth Circuit reinstated a copyright infringement suit brought against the producers of the movie *Terminator II: Judgment Day*. *Kourtis v. Cameron*, No. 03-56703 (9th Cir. Aug. 15, 2005) (O'Scannlain, Wardlaw, Lovell, JJ.).

Plaintiffs' "idea theft" lawsuit had been dismissed on grounds of collateral estoppel because an identical claim against the defendants had already been dismissed. But the Ninth Circuit held that dismissal was in error because although the claim was identical, the prior plaintiff and current plaintiffs were not "in privity" to establish collateral estoppel.

### Background

In 1987, plaintiffs Filia and Constantinos Kourtis, residents of Australia, created a 30-page movie treatment called *The Minotaur* that included a character that could transform its appearance into human and nonhuman forms. They hired a writer, William Green, to develop a screenplay based on the treatment. The screenplay was then shopped around to various Hollywood producers, including producer/director James Cameron. But plaintiffs' screenplay was never produced.

In 1991, Cameron released *Terminator II: Judgment Day*. It included a character called T-1000 – a shape-shifting cyborg sent back from the future to do battle against Arnold Schwarzenegger.

William Green sued the producers for copyright infringement, alleging Cameron's movie copied the shape-changing character from *The Minotaur*. The district court dismissed, holding there was no substantial similarity between the two works. *Green v. Schwarzenegger*, No. CV 93-5893 (WMB) (C.D. Cal. July 1, 1994).

The Kourtises had knowledge of the copyright action but did not intervene. After Green's suit was dismissed, they sued Green (in Australia) and obtained a judgment that they are the sole owners of the copyright in *The Minotaur*.

They then filed another copyright infringement ac-

tion against the movie producers. The district court dismissed ruling that the Kourtises were collaterally estopped from relitigating the copyright claim (and finding other claims time barred).

### No Collateral Estoppel

Reversing, the Ninth Circuit ruled that for the district court's decision in *Green* to have a preclusive effect, it was necessary to establish that: "(1) the issue necessarily decided at the previous proceeding is identical to the one which is sought to be relitigated; (2) the first proceeding ended with a final judgment on the merits; and (3) the party against whom collateral estoppel is asserted was a party or in privity with a party at the first proceeding."

The court recognized that the final decision in *Green* was identical to the current case, but the court held there was no privity between the two sets of plaintiffs. While both sets of plaintiffs had an interest in establishing that *Terminator II* had infringed upon *The Minotaur*, "parallel legal interests alone, identical or otherwise, are not sufficient to establish privity," and "[b]oth 'identity of interests and adequate representation are necessary'" (citations omitted).

Since Green was not acting as the Kourtises' agent and had an adverse interest, he could not be held to have adequately represented plaintiffs' interests.

The court also rejected defendants' argument that the claim should be dismissed on the ground of laches, finding that plaintiffs had no obligation to intervene in the first suit against defendants.

Plaintiffs were represented by Patricia J. Barry of Los Angeles, California. Defendants were represented by Marisa G. Westervelt and Louis R. Miller of Christensen, Miller, Fink, Jacobs, Glaser, Weil & Shapiro LLP of Los Angeles, California, and Charles N. Shepard of Greenberg, Glusker, Fields, Claman, Machtinger & Kinsella, LLP of Los Angeles, and Howard L. Horwitz of Oberstein, Kibre & Horwitz LLP of Los Angeles.



## Copyright Claim Over *The Truman Show* Dismissed

In another idea theft copyright claim, a New York federal court last month dismissed a copyright claim by a writer who alleged that the 1998 movie *The Truman Show* was based on his unproduced screenplay entitled *The Crew*. *Mowry v. Viacom International, Inc., et al.*, No. 03 Civ. 3090 (S.D.N.Y. July 29, 2005) (Peck, J.).

The court found that plaintiff had failed to provide sufficient evidence that defendants had access to his screenplay based on his allegation that he sent his screenplay to people in the entertainment industry. The “entertainment industry,” the court noted, is a broad and amorphous term; and plaintiff’s definition of the term “seems to include everyone in Los Angeles who may ‘know’ people in the industry.” Plaintiff failed to establish any link in the chain to defendant.

Plaintiff also alleged that access could be inferred because of the “striking similarities” between the two works. *See, e.g., Seals-McClennan v. Dreamworks, Inc.*, 120 Fed. Appx. 3,4 (9th Cir. 2004) (striking similarity can give rise to inference of copying). The court compared plaintiff’s screenplay to the movie and concluded that no rationale jury could find substantial similarity.



### *Expert Testimony Offered*

Plaintiff had hired an expert linguistic analyst, Dr. Carole E. Chaski, who was prepared to testify that the two works “exhibit such similitude ... that it is impossible that *The Truman Show* was created without defendants having seen, and been influenced by, plaintiff’s screenplay.” The expert report relied on “cladistic” and “phylogenetic tree” analysis to purportedly show that the *The Truman Show* was “ancestrally related” to plaintiff’s screenplay.

Defendants moved to exclude the expert’s testimony on relevancy grounds and scientific reliability based on *Daubert v. Merrell Dow Pharm., Inc.*, 509 U.S. 579 (1993) and the trial court agreed.

The court’s Westlaw search for the terms “cladistic” and “phylogenetic tree” yielded not a single case and the expert admitted in deposition that her method had not been peer reviewed. Moreover, the expert’s proposed analysis could not trump the court’s own comparison of the works and the lack of substantial similarity.

### *Save the Date*

LEGAL CHALLENGES OF CREATIVITY IN A CHANGING  
AND INCREASINGLY REGULATED MEDIA ENVIRONMENT

January 26, 2006  
Los Angeles, California

## Second Circuit Rejects Trademark Claim Over Internet Pop Up Ads

By Celia Goldwag Barenholtz

Do advertisements which are generated when a computer user types a search term (e.g., 1-800 Contacts) or a "URL" (e.g., www.1800contacts.com) into his computer constitute trademark infringement when the search term or URL happens to incorporate a trademark?

On June 27, 2005, the United States Court of Appeals for the Second Circuit answered the question "no" with respect to the online advertising of WhenU.com, Inc. *1-800 Contacts, Inc. v. WhenU.com, Inc.*, 2005 WL 1524515 (2d Cir. 2005). (Walker, Straub, JJ.).

### "Contextually Relevant" Internet Advertising

WhenU is a marketing company which has developed a software program called SaveNow which displays advertisements, including pop-up ads, on the computer screens of participating consumers.

Consumers download WhenU's software program from the Internet, generally as part of a package of revenue-generating software that supports a free software product. The software includes a directory comprised of over 40,000 web addresses, search terms and key word algorithms sorted into various categories (for example, eye-care) in much the same way as the Yellow Pages indexes businesses. The directory uses these elements to analyze SaveNow users' Internet activity.

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

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

**The way in which WhenU  
used the 1-800 mark to  
generate targeted advertising  
does not constitute the "use"  
of a trademark.**

### The District Court's Decision

On October 9, 2002, 1-800 Contacts, which sells replacement contact lenses through its 1-800 telephone line and its website, filed a complaint and moved for a preliminary injunction against WhenU in the United States District Court for the Southern District of New York. 1-800 alleged that the display of WhenU ads on a SaveNow user's computer screen at the same time as a 1-800 webpage was displayed infringed 1-800's copyright in its website and its trademark, "1-800 Contacts."

The case was assigned to District Judge Deborah A. Batts. Judge Batts rejected 1-800's copyright claim, but found a likelihood of success as to its trademark infringement claim. *See 1-800 Contacts v. WhenU.com, Inc.*, 309 F.Supp.2d 467 (S.D.N.Y. 2003).

The district court gave short shrift to WhenU's argument that it was not using the 1-800 mark within the meaning of the Lanham Act because it did not use the mark in the advertising of goods or services.

Judge Batts held that by including the 1-800 URL in its directory and by displaying ads at the same time as web pages bearing plaintiff's marks were on display, WhenU was effectively using the 1-800 mark to sell its advertisers' goods and services.

The district court then turned to the initial interest confusion doctrine and, reading it expansively, applied it to WhenU ads even though they do not involve the actual diversion of computer users. Finally, the district court applied the "Polaroid factors" and concluded that a likelihood of confusion had been shown.

### Second Circuit Reverses

In an opinion authored by Chief Judge John M. Walker, the Second Circuit held that the way in which WhenU used the 1-800 mark to generate targeted advertising does not constitute the "use" of a trademark within the meaning of 15 U.S.C. § 1127.

Section 1127 provides that "a mark shall be deemed to be in use in commerce ... on services when it is used or displayed in the sale or advertising of services ...."

"Use in commerce" is, in turn, an element of a trademark

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infringement claim. See 15 U.S.C. § 1114(1)(a) (forbidding the “use in commerce” of a registered mark “in connection with” the sale, distribution or advertising of goods and services).

The Court of Appeals therefore reversed the preliminary injunction order and directed the district court to dismiss 1-800’s trademark claims with prejudice. In so ruling, the Second Circuit agreed with two other district courts which had rejected similar claims against WhenU. See *U-Haul Intern., Inc. v. WhenU.com, Inc.*, 279 F. Supp. 2d 723 (E.D. Va. 2003) and *Wells Fargo & Co. v. WhenU.com*, 293 F. Supp. 2d 734 (E.D. Mich. 2003).

The Second Circuit first rejected the district court’s conclusion that When U’s use of 1-800’s mark as an element in its software directory is a trademark use. The Court stressed that WhenU used 1-800’s website address “precisely because it is a website address” and not to identify the source of its advertisers’ products: “[a]lthough the directory resides in the [user’s] computer, it is inaccessible to both the [user] and the general public.”

The Court analogized WhenU’s use of a website address in its directory to generate contextually relevant advertising as akin to the thinking process of any marketer:

A company’s internal utilization of a trademark in a way that does not communicate it to the public is analogous to an individual’s private thoughts about a trademark.

The Court added, “[s]uch conduct simply does not violate the Lanham Act.”

Next, the Court disagreed with the district court’s conclusion that the simultaneous displays of an ad on a computer user’s screen with the 1-800’s website is a “use” of the 1-800 mark. WhenU’s ads “do not display” those trademarks (emphasis in the original), the Court explained, and WhenU has no control over whether 1-800’s marks appear on 1-800’s website. It was 1-800’s decision to display its mark on its website, the Court emphasized, not WhenU’s conduct, which produced the display of 1-800’s mark.

Significantly, the Court rejected the notion that the Lanham Act grants a website owner exclusive access to a

user’s computer screen. WhenU’s ads appear in a separate, branded window and have no effect on the appearance or functionality of the 1-800 site.

