



MEDIA LAW LETTER

Associate Member Edition

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Max Mosley Wins Privacy Case Against Tabloid

F1 Boss Has Sick Orgy With 5 Hookers - But Not, As It Turns Out, A Nazi Orgy

By David Hooper

Round Eins of the litigation brought by Max Mosley, President of Federation Internationale de l'Automobile has resulted in an award of £60,000 to Mosley by Mr Justice Eady against the News of the World for breach of confidence and unauthorised disclosure of personal information. *Mosley v. News Group Newspapers Limited*.

The Sunday tabloid newspaper had got wind of a sadism and masochism session, which Mosley had paid some £2,500 to set up with five ladies who were adept with their canes. The newspaper went to town on the story zeroing in on what it considered to be the Nazi overtones of the incident.

Page after page told the same story with sub-headlines such as "Son of Hitler-loving Fascist in Sex Shame". The allegation was almost flogged to death. One of the women was, the following week, persuaded to reminisce about the encounter and the headline was "Exclusive: Mosley Hooker Tells All - My Nazi Orgy with F1 Boss".

The Nazi issue was problematic for Mosley. His father had been the leading Fascist in the 1930s and had been interned during the war albeit in some comfort as he was, after all, a British Baronet and married to one of the famous Mitford daughters. He had previously been married to a daughter of Lord Curzon, a Viceroy of India during the heyday of the British Raj.

*My name is George Nathaniel Curzon,
I am a very superior Purzon.
My cheek is pink, my hair is sleek,
I dine at Blenheim once a week*

they said at the time.

Mosley's parents had married in the home of Josef Goebbels and Adolf Hitler was a welcomed guest. Max Mosley himself had unwisely flirted with his father's fascist policies in his youth but that was all behind him - just like his five cane-wielding friends.

High Court Judgment

Key to the determination of the case was the decision of Mr Justice Eady that there was in fact no Nazi theme. The Luftwaffe uniform worn by one of the ladies turned out to be a modern out-

fit and not of the Nazi era. Seemingly appalling pieces of evidence about checking for lice the "prisoners" who were garbed in prison uniform and referring to the facility and the conversations in German and mock-German were, in the judge's view, not indicative of a Nazi theme, but simply lent a disciplinarian tone to the proceedings which apparently is part and parcel of such S&M events.

The Judge concluded that the comment by one of the ladies "we are the Aryan race - blondes" was simply a remark "gaped by the woman in media res" which it would appear is effectively the Latin for the heat of the moment. The Judge felt that this was offset by one of the girls countering a shout of "brunettes rule."

Were the facts not so unpleasant, one would have to laugh at Mosley's evidence on the subject which was accepted by the Judge "It was perfectly possible that his hearing aids may not have picked up this (remark about Aryans) in the excitement". Mosley is a gentleman of a certain age as well of certain tastes. On analysis, however, it did seem that the evidence at most gave rise to a suspicion that there may have been a Nazi overtone, but on closer examination the evidence was consistent simply with a prison theme with one of the participants being called Smith, another Barnes and remarks being made such as "welcome to Chelsea" and the prison uniforms having been bought in a local party shop. All good British fun in other words.

The newspaper's defence was that Mosley in the circumstances had no reasonable expectation of privacy and/or that any rights of privacy that he did have were overridden by the public interest in the exposure of such behaviour particularly in regard to a man who sat in judgment over the orderly running of Formula 1 motor racing throughout the world. Mosley had presided over the fining of the McLaren team the sum of \$100 million for their dealings with secret Ferrari specifications in the 2007 Formula One Championship.

Mr Justice Eady stressed that his decision in favour of Mosley was not a landmark decision. This type of consensual sexual activity that did not involve any breach of the criminal law and in the Judge's view fell fairly and squarely within the type of private information or private sector of a person's life which the law would now protect.

Trying to claim that the conduct involved technical assaults under the Offence against the Persons Act 1861 "with every thwack" was, in the Judge's view, unrealistic. The Judge noted

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that the participants were perfectly happy to engage in this activity albeit, as he noted, that it was “painful”, as one of the ladies observed, “in a nice way”. The fact, the Judge observed, that some people would view this conduct with distaste and moral disapproval did not provide justification for intrusion into the personal privacy of Mosley.

The fact therefore that this was private information in respect of which Mosley had a reasonable expectation of privacy and also in respect of which the Judge felt that there was a relationship of confidence between the participants not to provide details of what took place to other parties meant that Mosley would enjoy the rights of privacy afforded to him under Article 8 of the European Convention of Human Rights. The Judge was required to apply an intense focus on the facts to determine whether the law of privacy was engaged. He then had to apply the ultimate balancing test of whether the degree of intrusion was proportionate to the public interest served by its disclosure - the Article 10 right.

Here the newspaper had a problem. One of the women known as Woman E had been fitted up with a secret camera and had secretly filmed the orgy. The newspaper had helpfully put the video footage on its website which had a massive number of hits with traffic on the site being increased by 400% reportedly 3.5 million hits- perhaps an unfortunate term in the circumstances. Mosley incidentally had 88 hits. The circulation of the newspaper on the first Sunday of the exposure had increased by 200,000 copies.

What the case underlined, however, was the intrusive nature of photography as had been discussed in *Von Hannover v. Germany* [2005] 40 EHRR 1. In the case of *D v. L* [2004] EMLR 1, Lord Justice Waller had stated that a court may restrain the publication of an improperly obtained photograph, even if the Defendant is free to describe the information which the photograph conveys. In the case of *Theakston v. MGN* [2002] EMLR 22 where a paper had been allowed to publish information about the antics of a role model TV presenter in a brothel, the court had, however, granted an injunction to prevent publication of photographs of his conduct in the brothel.

It is probable now that the *Theakston* decision might be different. Mr Justice Eady indicated that arguments such as that

there is a greater public interest in the private lives of public figures and that public figures have a lower entitlement to privacy because they may be role models, are less likely to find favour with the court. One adds to that that there may well be a distinction between being able to publish the fact of some misbehaviour which could be permissible but publishing a photograph of the activity in question which might well not be permissible, particularly if the way in which the photograph was obtained was surreptitious and/or the photograph unduly intrusive.

Mr Justice Eady approved the statement of the European Court of Human Rights in *Leempoel v. Belgian* App No. 64772/01, 9 November 2006 “publication whose sole aim is to satisfy the curiosity of a certain public as to the details of the private life of a person, whatever their fame, should not be regarded as contributing to any debate of general interest to society”.

In the Mosley case, the newspaper had been keen to run a defence of public interest based partly on the depraved nature of the conduct and partly on the fact that Mosley held this responsible position at the FIA. However, that was always going to be difficult for the newspaper to establish, bearing in mind the intrusive nature of the photography and the fact that rather than measured criticism of Mosley’s conduct, it had published “every gory detail” even down to the shaving of Mr Mosley’ backside and the sticking plasters that had become necessary.

One adds to this the suspicion on the part of the judiciary that with the red-blooded tabloid press there is a tendency to decide to publish the details of the orgy first and then to look for the public interest justification afterwards. *The News of the World* did not cover itself with glory. The Judge felt that the newspaper had come close to blackmailing two of the women into cooperating with its second article on the basis that if they talked about Mosley’s misdeeds, they would not themselves have their identity exposed.

Mosley obtained an injunction against the paper preventing them revealing the women’s identities. Woman E, who was the newspaper’s informant and upon whom they relied to paint the picture of a Nazi style orgy, ultimately refused to give evidence

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This type of consensual sexual activity... fell fairly and squarely within the type of private information or private sector of a person’s life which the law would now protect

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in court. It turned out she was married to