More importantly, the Lanham Act does not forbid the side-by-side juxtaposition of marks on a computer screen – even if the effect is to capitalize on the name recognition of the better known mark – any more than a drugstore would be forbidden from displaying a generic product next to a brand name product on its shelves. For the same reason, the Court rejected the notion that WhenU needed 1-800’s permission to display an ad at the same time that a computer user accessed the 1-800 site: “WhenU does not need 1-800’s authorization to display a separate window containing an ad any more than Corel would need authorization from Microsoft to display its WordPerfect word-processor in a window contemporaneously with a Word word-processing window.”

Since the Court found that the element of trademark use could not be established as a matter of law, it did not reach the initial interest confusion doctrine or the *Polaroid* factors.

Trademark use is a “threshold matter” and to decide the question of trademark use on the basis of likelihood of consumer confusion would be putting the “cart before the horse.” In a footnote, however, the Court expressed skepticism about the district court’s findings, explaining that the likelihood of WhenU’s ads causing confusion was “fairly incredulous given that [users] who have downloaded the SaveNow software receive numerous WhenU pop-up ads – each displaying the WhenU brand – in varying contexts and for a broad range of products.”

The *1-800 Contacts* decision is an important one. Courts have struggled to apply the Lanham Act to the unseen use of marks on the Internet. The Second Circuit’s decision establishes that to be a “use” within the meaning of the Lanham Act, the defendant must be using the mark as a mark, *i.e.*, to identify the source of goods or services. In so ruling, the Second Circuit made clear that mark holders enjoy no greater rights in cyberspace than they do in the bricks and mortar world.

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## Sixth Circuit Reaffirms: “Get a License or Do Not Sample”

In a controversial decision, the Sixth Circuit Court of Appeal ruled this month that “digital sampling” – a common feature of rap, hip hop and other pop music of incorporating small elements from other sound recordings – is not subject to the *de minimis* use rule of copyright law. *Bridgeport Music et al. v. Dimension Films et al.*, No. 02-6521, 2005 WL 1384376, Fed. App. 0243A (6th Cir. June 3, 2005) (Guy, Gilman, Barzilay, JJ.).

At issue in the case was a three-note sample of a guitar riff taken from the song “Get Off Your Ass and Jam.” The sample was used in five places in the song “100 Miles and Runnin” which was included in the soundtrack for the movie “I Got the Hook Up” produced by No Limit Films, the defendant in this case.

The district court ruled that the copying was *de minimis* and therefore not actionable. Among other things, the district court found that no reasonable person would recognize the source of the sample.

The Sixth Circuit reversed last year, 401 F.3d 647 (6th Cir. 2004), then granted rehearing. This month’s decision on rehearing essentially follows the Court’s earlier ruling, although the new decision further clarifies that it is not ruling on the issue of fair use as defense.

### *Use of Two of More Notes Is Actionable*

The court based its holding on Section 114(b) of the Copyright Act, which deals with copyrights in sound recordings. The section provides that copyright holders in sound recordings have the exclusive right “to duplicate the sound recording in the form of phonorecords or copies that directly or indirectly recapture the actual sounds fixed in the recording.” Among these exclusive rights, according to the Court, is the right to sample.

In a footnote the Court noted that sampling a single note would probably not be actionable, as the text of the Copyright Act refers to the “fixation of a *series* of musical, spoken, or other sounds.” But applying the Court’s logic, sampling of two or more notes would be actionable.

### *Justification for this Bright-line Test*

The Court’s reasoning for its bright-line test rests on three basic premises: ease of enforcement, market controls of license prices, and the purposeful nature of sampling.

(1) Ease of enforcement: The court reasoned that the bright-line test will not stifle creativity in any significant way, as artists can still incorporate riffs into their recordings, they simply must recreate the sound themselves rather than sampling it from a pre-existing recording.

(2) Market controls: Market forces will keep the cost of a license in line with the cost of recreating the recording.

(3) Purposeful nature: Digital sampling is never accidental. You know you are taking someone else’s work product when you sample a sound recording.

### *Why Is There No De Minimis Taking?*

According to the Court, *de minimis* taking from sound recordings is first and foremost foreclosed by the language of Section 114(b). Additionally, the Court likened sampling to the “physical taking” of sound recordings from a fixed medium – a fairly strained analogy.

Finally, the Court noted that its bright-line rule is supported by the principle of judicial economy since there are hundreds of claims involving sampling and courts would have to engage in “mental, musicological and technological gymnastics” were they to adopt a *de minimis* analysis. The Court also noted that the decision is efficient for the industry because it is cheaper to license than litigate.

### *Conclusion*

The court concluded by noting that if the recording industry is not pleased with the result it can look to Congress to clarify the Copyright Act. Additionally, the affirmative defense of fair use may still be advanced in sampling cases. Music samplers would still be entitled to raise fair use as affirmative defense. As a practical matter, a fact based fair use defense is easier to litigate than the issue of *de minimis* copying. Thus, the standard in the Sixth Circuit now appears to be: if you want to sample two or more notes, “get a license or do not sample.” The defendant has indicated it will seek rehearing en banc.

Richard S. Busch and D’Lesli M. Davis of King & Ballou in Nashville, Tennessee represented the plaintiffs. Robert L. Sullivan and John C. Beiter of Loeb & Loeb in Nashville, Tennessee represented the defendant. Amicus briefs in support of the defendant were filed by the Recording Industry Association of America and the Brennan Center for Justice and Electronic Frontier Foundation.

## Constitutional Challenge to Uruguay Copyright Agreement Rejected

A D.C. Circuit Court of Appeals panel unanimously rejected a constitutional challenge to § 514 of the Uruguay Round Agreements Act (“URAA”), codified at 17 U.S.C. §§104A, 109. *Luck’s Music Library, Inc. v. Gonzales*, 407 F.3d 1262 (D.C. Cir. May 24, 2005) (Randolf, Roberts, Williams, JJ).

Plaintiffs had sought a declaration that URAA – which implements part of the Berne Convention – violates the Copyright and Patent Clause of the U.S. Constitution by granting copyright protection to works that had previously entered the public domain in the U.S.

Section 514 of the URAA establishes copyright protection in the U.S. for foreign holders whose works are protected in the country they were initially published in but for a variety of reasons are in the public domain in the United States.

Luck’s Music Library rents and sells orchestral sheet music and Moviecraft preserves, restores and sells old footage and films. They both alleged that under the URAA they are no longer free to distribute certain works in their collections.

### *Court Follows Eldred*

Plaintiffs argued that copyright laws that remove works from the public domain “do not provide significant incentives for new creations” because “rewarding prior works will not provide any significant incentive to create new works because it will not change the costs and benefits of doing so.”

This, according to the Court, was the core argument rejected by the U.S. Supreme Court in *Eldred v. Ashcroft*, 537 U.S. 186 (2003).

The Court also rejected plaintiffs’ argument that there is no historical precedent for granting copyright protection to works in the public domain, finding historical precedent, *inter alia*, in the Copyright Act of 1790 which “granted copyright protection to certain books already printed in the United States at the time of the statute’s enactment.”

Plaintiffs were represented by Daniel H. Bromberg, Geoffrey S. Stewart, Carmen M. Guericigoitia and Jonathan L. Zittrain. The government was represented by John S. Koppel, Peter D. Keisler, Kenneth L. Wainstein and William G. Kanter of the U.S. Department of Justice.



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## The Seventh Circuit Rethinks Right of Publicity Preemption

By Samuel Fifer and Gregory R. Naron

The Seventh Circuit Court of Appeals recently did an about face, vacating a prior decision, *Toney v. L'Oreal U.S.A. Inc.*, 384 F.3d 486 (7th Cir. 2004) ("*Toney I*"), that had held a model's state law right of publicity suit was preempted by the federal Copyright Act. *Toney I* had potentially far-reaching impact on the right of publicity – a cause of action which has been the subject of state legislation and extensive common law development, and for the most part has been held beyond the preemptive reach of federal law.

However, the Court of Appeals acted quickly to grant plaintiff's petition for rehearing, vacating *Toney I*. The court further ordered supplemental briefing on whether the court's much-maligned decision in *Baltimore Orioles, Inc. v. Major League Baseball Players Ass'n*, 805 F.2d 663, 674-79 (7th Cir. 1986) – on which *Toney I* had relied – should "remain the controlling law in this circuit." *Toney v. L'Oreal U.S.A. Inc.*, 400 F.3d 964, 965 (7th Cir. 2005).

After rehearing, on May 6, 2005, the court issued a new opinion, *Toney v. L'Oreal U.S.A. Inc.*, No. 03-2184, 2005 WL 1083775 (7th Cir., May 6, 2005) ("*Toney II*") (Kanne, J.), which squarely and unambiguously held that claims under the Illinois Right of Publicity Act, 765 ILCS 1075/1, *et seq.* ("IRPA") are not preempted, while also clarifying and narrowing the scope of *Baltimore Orioles*.

### Background

In November 1995, June Toney, a model, authorized Johnson Products to use her likeness on the packaging of a hair-relaxer product called "Ultra Sheen Supreme" from November 1995 until November 2000. Toney also authorized the use of her likeness in national magazine advertisements for the product from November 1995 until November 1996.

The agreement contemplated additional uses – i.e., to promote other products, for extended time periods – but specifically provided that such uses and extensions were

to be negotiated separately. Toney did *not* own the copyright in the photographs of her that were taken for the packaging and promotion.

In August 2000, L'Oreal acquired the Ultra Sheen Supreme line of products; later, in December 2000, Wella purchased and assumed control of the line and brand from L'Oreal. Toney sued L'Oreal and Wella in Illinois state court, alleging they used her likeness in connection with the packaging and promotion of the Ultra Sheen product beyond the authorized time period, and thereby violated her right to publicity in her likeness under the IRPA.

The IRPA allows an individual the "right to control and to choose whether and how to use an individual's identity for commercial purposes," 765 ILCS 1075/10; it provides that "[a] person may not use an individual's identity for commercial purposes during the individual's lifetime without having obtained previous written consent from the appropriate person ... or their authorized representative." 765 ILCS 1075/30.

Identity is defined as "any attribute of an individual that serves to identify that individual to an ordinary, reasonable viewer or listener, including but not limited to (i) name, (ii) signature, (iii) photograph, (iv) image, (v) likeness, or (vi) voice." 765 ILCS 1075/5.

Defendants removed the case to federal court. On defendants' motion to dismiss, the district court found plaintiff's IRPA claim was preempted under § 301 of the Copyright Act, 17 U.S.C. § 301. *Toney I* affirmed, holding the IRPA claim sought to vindicate the same rights as those enumerated in the Copyright Act, and hence, the claim was preempted.

Read broadly, *Toney I* would generally preempt all right of publicity claims. This would be a truly breathtaking development. Most of the several states recognize causes of action for right of publicity, misappropriation of name or likeness, and similarly denominated torts, under their common law. Some state legislatures – including that of Illinois – have adopted statutes specifically adopting and adumbrating the right of publicity.

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***The Seventh Circuit recently did an about face, vacating a prior decision, that had held a model's state law right of publicity suit was preempted by the federal Copyright Act.***

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## Seventh Circuit Rethinks Right of Publicity Preemption

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But alas, *Toney I* was short-lived; in *Toney II*, the court promptly reversed itself – and reversed dismissal of Toney’s IRPA claim.

### ***Plaintiff Did Not Waive Her Best Argument***

As a preliminary matter, defendants argued that plaintiff “waived any claim that the IRPA protects her ‘identity,’ as compared to her likeness fixed in photographic form, noting that the “word ‘identity’ does not appear in her complaint,” and plaintiff’s response to the motion to dismiss had “expressly stated that her claim ‘is narrowly directed to the use of her likeness, captured in photograph or otherwise.’” *Toney II*, Slip Op., p. 4.

*Toney I* accepted defendants’ waiver argument – somewhat uncharitably, in light of the liberal federal notice pleading standard, *see* Fed. R. Civ. P. 8(a)(2). *Toney I*, at 489.

In *Toney II*, the court changed its mind and found “that Toney provided the defendants with adequate notice of her claim. The identity claim was not waived.” *Toney II*, Slip Op., p. 4.

This was perhaps the most significant turnabout the court did, because injury to “identity” generally is the very gravamen of the right of publicity claim. The subject matter of such a claim “is *not* a particular picture or photograph of plaintiff,” but rather, “the very identity or persona of the plaintiff as a human being”; the photograph “is merely one copyrightable ‘expression’ of the underlying ‘work,’ which is the plaintiff as a human being.” *Toney II*, Slip Op., p. 5, quoting McCarthy, *THE RIGHTS OF PUBLICITY & PRIVACY*, § 11:52 (2d ed. 2004).

Thus, the court explained, “[a] persona, defined in this way, ‘can hardly be said to constitute a ‘writing’ of an ‘author’ within the meaning of the copyright clause of the Constitution.” *Id.*, quoting *Downing v. Abercrombie & Fitch*, 265 F.3d 994, 1003-4 (9th Cir. 2001).

### ***Preemption Rejected***

Section 301 of the Copyright Act, 17 U.S.C. § 301 “delineates two conditions which, if met, require the preemption of a state-law claim, such as one brought under the IRPA, in favor of the rights and remedies available under” the Act.

First, “the work in which the right is asserted must be fixed in tangible form and ... come[] within the subject matter of copyright as specified in § 102” – that is, it must be an “‘original work[] of authorship fixed in any tangible medium of expression,’ including ‘pictorial’ works.” 17 U.S.C. § 102(a).”

Second, “the right must be equivalent to any of the rights specified in § 106” – i.e., “reproduction, adaptation, publication, performance, and display.” *Toney II*, Slip Op., pp. 5-6.

Having defined the “identity” protected by the right of publicity in terms of an ineffable “persona” (of which “likeness” was just one possible aspect) the preemption inquiry all but answered itself:

Toney’s identity is not fixed in a tangible medium of expression. There is no “work of authorship” at issue in Toney’s right of publicity claim. A person’s likeness – her persona – is not authored and it is not fixed. The fact that an image of the person might be fixed in a copyrightable photograph does not change this. From this we must also find that the rights protected by the IRPA are not “equivalent” to any of the exclusive rights within the general scope of copyright that are set forth in § 106. Copyright laws do not reach identity claims such as Toney’s. Identity, as we have described it, is an amorphous concept that is not protected by copyright law; thus, the state law protecting it is not preempted.

*Toney II*, Slip Op., pp. 7-8.

The court also noted that the IRPA required an “extra element” not found in the Copyright Act: that defendant is *commercially exploiting* plaintiff’s identity. “Unlike copyright law, ‘commercial purpose’ is an element required by the IRPA.” *Id.*, p. 8; *see* 765 ILCS 1075/5.

### ***Baltimore Orioles Redux***

Perhaps the most interesting aspect of the *Toney v. L’Oreal* saga is the court’s treatment of its prior decision in *Baltimore Orioles*, *supra*, 805 F.2d 663 (7th Cir. 1986). There, Major League Baseball players claimed they had rights of publicity in their performances. However, the players had entered into “work for hire” contracts with the

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## Seventh Circuit Rethinks Right of Publicity Preemption

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baseball clubs for their game performances; the clubs owned the copyrights in the telecasts of those performances.

As Ninth Circuit Judge Alex Kozinski once explained, *Baltimore Orioles* refused to allow the players to use their state law right of publicity “to veto the telecast of their performance.... The Seventh Circuit recognized ... that the players and the clubs were fighting over the same bundle of intellectual property rights.” *Wendt v. Host Int’l*, 197 F.3d 1284, 1287 (9th Cir. 1999) (Kozinski, J., dissenting from denial of rehearing *en banc*).

Having found plaintiff waived her “identity” argument, *Toney I* examined what she misguidedly argued in the district court: that her IRPA claim was based on “her right of publicity in her *likeness*, as distinguished from her *likeness in photographic form*.”

The court found this would-be distinction flew directly in the teeth of *Baltimore Orioles*. *Toney I*, at 489. *Toney I* emphasized that plaintiff did not own the copyright in the photographs – but was seeking to control exercise of those same rights anyway, through the “back door” means of a right of publicity action:

[B]ecause the exercise of the [copyright owner’s] rights to reproduce, adapt, publish, or display the photos would also infringe upon Toney’s right to publicity in her likeness in photographic form, her publicity right is equivalent to the rights encompassed by copyright listed in § 106.

*Toney I*, at 492.

This was the essential rationale of *Baltimore Orioles*: plaintiffs in both cases were parties to agreements by which the other party secured a copyright in the same “bundle of rights” that plaintiffs sought to enforce through state law claims.

However, by focusing on plaintiff’s “identity” rather than her “likeness,” *Toney II* reached precisely the opposite conclusion:

The fact that the photograph itself could be copyrighted, and that defendants owned the copyright to the photograph that was used, is irrelevant to the

IRPA claim. The basis of a right of publicity claim concerns the message – whether the plaintiff endorses, or appears to endorse the product in question. One can imagine many scenarios where the use of a photograph without consent, in apparent endorsement of any number of products, could cause great harm to the person photographed. The fact that Toney consented to the use of her photograph originally does not change this analysis. The defendants did not have her consent to continue to use the photograph, and therefore, they stripped Toney of her right to control the commercial value of her identity.

*Toney II*, Slip Op., p. 8.

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**Perhaps the most interesting  
aspect of the Toney v.  
L’Oreal saga is the court’s  
treatment of its prior decision  
in Baltimore Orioles.**

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While reaching an apparently irreconcilable conclusion, *Toney II* did not explicitly overrule *Baltimore Orioles*. It did, however, acknowledge that *Baltimore Orioles* “has been widely criticized by our sister circuits and by several commentators,” and took the opportunity to “clarify” its holding. *Id.* at 9.

First, the court held that *Baltimore Orioles* “simply does not stand for the proposition that the right of publicity as protected by state law is preempted in all instances by federal copyright law; it does not sweep that broadly.”

Second, the court appears to limit *Baltimore Orioles* to the proposition that “state laws that intrude on the domain of copyright are preempted even if the particular expression is neither copyrighted nor copyrightable”; for example, “states may not create copyrightlike protections in materials that are not original enough for federal protection.” *Id.* Thus, to the extent the pre-emption teaching of *Baltimore Orioles* survives *Toney II*, it does so in a diminished capacity.

*Samuel Fifer is a partner, and Gregory R. Naron is of counsel at Sonnenschein Nath & Rosenthal LLP, Chicago. Plaintiff was represented by Thomas Westgard, Chicago.; defendant, by John Letchinger, of Wildman, Harrold, Allen & Dixon in Chicago.*



## The Family Entertainment and Copyright Act – “Sanitizing Hollywood”

By Kent Raygor

Tired of all that sex, violence, nudity, blasphemy, and profanity in your home video fare? Congress has stepped into the breach to give you a legislative remote control so you can fast-forward through all those naughty bits.

On April 27, 2005, President Bush signed into law the Family Entertainment and Copyright Act of 2005, which imposes criminal and civil liability for certain uses of copyrighted works.

The text of the Act can be found at <http://www.copyright.gov/title17/>. The sections of primary concern are found in Titles I (“Artists’ Rights and Theft Protection Act”) and II (“Family Movie Act”).

### *The Family Movie Act*

Title II of the Act embodies the Family Movie Act, which was tacked on late in the day because the proponents of what may now be considered a State-sanctioned

copyright program knew that the film studios, who opposed any legislation that might allow someone to view their work in a version other than the one they had authorized, wanted something close to their hearts, namely stiff criminal penalties for film piracy. In order to get those penalties, the studios tacitly agreed to accept the Family Movie Act.

Two types of practices are at issue: (1) technology that filters material someone deems offensive by skipping over or muting it without fixing the changed content in a new copy; and (2) businesses that alter tapes and discs to remove such material and then sell those altered copies.

The first is practiced by companies such as ClearPlay ([www.clearplay.com](http://www.clearplay.com)), which sells DVD players fitted with its filtering software, and the second by companies such as CleanFlicks ([www.cleanflicks.com](http://www.cleanflicks.com)), CleanFilms ([www.cleanfilms.com](http://www.cleanfilms.com)), and Family Flix ([www.familyflix.com](http://www.familyflix.com)), all four of which, incidentally, are located in Utah.

The Act protects the filtering technology used by ClearPlay, and leaves the second practice open to attack under the copyright and trademark laws.

### *Film Piracy*

Title I makes it a felony to use a camcorder to tape a film in a theater, and imposes prison terms of up to six years. It also imposes criminal sanctions for willful copyright infringement if the act of infringement was (a) for commercial advantage or private financial gain, (b) by reproducing or distributing during any 180-day period copies of copyrighted works with a total value of more than \$1,000, or (c) by making a work being prepared for commercial

distribution available on a computer network accessible to the public if the infringer knew or should have known that the work was intended for commercial distribution.

Subsection (c) applies to computer programs, musical works, motion pictures and other audiovisual works, and sound recordings if at the time of the

unauthorized distribution (a) the copyright owner had a reasonable expectation of commercial distribution, and (b) the copies had not yet been commercially distributed. It also applies to motion pictures if at the time of the unauthorized distribution the motion picture has been exhibited in a theater but has not yet been made available in a home video format for sale to the US general public.

Title I also imposes civil liability for copyright infringement of a work being prepared for commercial distribution but that has not yet been published. New regulations will now allow the preregistration of such a work, and the Act then allows a civil action for republication infringement.

Title II contains the so-called “censorship” blessing. It exempts from copyright and trademark infringement liability

the making imperceptible, by or at the direction of a member of a private household, of limited portions of audio or video content of a motion picture, during a performance in or transmitted to that household for

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## The Family Entertainment and Copyright Act

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private home viewing, from an authorized copy of the motion picture, or the creation or provision of a computer program or other technology that enables such making imperceptible and that is designed and marketed to be used, at the direction of a member of a private household, for such making imperceptible, if no fixed copy of the altered version of the motion picture is created by such computer program or other technology.

In short, it exempts creators and users of filtering technology that mutes or skips content from copyright and trademark liability, but only for private and in-home use, for the household of the purchasing consumer only, and only where no fixed copy of the alternate version is created.

The somewhat awkward “making imperceptible” phrase was used to make clear that the Act does not provide a shield to those who make fixed copies of the altered works and instead is giving a pass only to those who filter out, mute, or fast-forward past the offensive material.

In a further indication that Congress was responding to the studios’ concerns, the Act provides that “making imperceptible” does not include the addition of audio or video content that is performed or displayed over or in place of existing content in a motion picture.

### ***What About Altered Films?***

The Act leaves unresolved the dispute between Hollywood and the companies who edit and then sell or rent altered films. The Hollywood side argues that the editing and fixing of altered works in new copies violates the artistic expression of the director without his or her authorization and deprives the studios of revenues for perhaps making and selling such edited copies themselves.

The editing companies respond that, first, they do not deprive the studios of revenues because they buy an original DVD or tape before they edit it, and, second, they are doing no more than what the studios themselves allow with showing edited films on airplanes.

The studios respond that the airplane type of editing is done with their approval and in an environment where the films are shown to people locked into seats where they do not have the choice of turning off what they do not want to see, which is what they argue should be done with any of the disputed works – if a household does not want to see a film as the director intended it to be seen, then turn off the TV, change the channel, or do not rent it.

The issue of who gets to decide what message is delivered by a director's work of art is of great concern to the studios because of the simple fact that for every published work there are those who will take exception to one or more statements or images in it, and the Family Movie Act perhaps puts them

on a slippery slope toward more draconian State-sponsored censorship.

It is not hard to imagine segments of the population that might want anyone of a minority race edited out, others who might be offended at references to religion, others who

will want images of animals treated like pets deleted, others who will want images of smoking removed.

Even among the Utah editing companies identified above, standards diverge. Family Flix, for example, probably has the most comprehensive editing guidelines. Apart from the general prohibitions against sex, profanity and violence, Family Flix also edits out paintings and sculptures that show nudity, groping, passionate kissing between unwed couples, inappropriate dress, bodily functions, gross jokes, distasteful animal behavior, demoralizing humor, inappropriate references to “Deity (i.e. Oh my G\*\*),” and “non-traditional family values,” described as homosexuality, lesbianism, perversions, and cohabitation. See <http://www.familyflix.net/editing.html>.

The Family Movie Act can best be viewed as analogous to the household finger on the remote mute and fast-forward buttons, and leaves the broader battle involving third-party editing of films to the courts – at least for the time being.

Now, I wonder if ClearPlay can get me a filter that allows me to see only the naughty bits?

*Kent R. Raygor is a partner at Sheppard Mullin Richter & Hampton LLP in Los Angeles.*

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***The Act leaves unresolved  
the dispute between  
Hollywood and the  
companies who edit and  
then sell or rent altered films.***

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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 commerce 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 concluded that Bosley's lawsuit sought to limit defen-

(Continued on page 77)

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

(Continued from page 76)

dant'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.

## 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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### CLOSING ARGUMENTS

A collection of closing argument transcripts from recent media trials is now available on the MLRC website at

<http://www.medialaw.org/LitigationResources/ClosingArguments>

## Fourth Circuit Addresses Cybergriper Trademark Issues

Last month the Fourth Circuit Court of Appeals ruled that a cybergriper is entitled to use the domain name [www.fallwell.com](http://www.fallwell.com) to criticize Reverend Jerry Falwell, rejecting a host of trademark and related claims. *Lamparello v. Falwell*, 04-2011, 04-2122, 2005 WL 2030729 (4th Cir. Aug. 24, 2005) (Michael, Motz, King, JJ.).

### Background

Christopher Lamparello launched [www.fallwell.com](http://www.fallwell.com) in 1999 to denounce and counter Falwell's statements about homosexuality. Upon arriving at [www.fallwell.com](http://www.fallwell.com), visitors are expressly alerted that the site is not affiliated with Falwell and a link to Falwell's own Web site, [www.falwell.com](http://www.falwell.com), is provided.

Falwell, who owns both common law and registered trademarks in his name, sent several cease-and-desist letters to Lamparello demanding that Lamparello terminate use of the Falwell mark.

Lamparello subsequently brought an action against Falwell seeking a declaratory judgment of noninfringement. Falwell counter-claimed, alleging trademark infringement, false designation of origin, unfair competition, and cybersquatting in violation of the Anticybersquatting Protection Act (ACPA). (Although Falwell asserted a federal unfair competition claim under 15 U.S.C. §1126, the district court noted that no such cause of action exists.)

The lower court granted Falwell summary judgment and ordered Lamparello to surrender the domain name to Falwell, but did not award statutory damages or attorney fees. Falwell appealed the denial of statutory damages and attorney fees and Lamparello appealed the order against him.

### Fourth Circuit Decision

In the Fourth Circuit decision by Judge Diana Gribbon Motz, the court resolved the trademark and false designation of origin claims purely on the issue of likelihood of confusion.

Emphasizing that the sites "offer opposing ideas and commentary" rather than "similar goods and services," the court found no likelihood of confusion existed under the seven-factor test employed in the Fourth Circuit.

The court noted that even if a consumer were misled by the similarities of the domain names, no one would believe that Reverend Falwell "sponsored a site criticizing himself, his positions, and his interpretations of the Bible." *Id.*

The court rejected Falwell's argument that the "initial interest confusion" doctrine applied to the determination of likelihood of confusion in the case. Under an initial interest confusion analysis, Lamparello's unauthorized use of Falwell's mark in the domain name would be considered outside of the context of the underlying content of Lamparello's site.

Falwell claimed that the initial interest confusion doctrine was adopted by the Fourth Circuit in *People for the Ethical Treatment of Animals v. Doughney*, 263 F.3d 359 (4th Cir. 2001) in which the court enjoined the use of the domain name [www.peta.org](http://www.peta.org) for a parody site promoting an organization called "People Eating Tasty Animals."

In rejecting Falwell's argument, the court first explained that the Fourth Circuit has never adopted the initial interest confusion doctrine and has instead "followed a very different mode of analysis [that requires] courts to determine whether a likelihood of confusion exists by 'examin[ing] the allegedly infringing use in the context in which it is seen by the ordinary consumer.'" *Id.* at 11 (quoting *Anheuser-Busch, Inc. v. L & L Wings, Inc.*, 962 F.2d 316, 319 (4th Cir. 1992)).

The court then distinguished *PETA* from Falwell's case because the question in *PETA* was whether the allegedly infringing domain name was a parody and in the parody analysis, unlike that for the likelihood of confusion, the court need not examine the content of the site.

Pointedly, the court also observed that those courts adopting the initial interest confusion doctrine have done so only where the junior use of the mark was for monetary gain, which both parties agreed was not Lamparello's motive in using Falwell's mark.

The court declined to address Lamparello's assertion that the application of Sections 32 and 43(a) of the Lanham Act, which create federal causes of action for trademark infringement and false designation of origin, respectively, are limited only to commercial speech.

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**Fourth Circuit Addresses Cybergriper Trademark Issues**

*(Continued from page 78)*

Falwell's ACPA claim failed because the court found Lamparello's use of Falwell's mark evinced no bad faith intent to profit, as required by the statute. Citing recent decisions in the Fifth and Sixth Circuits (*TMI, Inc. v. Maxwell*, 368 F.3d 433 (5th Cir. 2004) and *Lucas Nursery & Landscaping, Inc. v. Grosse*, 359 F.3d 806 (6th Cir. 2004)), the Fourth Circuit held that where the unauthorized junior user of a mark has "neither registered multiple domain names nor attempted to transfer [the domain name] for valuable consideration, . . . the use of a mark in a domain name for a gripe site criticizing the markholder does not constitute cybergripping."

The court noted that even though Lamparello had linked to one book sympathetic to his viewpoint on [www.amazon.com](http://www.amazon.com), Lamparello did not receive profit from sales of the book and that even if he had, monetary gain alone would not have been enough to prove the requisite bad faith intent under the ACPA.

Paul Alan Levy of the Public Citizen Litigation Group, Washington, DC represented Christopher Lamparello. John Holbrook Mildren, Jr. of the Mildren Law Center, Chevy Chase, MD represented Reverend Jerry Falwell.



**BULLETIN 2005**

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***MLRC's Supreme Court Report  
Certiorari Petitions in the 2004 Term  
(Bulletin 2005:3 Part B)***

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## Michigan and Utah Enact Kids “Do Not E-Mail” Registries

In what may be the first of a wave of state statutes intended to protect minors from “adult content” and products, new “Do Not E-Mail” laws regulating electronic communications to children went into effect in Michigan and Utah in July.

The “Utah Child Protection Registry Act,” Utah Code 13-39-101–02, 201–03, 301–04, and the “Michigan Children’s Protection Registry Act,” Michigan Code 752.1061–1068 allow parents and guardians to request that children not receive e-mails that advertise or link to sites that advertise certain products – even if the children had granted permission to those sites to receive e-mails.

### *Operation of the Registries*

The Michigan and Utah statutes mandate the creation of a voluntary registry for “contact points” for minors. Contact points are defined as “an electronic identification to which a communication may be sent,” including, but not limited to, e-mail addresses, instant message identities, domain names, and fax numbers. Michigan Code 752.1062; Utah Code 13-39-102.

Parents, guardians, and institutions responsible for a minor’s access to electronic communication, such as a school, may register contact points. In Michigan, registration is effective for three years or until the minor associated with the contact point reaches eighteen years of age. Registration in Utah is effective for two years.

After a contact point is registered, electronic marketers sending communications within the statute to Michigan and Utah must remove, or “scrub,” the address from their marketing list within thirty days of the registration.

The general public will not be granted direct access to the registries. Instead, marketers must pay to check their recipient lists against the registry through use of a third-party contractor, Unspam Technologies, Inc. To illustrate, a marketer with a list of one million addresses will have to pay Unspam Technologies \$12,000 per month to comply with the Michigan and Utah laws.

### *Covered Communications*

The Michigan statute prohibits electronic communication sent to contact points on the registry “if the primary purpose of the message is to, directly or indirectly, advertise or otherwise link to a message that advertises a product or service that a minor is prohibited by law from purchasing, viewing, possess-

ing, participating in, or otherwise receiving.” Michigan Code 752.1065.

The Utah statute bans electronic communication sent to contact points on the registry that promote “a product or service that a minor is prohibited by law from purchasing” or that “contains or advertises material harmful to minors.” Utah Code 13-39-202.

“Material harmful to minors” is defined in the Utah Code as content “of any description or representation, in whatsoever form, of nudity, sexual conduct, sexual excitement, or sadomasochistic abuse when it: (1) taken as a whole, appeals to the prurient interest in sex of minors; (b) is patently offensive to prevailing standards in the adult community as a whole with respect to what is suitable for minors; and (c) taken as a whole, does not have serious value for minors. Serious value includes only serious literary, artistic, political or scientific value for minors.” *Id.* 76-10-1201(4).

### *Penalties*

Both statutes provide for criminal and civil penalties.

#### **Criminal penalties in Utah**

- A first-time offense is a class B misdemeanor.
- A second-time offense and any subsequent offense is a class A misdemeanor.
- A person who uses information gained from the registry improperly or who obtains, or attempts to obtain, contact points from the registry, or enables a third party to obtain contact points to send a solicitation is guilty of a second degree felony.
- Each communication is a separate offense.

#### **Civil penalties in Utah**

- A successful plaintiff in a civil suit may recover actual damages or \$1000 for each violative communication, whichever is greater.

#### **Defenses in Utah**

- Internet Service Providers are not liable for the mere transmission of a communication.
- A reasonable attempt to comply with the scrubbing process is a defense.

*(Continued on page 81)*

## Michigan and Utah Enact Kids “Do Not E-Mail” Registries

*(Continued from page 80)*

- Consent to receive the communication by the minor is no defense.

### Criminal penalties in Michigan

- A first-time offense is a misdemeanor punishable by a one-year prison term or a fine of \$10,000, or both.
- A second-time offense is a felony punishable by a two-year prison term or a fine of \$20,000, or both.
- A third-time offense and any subsequent offense is a felony punishable by a three-year prison term or a fine of \$30,000, or both.

### Civil penalties in Michigan

A successful plaintiff in a civil suit may recover either:

- actual damages plus attorney fees, or
- \$5,000 for each message transmitted to the plaintiff or \$250,000 for each day the violation occurs, whichever is lesser.

### Defenses in Michigan

- Internet Service Providers are not liable for the mere transmission of a communication.
- Accidental transmission of a communication is an affirmative defense.
- Consent to receive the communication by the minor is no defense.

### Federal Preemption?

The CAN-SPAM Act enacted in 2003 creates civil and criminal penalties for the distribution of unsolicited commercial electronic mail, commonly referred to as SPAM. Although the CAN-SPAM Act applies to unso-

licited commercial e-mails, it contains a broad preemption clause.

Section 8(b)(1) states:

“This Act supercedes any statute, regulation, or rule of a State or political subdivision that expressly regulates the use of electronic mail to send commercial messages, except to the extent that any such statute, regulation, or rule prohibits falsity or deception in any portion of a commercial electronic mail message or information attached thereto.”

The Utah and Michigan registration mechanisms are both now functioning, but Michigan is not currently enforcing compliance.

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## Google Potentially Liable for Trademark Infringement for Sponsored Links

A Virginia federal court ruled this month that Google may be liable for trademark infringement for publishing “sponsored links” that included company trademarks. *Government Employees Insurance Co. v. Google, Inc.* No. 1:04cv507 (E.D. Va. Aug. 8, 2005) (Brinkema, J.).

### **Background**

By entering terms into the Google search engine, users are able to generate “organic listings” of websites that contain “matches” for the requested terms. Through Google’s “Adwords” advertising program, advertisers may purchase “Sponsored Links” that appear to the right of the organic listings and are triggered by the terms inputted into the search engine, even if the terms are trademarks of a competitor.

Plaintiff Government Employees Insurance Company (“GEICO”) sued Google for trademark infringement and unfair competition under the Lanham Act and Virginia common law over the use of its trademarked names “GEICO” and “GEICO Direct” in triggering Sponsored Links.

### **December Ruling**

In a December oral ruling granting in part Google’s motion to dismiss, Judge Leonie Brinkema held that the use of the trademarked terms to trigger advertising did not amount to trademark infringement in that plaintiff had failed to prove “a likelihood of confusion stemming from Google’s use of GEICO’s trademark as a keyword.”

Additionally, the court held that plaintiff produced insufficient evidence to proceed on the issue of whether Sponsored Links that do not contain plaintiff’s trademarks in the heading or text of the advertisement create a sufficient likelihood of confusion to give rise to a claim of trademark infringement.

### **August Ruling**

In an opinion entered this month, however, the court found that Google may be liable for trademark infringement for a practice – which has since been discontinued – of allowing advertisers that purchase Sponsored Links to use the GEICO marks in the heading or body of the advertisements.

In light of consumer survey evidence proffered by plaintiff, the court held that the percentage of survey respondents who had exhibited some degree of confusion when such ads appeared alongside the organic listings provided sufficient evidence to survive Google’s motion to dismiss.

The court went on to enter a 30-day stay in which to allow the parties to enter into a settlement on the issue of liability and damages.

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## U.S. Restrictions on Online Gambling Ads Buoyed by Recent Decisions

By **Johnita P. Due**

Efforts by the United States government to clamp down on advertising of internet gambling operations have been buoyed by two recent decisions – a federal court decision rejecting a First Amendment challenge to government restrictions; and a decision by the World Trade Organization.

### ***First Amendment Challenge Rejected***

In February 2005, a federal court in Louisiana rejected a First Amendment challenge to the government's enforcement activities against internet-based gambling brought by Casino City, Inc., "a United States company that maintains a website which derives revenue from running advertisements of overseas companies which offer online casino or sportsbook gambling." *Casino City, Inc. v. United States Department of Justice*, Civil Action No. 04-557-B-M3, (M.D. La. Feb. 15, 2005).

At issue was a letter dated June 11, 2003 from the U.S. Department of Justice Criminal Division to the National Association of Broadcasters (NAB) about "Advertising for Internet Gambling and Offshore Sportsbooks Operations."

In its letter, the DOJ stated that "Internet gambling and offshore sportsbook operations that accept bets from customers in the United States violate Sections 1084 [Wire Act], 1952 [Travel Act], and 1955 [Illegal Gambling Business Act] of the United States Code, each of which is a Class E felony" and warned "entities and individuals placing these advertisements may be violating various state and federal laws and...entities and individuals that accept and run such advertisements may be aiding and abetting these illegal activities." See June 11, 2003 letter from John G. Malcolm, Deputy Assistant Attorney General, Criminal Division, United States Department of Justice, to National Association of Broadcasters.

In addition, the DOJ advised that "broadcasters and other media outlets should know of the illegality of offshore sportsbook and Internet gambling operations since, presumably, they would not run advertisements for illegal

narcotics sales, prostitution, child pornography or other prohibited activities" and requested the NAB to "forward this public service message to all your member organizations which may be running such advertisements, so that they may consult with their counsel or take whatever actions they deem appropriate.

Shortly after the DOJ sent its letter to the NAB in June 2003, various U.S. Attorneys began issuing subpoenas to media outlets as part of their investigations into criminal violations of the above-mentioned laws. More warnings were issued by the DOJ to media organizations last fall and subpoenas have been ongoing. Hearst was reportedly served with subpoenas in April.

As a result of the DOJ letter and subpoenas, several media outlets, including Infinity Broadcasting, Clear Channel Communications, and Discovery Networks, have since stopped accepting online gambling ads. See Chuck Humphrey, "Advertising Internet Gambling," (February 27, 2005).

A number of major Internet advertising portals, such as Yahoo and Google, have also stopped accepting gambling ads.

Although Casino City had not received the letter from the DOJ and had not been served with a subpoena, it filed a declaratory judgment suit in federal district court in Louisiana challenging on First Amendment grounds "the application of the prohibition against aiding and abetting the commission of a federal offense to those who run advertisements for Internet and offshore gambling operations that take bets from bettors located in the United States."

The district court dismissed the case with prejudice, finding that Casino City had no standing to sue because it failed to show that it "intend[ed] to engage in a prohibited activity proscribed by statute" and "failed to show a credible threat of prosecution."

More importantly, the court reached the merits and held that even if Casino City had established standing, it had no claim for a First Amendment violation.

Applying the four-part test enunciated in *Central Hudson Gas & Electric Corp. v. Public Service Commis-*

(Continued on page 84)

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***The DOJ advised that "broadcasters and other media outlets should know of the illegality of offshore sportsbook and Internet gambling operations."***

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## U.S. Restrictions on Online Gambling Ads Buoyed by Recent Decisions

(Continued from page 83)

sion of *New York*, 447 U.S. 557, 567 (1980), for determining whether commercial speech is protected by the First Amendment, the district court found that the plaintiff had no First Amendment right to advertise illegal activity, the government's interest was specifically and only directed at the advertising of illegal activity (internet gambling), and "the speech in which plaintiff wishes to engage is misleading because it falsely portrays the image that internet gambling is legal."

Finally, the court ruled that the government's interest was significant:

Internet gambling is of significant interest to the government because of its accessibility by the general public, which includes children and compulsive gamblers. By targeting and punishing advertisers who utilize this type of information, the government reaches its goal of deterring this illegal activity.

### *Casino City's Appeal*

Casino City appealed the ruling in April and filed its brief to the Fifth Circuit on June 10, 2005. The brief argues that there is standing to sue because the DOJ warnings constitute an objective chill of speech-related activity; it was within the class of entities threatened by the DOJ's warnings and subpoenas; and it had suffered a direct injury in fact because its parent company lost a potential sponsorship relationship with A&E Television Network and the History Channel website.

Casino City also argues that DOJ's restrictions on advertising fail the *Central Hudson* test because 1) "the online gambling entities advertised on Casino City are legal in the jurisdictions in which they operate"; 2) the restrictions do not directly and materially advance the asserted governmental interest; and 3) the DOJ's restrictions amount to a blanket ban so broad that it would prevent internet advertising even in places where the online gambling itself was legal.

Unless Casino City's appeal is successful, it is likely the U.S. government will continue to use the threat of criminal action to pressure media entities to cease accepting advertisements for online gambling.

### *WTO Obligations*

On the heels of its victory in federal district court in the *Casino City* case, the U.S. federal government survived an international legal challenge before the World Trade Organization (WTO) brought by the country of Antigua.

Antigua filed a complaint claiming that U.S. laws prohibiting internet gambling suppliers located outside the U.S. from supplying services to consumers within the U.S. were inconsistent with market access obligations agreed to by the U.S. under the General Agreement on Trade in Services (GATS).

The laws examined by the WTO in the dispute included the same laws cited in the DOJ letter sent to the NAB: the Wire Act (Title 18 U.S.C. Section 1084), the Travel Act (Title 18 U.S.C. Section 1952), and the Illegal Gambling Business Act (Title 18 U.S.C. Section 1955). (Eight state laws were also reviewed: Colorado, Louisiana, Massachusetts, Minnesota, New Jersey, New York, South Dakota and Utah.)

A WTO panel had ruled in November 2004 that U.S. laws did not qualify for the exceptions to GATS based on "public morals" and "public order." But on April 7, 2005, the WTO Appellate Body reversed, upholding the U.S. restrictions on internet gambling as "measures... necessary to protect public morals or to maintain public order." See Report of the WTO Appellate Body, World Trade Organization, *United States-Measures Affecting the Cross-Border Supply of Gambling and Betting Services*, WT/DS285/AB/R (April 7, 2005), Section VIII (Findings and Conclusions), par. 373 (d) (iii).

The WTO Appellate Body also reversed the original WTO panel's finding that the state laws of Louisiana, Massachusetts, South Dakota and Utah were inconsis-

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**Unless Casino City's appeal is successful, it is likely the U.S. government will continue to use the threat of criminal action to pressure media entities to cease accepting advertisements for online gambling.**

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(Continued on page 85)

### U.S. Restrictions on Online Gambling Ads Buoyed by Recent Decisions

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tent with GATS. *Id.* at Section VIII (Findings and Conclusions), par. 373 (c)(iii).

(The WTO Appellate Body did find that the U.S. had failed to show that its 2000 Interstate Horse Racing Act was in conformity with its obligations under GATS since it did not show that it did not discriminate against foreign service providers of remote betting services. *Id.* at Section VIII (Finds and Conclusions), par. 373 (d)(vi)).

Overall, the WTO ruling was a victory for the U.S. which should only strengthen government efforts to regu-

late internet gambling. Based on the *Casino City* decision, threatening and prosecuting those who advertise internet gambling services will be one mode of enforcement.

*Johnita Due is with CNN in Atlanta. Casino City was represented by the law firms of Taylor, Porter, Brooks & Phillipps, LLP of Baton Rouge, Louisiana, and Greenberg Traurig, P.A. of Tallahassee and Ft. Lauderdale, Florida.*

## Agency's Coercive Letters to Broadcasters Violate First Amendment Rights

By Andrew A. Jacobson and Wade A. Thomson

In a decision bolstering commercial speech protection and broadcasters' independence, a federal district court judge in Albany, New York awarded a preliminary injunction to Kevin Trudeau and Alliance Publishing Group ("Trudeau") against a New York State agency. *Trudeau v. New York State Consumer Prot. Bd.*, 05 CV 1019 (N.D. N.Y. Sept. 6, 2005).

Trudeau is an infomercial magnate and author of the best-selling book, *Natural Cures "They" Don't Want You To Know About* (the "Natural Cures book"). Trudeau's infomercial for the Natural Cures book had been challenged by the New York State Consumer Protection Board ("CPB"), which sent letters to broadcasters and cable stations urging them to pull the infomercials because the CPB deemed the infomercials misleading.

The district court judge ruled that the letters violated Trudeau's First Amendment rights because they gave the impression that adverse governmental consequences could follow if the broadcasters and cable stations did not comply. The judge also found that Trudeau had established for the purposes of a preliminary injunction that the infomercials constituted non-misleading speech deserving constitutional protection.

### Background

Trudeau is an author and consumer advocate, and has produced and appeared in a series of infomercials in which he bluntly criticizes government agencies and government health policies and promotes the Natural Cures book. The Natural Cures book has topped several best-sellers lists, including the *New York Times*, the *Wall Street Journal*, and *USA Today*.

In July, the CPB contacted Trudeau with questions about the book and advised Trudeau that the CPB intended to "debunk" the book. The CPB admitted that it had initiated the inquiry without having read the book and after receiving only two consumer complaints -- from among more than 3 million purchasers of the book. The CPB

posted a press release claiming that the infomercials for the book were misleading and making other claims about Trudeau.

Trudeau subsequently learned that the CPB intended to ask broadcasters and cable stations to pull the infomercial. After the CPB refused to give Trudeau three-days notice if it intended to contact the stations, Trudeau filed a complaint and motion for temporary restraining order in the United States District Court for the Northern District of New York to prevent the CPB from contacting broadcasters.

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***The letters violated Trudeau's First Amendment rights because they gave the impression that adverse governmental consequences could follow if the broadcasters and cable stations did not comply.***

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## Agency's Coercive Letters to Broadcasters Violate First Amendment Rights

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At an initial hearing, Judge Gary L. Sharpe denied the motion for a restraining order, finding that it essentially was moot because a copy of CPB letter was included in the CPB's brief in opposition; thus, Trudeau had the three-days notice of the letter. However, Judge Sharpe allowed Trudeau to file a renewed motion seeking to block the CPB from sending the letters. The next day, Sharpe granted the renewed motion for a TRO, enjoining the CPB from contacting broadcasters in any form similar to the letter.

In the time between the court's denial of the first motion and the entry of the TRO the next day, the CPB -- with notice of the renewed motion -- mailed out a revised letter to 102 cable and broadcast stations asking them to remove Trudeau's infomercial and attaching a CPB press release "applauding" Judge Sharpe's earlier denial of Trudeau's request for a TRO.

The letter, on CPB's letterhead (including the Seal of the State of New York and the imprint of George E. Pataki, Governor), advised the broadcast and cable stations that the CPB considers the infomercials misleading and "encourages your organization to remove it from your programming." Several broadcast or cable stations that received CPB letter pulled the infomercial.

On September 6, 2005, the court held a hearing on Trudeau's motion for a preliminary injunction and the CPB's motion to dismiss. The Court granted Trudeau a preliminary injunction, denied the CPB's motion to dismiss, and ordered a further hearing on Trudeau's request for a retraction or other relief to restore the status quo in light of the CPB's mailing of the letters.

### **Letter to Broadcasters Was Coercive**

In granting Trudeau's motion for a preliminary injunction, Judge Sharpe held that the CPB's letter was coercive. The victory for Trudeau was substantial in part because Judge Sharpe applied a heightened standard to the request for injunctive relief. First, Judge Sharpe noted that any judicial restraint on the government's speech would be "extraordinary."

Second, without deciding whether the infomercial was core speech, commercial speech, or a hybrid of the

two, the judge assumed that it was merely commercial speech and thus deserving of less protection than core or hybrid speech. (Representatives of the Federal Trade Commission publicly had stated their view that the Natural Cures infomercial is "an expression of opinion protected by the First Amendment.")

Judge Sharpe held that the CPB had implied that there was judicial force behind their letters by touting the "federal court order," and that the CPB had gone beyond less restrictive means by encouraging the stations to pull the infomercials. The court ruled that the test for whether a government communication is coercive is based upon the reasonable recipient's perception, and case law cited by Trudeau — including *Bantam Books v. Sullivan*, 372 U.S. 58 (1963) and *Okwedy v. Molinari*, 333 F.3d 339 (2d Cir. 2003) — established that the CPB's letter went beyond being a mere opinion or persuasive, and was coercive.

"While it's absolutely true that the [CPB] doesn't have the authority to cause them any problems along the line of what they might perceive," Sharpe said in the hearing, "I'm not sure anybody would objectively look at that kind of letter and not run the risk in the reverse: 'Well, [CPB] versus some other state agency, it's all the same thing, it's the New York State Attorney General, we don't need problems with the New York State Attorney General and, therefore, we're gonna pull the ad.'"

Following the court's ruling, the CPB issued a statement maintaining its position that the infomercial is misleading. The litigation between the parties continues.

*Kevin Trudeau and Alliance Publishing Group are represented by David J. Bradford, Daniel J. Hurtado, Andrew A. Jacobson, Andrew W. Vail, and Wade A. Thomson from the Chicago office of Jenner & Block LLP, Daniel Mach and Victoria H. Jueds from Washington D. C. office, and Michael J. Grygiel of McNamee, Lochner, Titus & Williams in Albany, New York. Jacobson is a partner in the Chicago office and a member of the firm's Litigation, Intellectual Property, and Telecommunications practice groups. Thomson is an associate in the Chicago office and a member of the firm's Litigation and Media and First Amendment practice groups.*

## Michigan Court of Appeals Holds That Televised Nudity is Public Indecency

By Robert Corn-Revere

In a ruling with broad potential significance for cable television programming, the Michigan Court of Appeals held that the state's indecent exposure law may be applied to prohibit depictions of nudity on a public access channel. *People v. Huffman*, 2005 WL 1106504 (Ct. App. Mich., May 10, 2005).

If the rationale were to be upheld or adopted by other courts, local nuisance laws could be enforced against programming on any television channel, including premium cable offerings like HBO. However, as explained below, the decision is being challenged and is unlikely to be followed by other courts.

### Background

On May 10 the Michigan Court of Appeals unanimously upheld the conviction of Timothy B. Huffman, a local public access channel producer under the state's "indecent exposure" law for a three minute (non-sexual) comedy segment in which a man's (non-erect) penis was shown.

The court held that it was reasonable to interpret the state law governing public nudity to apply to cable TV because the law may apply to "any conduct consisting of a display of any part of the human anatomy under circumstances which create a substantial risk that someone might be offended."

It reached this conclusion even though the court acknowledged that no person who was actually exposed to the penis during the taping was offended. The court also agreed that a televised image was "qualitatively different than a physical exposure," but observed that "in some ways, it can be more offensive and threatening." It noted that the exposed penis was "larger than life" and that the exposure was more prolonged ("fully three minutes") than would have occurred in public.

The court rejected the defendant's First Amendment arguments against applying "public indecency" laws to televised images. In doing so, it analyzed the case as a symbolic speech problem and applied intermediate scrutiny

pursuant to *United States v. O'Brien*, 391 U.S. 367 (1968), as well as the nude dancing cases, *Barnes v. Glen Theatre, Inc.*, 501 U.S. 560 (1991) and *City of Erie v. Paps A.M.*, 529 U.S. 277 (2000).

It distinguished cases that actually apply to the regulation of cable television, such as *United States v. Playboy Entertainment Group, Inc.*, 529 U.S. 803 (2000) and *Denver Area Educational Telecommunications Consortium v. FCC*, 518 U.S. 717 (1996), saying that "content-neutral restrictions on expressive conduct which constitutes symbolic speech, must be tested under the *O'Brien* analysis." *Huffman*, 2005 WL 1106504.

It thus avoided the more rigorous level of constitutional scrutiny that normally applies to content-based regulation of the media. In this connection, the court of appeals cited *FCC v. Pacifica Foundation*, 438 U.S. 726, 748 (1978), the landmark Supreme Court decision that upheld the FCC's enforcement of its broadcast indecency rules, for the proposition that "of all forms of communication, it is broadcasting that has the most limited First Amendment protection." It concluded that "this same reasoning applies to cable television broadcasting." *Huffman*, 2005 WL 1106504.

Overall, the court held that the application of public indecency laws to cable television is justified because "preventing public nudity promotes public morality."

### Implications of the Decision

The *Huffman* decision literally suggests that any depiction of nudity on television is subject to prosecution under local laws that prohibit public nudity. The court's reasoning is not restricted to the context of local public access channels or some limited set of facts. Rather, it held that the law may apply to any display "of any part of the human anatomy" under circumstances where "someone might be offended."

It further held that the act of preparing for public distribution a program that contains nude images is the same thing as appearing nude in public. Specifically, it said that

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***The court of appeals applied an aberrational interpretation of the term "public nudity" and fundamentally misread the controlling precedents on the issue of cable television regulation.***

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“the exposure offense occurred when defendant arranged for the tape’s delivery to GRTV, in Grand Rapids, for the purpose of having it distributed by cable network into thousands of homes.”

It appears the same logic would apply to the preparation of a program in New York or Los Angeles and arranging for its delivery via satellite for the purpose of having it transmitted by cable networks into millions of homes.

Under this rationale, it would be difficult if not impossible, for cable television systems (or direct broadcast satellite operators) to continue to offer premium channels that subscribers purchase individually. While depictions of nudity sometimes appear on other cable television channels (and less frequently on broadcast channels), premium services are in the business of delivering uncut movies and original programs to audiences who are willing to pay.

Given that such programs not infrequently contain nude images, they would be susceptible to local prosecutions under the theory of indecent exposure adopted by the court in *Huffman*. This does not count the channels that are primarily devoted to sexually-oriented programming. By allowing a prosecution against an individual access channel program, where the rest of the schedule was made up of programs that did not depict nude bodies, the holding suggests that any program on any channel could suffer the same fate.

Such a result would effectively extend indecency laws to cable and satellite transmissions on a locality-by-locality basis.

### Analysis

Timothy Huffman filed a timely application with the Michigan Supreme Court for leave to appeal from the May 10 decision. If the court agrees to review the case, it seems extremely unlikely that it would uphold the court of appeals decision. It also is quite improbable that judges in other jurisdictions will follow the lead of the *Huffman* court. The court of appeals applied an aberrational interpretation of the term “public nudity” and fundamentally misread the controlling precedents on the issue of cable television regulation.

The decision by the court of appeals that televised nakedness equates to “public nudity” is entirely unique. No other

court has reached the same conclusion in countless cases from across the United States construing local indecent exposure ordinances. See, e.g., David Carl Minneman, *What Constitutes “Public Place” Within the Meaning of State Statute or Local Ordinance Prohibiting Indecency or Commission of Sexual Act in Public Place*, 95 A.L.R.5th 229 (2005).

Perhaps the closest analogy would be to cases involving live performers in booths in adult bookstores. See, e.g., *Adams v. State*, 461 N.E.2d 740 (Ind. Ct. App. 3d Dist. 1984). Yet even in that circumstance, courts cannot agree that the performance was in a “public place.” E.g., *Sweeney v. State*, 486 N.E.2d 651 (Ind. Ct. App. 2d Dist. 1985). Although the *Huffman* court acknowledged that a televised image of nudity

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***It is very unlikely that the theory articulated by the Michigan court of appeals in Huffman will be adopted by other courts.***

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is “qualitatively different than a physical exposure,” it nonetheless treated them the same so that it could characterize the access program as “conduct” and not “speech.”

This decision to treat the program as “conduct” is the linchpin to the court’s application of intermediate constitutional scrutiny and the key to its misreading of applicable law. The Michigan court expressly relied on “public nudity” cases involving strippers (e.g., *Barnes* and *Paps A.M.*) while trying to distinguish more recent precedent involving “indecent” programming on cable television (e.g., *Playboy Entertainment Group*).

But in its *Playboy* opinion, issued two months after its decision in *Paps A.M.*, the Supreme Court made clear that content controls on cable television programming must be subjected to strict scrutiny and that such regulations are presumptively invalid. *Playboy Entertainment Group*, 529 U.S. at 812-813.

The Court expressly rejected the central assumptions of the *Huffman* opinion – that programming can be banned because it may offend some people and that restrictions on cable television are subject to the same relaxed scrutiny as over-the-air broadcasting.

Indeed, the Court in *Playboy* made crystal clear that the lower level of constitutional scrutiny articulated in *Pacifica* cannot be applied to the technology of cable television. *Id.* at 814-815.

In any event, the cases restricting conduct – actual physical nudity – upon which the *Huffman* court relied, applied a

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lower level of scrutiny because the government was seeking to regulate “secondary effects” that presumably were unrelated to the communication. Although the *Huffman* court tried to dispute this point, cases such as *Barnes and Paps A. M.* were quite clearly based on the “secondary effects” theory that the Court first articulated in *Renton v. Playtime Theatres, Inc.*, 475 U.S. 41 (1986). See *Paps A.M.*, 529 U.S. at 294-295.

Once again, however, the Court in *Playboy* expressly rejected this theory when applied to television programming, and it held that “the lesser scrutiny afforded regulations targeting the secondary effects of crime or declining property values has no application to content-based regulations targeting the primary effects of protected speech.” *Playboy Entertainment Group*, 529 U.S. at 815.

The *Huffman* court’s other assumption, that a restriction of speech could be based solely on the interest in promoting “public morality,” has also been undermined by Supreme Court authority. See *Lawrence v. Texas*, 539 U.S. 558, 582 (2003).

If *Huffman* were to be upheld and its rationale adopted by other courts, the resulting patchwork of local laws would make it impractical to operate a national programming service that transmitted any depictions of nudity.

However, the Supreme Court has held that local regulation of television programming that has such a disruptive impact is subject to preemption under the Supremacy Clause, *Capital Cities Cable, Inc. v. Crisp*, 467 U.S. 691 (1984), and lower courts have held specifically that local ordinances seeking to regulate indecency on cable television are preempted by federal law. See e.g., *Community Television of Utah, Inc. v. Wilkinson*, 611 F. Supp. 1099, 1105-06 (D.C. Utah 1985), *aff’d sub nom. Jones v. Wilkinson*, 800 F.2d 989 (10th Cir. 1986), *aff’d mem.* 480 U.S. 926 (1987).

As a consequence, it is very unlikely that the theory articulated by the Michigan court of appeals in *Huffman* will be adopted by other courts.

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## Arizona Supreme Court Orders Dismissal Of Lawsuit Arising From “Holy War” Letter To Editor

By David J. Bodney

On July 1, 2005, the Arizona Supreme Court held that liability for intentional infliction of emotional distress could not be imposed against *The Tucson Citizen* “for printing a letter to the editor about the war in Iraq.” *Citizen Publ’g Co. v. Miller*, No. CV-04-0280-PR 2005 WL 1538272 (Ariz. Sup. Ct. July 1, 2005), (Hurwitz, J.) at 2. In an unanimous 5-0 decision, Arizona’s highest court accepted the newspaper’s First Amendment defense, reversed the trial court’s decision and remanded the case with instructions to dismiss the claim with prejudice.

### Background

The case arose from the December 2, 2003 publication of a letter to the editor on the Op-Ed page of *The Tucson Citizen*. Written by Emory Metz Wright Jr., the letter stated:

*We can stop the murders of American soldiers in Iraq by those who seek revenge or to regain their power.*

*Whenever there is an assassination or another atrocity we should proceed to the closest mosque and execute five of the first Muslims we encounter.*

*After all this is a “Holy War” and although such a procedure is not fair or just, it might end the horror.*

*Machiavelli was correct. In war it is more effective to be feared than loved and the end result would be a more equitable solution for both giving us a chance to build a better Iraq for the Iraqis.*

As the supreme court noted, the letter triggered “immediate adverse reaction.” *Id.* From Dec. 4 through 6, 2003, *The Citizen* published 21 letters from readers who criticized Wright’s letter -- including one from Aly W. Elleithee, who sued the newspaper and Wright some five weeks later.

Specifically, on January 13, 2004, Elleithee and his co-plaintiff, Wali Yudeen S. Abdul Rahim -- two Islamic-American residents of Tucson, Arizona -- filed a complaint in

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Arizona Superior Court for assault and intentional infliction of emotional distress. They sought both monetary damages and injunctive relief, for themselves and on behalf of a putative class of “all Islamic-Americans who live in the area covered by the circulation of the *Tucson Citizen*, including the reach of the Internet website published by the *Tucson Citizen*.” *Id.* at 3.

### Lower Court Decisions

On February 3, 2004, *The Citizen* moved to dismiss the case, arguing that the plaintiffs had failed to state a viable cause of action for assault or emotional distress, and that the letter contained statements that were absolutely protected by the First Amendment. In response, plaintiffs contended that the letter “directly encourages, commands, and incites unlawful acts of violence.” Focusing on the letter’s second sentence, plaintiffs argued that the issue in this case was whether Wright’s call to violence “constitutes the kind of outrageous behavior that a decent society should not tolerate.”

On May 10, 2004, the superior court issued an order granting *The Citizen*’s motion to dismiss plaintiffs’ assault cause of action, but denying the motion with respect to the emotional distress claim. In dismissing plaintiffs’ assault claim, the superior court held that the letter at most “suggested causing future harm,” and plaintiffs “have alleged...no facts to indicate that [*The Citizen*] acted with the intent to carry out the threat.” Moreover, the superior court ruled that plaintiffs failed to meet the elements of assault, which require placing plaintiff “in reasonable apprehension of an imminent harmful or offensive contact.”

Nevertheless, the superior court found that plaintiffs had alleged sufficient facts to support a claim for intentional infliction of emotional distress. “Clearly,” the trial court wrote, “reasonable minds could differ in determining whether the publication of the letter rose to the level of extreme and outrageous conduct.”

The court cited and relied upon the *Restatement (Second) of Torts* § 31 (1965) for the proposition that “[a]busive or insulting words that threaten serious future harm, or that create emotional distress, are remedied through an action for intentional infliction of emotional distress rather than assault.” [Superior Court Order at 3] Moreover, the court dis-

missed *The Citizen*’s First Amendment defense, writing that “a public threat of violence directed at inciting or producing imminent lawlessness and likely to produce such lawlessness is not protected.” *Id.*

On June 2, 2004, *The Citizen* filed a Petition for Special Action seeking interlocutory review of the superior court’s order by the Arizona Court of Appeals. On July 15, 2004, the Court of Appeals declined to accept jurisdiction over the Special Action in a 2-1 decision. On August 10, 2004, *The Citizen* filed a Petition for Review in the Arizona Supreme Court, and the Petition was granted on January 4, 2005. Amicus briefs in support of *The Citizen*’s Petition were filed by The Thomas Jefferson Center for the Protection of Free Expression and the Reporters Committee for Freedom of the Press. On March 24, 2005, at the College of Law at Arizona State University, the Supreme Court heard oral argument in the case.

### Arizona Supreme Court Decision

In its July 1, 2005 Opinion, the Arizona Supreme Court established important protections, both procedural and substantive, for the media in Arizona. As for procedures, the supreme court recognized that there is “good reason” to review a lower court’s refusal to grant case-dispositive motions whenever a lawsuit raises “serious First Amendment concerns.” *Id.* at 5. While the supreme court rarely exercises its discretionary review of interlocutory appeals, it did so without hesitation in *The Citizen* case.

Indeed, the court ruled that “[i]n cases in which an appellate court can determine from the pleadings a case-dispositive First Amendment defense,” such review may be appropriate to spare the parties and the court from “a prolonged, costly and inevitably futile trial.” *Id.* at 6 (citing *Scottsdale Publ’g, Inc. v. Superior Court*, 159 Ariz. 72, 74, 764 P.2d 1131, 1133, (App. 1988)). Of course, such interlocutory review also “protects First Amendment rights.” *Id.*

As for the substantive safeguards, the Arizona Supreme Court ruled that the First Amendment absolutely protects newspapers from tort suits involving speech on matters of public concern unless the plaintiff can prove that the speech falls into one of the narrow exceptions to this general rule. Relying heavily on the Supreme Court’s decision in *Hustler*

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## Arizona Supreme Court Orders Dismissal Of Lawsuit Arising From “Holy War” Letter To Editor

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*Magazine v. Falwell*, 485 U.S. 46, 50 (1988), the Arizona Supreme Court recognized the fundamental importance of protecting “the free flow of ideas and opinions on matters of public interest and concern.” Liability for “political speech,” the court observed, can exist only upon proof that the utterance fits squarely into one of the few exceptional categories recognized by the U.S. Supreme Court.

The court began its First Amendment analysis by finding that the letter to the editor “involves a matter of undeniable public concern -- the war in Iraq.” *Id.* at 10. It also identified only three possible exceptions to the general rule of First Amendment protection of political speech that might apply in *The Citizen* case. The court rejected each of these three arguments raised by the plaintiffs in turn.

First, the court analyzed a possible “incitement” exception under the Supreme Court’s seminal decision in *Brandenburg v. Ohio*, 395 U.S. 444 (1969). Writing for the Arizona Supreme Court, Justice Andrew Hurwitz observed that speech can qualify as incitement under *Brandenburg* only if it is (a) aimed at producing “imminent lawless action,” and (b) is “likely” to produce such action. *Id.* at 12. The court also paid close attention to *NAACP v. Claiborne Hardware Co.*, 458 U.S. 886 (1982), a case involving speech by NAACP official Charles Evers during a civil rights boycott of white merchants in Mississippi.

Measured against such precedent, the speech at issue in *The Citizen* case fell “far short of unprotected incitement.” *Id.* at 13. While the letter’s suggested murder of innocent persons at a mosque was “no doubt reprehensible” and “offensive,” the letter did *not* advocate “imminent lawless action.” *Id.* at 14.

The letter lacked the requisite imminence because it “was premised on the occurrence of some future ‘assassination or another atrocity.’” *Id.* And it was not “likely” to produce imminent lawless action because “[t]he statement was made in a letter to the editor, not before an angry mob.” *Id.* As Justice Hurwitz emphasized:

*Indeed, the complaint was filed more than a month after the challenged statements were made and did*

*not allege that a single act of violence had ensued from the publication nor that such violence was imminent. Rather, the only thing that appears to have resulted from the challenged speech was more speech, in the form of numerous critical letters to the editor, including one from one of the Plaintiffs. This is precisely what the First Amendment contemplates in matters of political concern -- vigorous public discourse, even when the impetus for such discourse is an outrageous statement.*

*Id.* (emphasis in original).

Second, the court made short shrift of plaintiffs’ asserted application of the “fighting words” doctrine to this case. Relying on *Chaplinsky v. New Hampshire*, 315 U.S. 568, 572 (1942), plaintiffs had argued that the letter contained words “which by their very utterance inflict injury or tend to incite an immediate breach of the peace.” But the court noted that fighting words must be addressed to the target of the remarks, and that the doctrine “has generally been limited to ‘face-to-face’ interactions.” *Id.* at 15 (citing *Chaplinsky*, 315 U.S. at 573).

Here, Justice Hurwitz reiterated the importance of the statements’ context -- in this case, statements of political opinion in a letter to the editor, not slurs in a face-to-face confrontation. “While the letter expresses controversial ideas, it contains no personally abusive words or epithets. The letter is neither directed toward any particular individual nor likely to provoke a violent reaction by the reader against the speaker.” *Id.* at 16.

With that finding, the court moved to the third and final possible exception to the general First Amendment rule that protects such speech on matters of public concern. Turning again to an analysis of long-standing Supreme Court precedent, the court questioned whether the letter could constitute a “true threat” under *Watts v. United States*, 394 U.S. 705 (1969), and its progeny.

While *Watts* involved the interpretation of a federal statute (and the application of that statute to an antiwar protester’s offensive statement about President Lyndon Johnson), the court nevertheless recognized the role of the First

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Amendment in compelling the reversal of a conviction for threatening the president’s life. The Arizona Supreme Court drew not only on *Watts*, but also *Virginia v. Black*, 538 U.S. 343 (2003), and recent decisions of the Arizona Court of Appeals to conclude that *The Citizen* had published no true threat.

Following the Supreme Court’s lead in *Virginia v. Black*, the court defined a true threat as one “where the speaker means to communicate a serious expression of an intent to commit an act of unlawful violence to a particular individual or group of individuals.” *Id.* at 17 (citing *Virginia v. Black*, at 359-60).

The Arizona Supreme Court refined that definition by borrowing language from the Arizona Court of Appeals, which had interpreted true threats as statements made “in a context or under such circumstances wherein a reasonable person would foresee that the statement would be interpreted by those to whom the maker communicates the statement as a serious expression of an intention to inflict bodily harm upon or take the life of [a person].” *Id.* at 18 (citing *In re Kyle M.*, 200 Ariz. 447, 451, 27 P.3d 804, 808 (App. 2001)).

Importantly, Justice Hurwitz again focused on the importance of *context* in determining whether an absolute First Amendment protection exists. “A difference in context may be critical in determining if speech is protected: there is a vast constitutional difference between falsely shouting fire in a crowded theatre and making precisely the same statement in a letter to the editor.” *Id.* at 19.

Both the content and context of the statements at issue led the Arizona Supreme Court to reject plaintiffs’ contention that the speech constituted a true threat.

First and foremost, the letter contained statements with a “plainly political message.” *Id.* As the court reasoned: “Indeed, the comments arose in the context of a discussion about a central political issue of the day: the conduct of the war in Iraq. Such statements are far less likely to be true threats than statements directed purely at other individuals.” *Id.*

But second, and central to the court’s reasoning throughout its opinion, “this expression occurred in the letters to the editor section of a general circulation newspaper, hardly a traditional medium for making threats, and a public arena dedicated to political speech.” *Id.*

Third and finally, the letter’s “conditional nature and ambiguity” would prohibit a reasonable person from viewing the speech as a serious expression of unlawful violence to a particular individual or group. *Id.* at 20. As the court observed, the letter was unclear as to whom “we” referred -- the United States armed forces or the public at large. Nor could the court tell whether the letter advocated violence “against Muslims in Iraq, against Muslims worldwide, or against Muslims in Tucson.” *Id.*

In concluding that *The Citizen* could not be held liable under Arizona tort law for publishing the letter, the supreme court did not address several of the newspaper’s defenses. Because it found the newspaper protected by the First Amendment, the court did not analyze Article 2, Section 6 of the Arizona Constitution, which provides that “[e]very person may freely speak, write, and publish on all subjects being responsible for the abuse of that right.” Nor did the court determine whether plaintiffs had stated a common law claim for intentional infliction of emotional distress. Rather, the court assumed “arguendo” that the superior court correctly held that all elements of the claim had been met. *Id.* at 17.

### Conclusion

At bottom, *The Citizen* case demonstrates the vitality of First Amendment protections -- even, or perhaps especially, as applied to speech involving an issue of acute public concern such as the war in Iraq. By granting interlocutory review, the supreme court sent a powerful message to the lower courts on the importance of reviewing First Amendment defenses carefully at the earliest stages of a case.

And by embracing the First Amendment defense, the court recognized the centrality of “context” to any analysis of speech of public importance published on the pages of a newspaper -- or, for that matter, anywhere else. Though the speech at issue in this case may have been truly reprehensible, it was not a “true threat” to anyone: only an invitation to engage in more speech on one of the most controversial topics of our day.

*David Bodney is a partner in the Phoenix, Arizona office of Steptoe & Johnson LLP, and argued the case for Petitioner Citizen Publishing Co. in the Arizona Supreme Court. The Citizen was also represented by Peter S. Kozinets and J. Chris Moeser of Steptoe & Johnson LLP.*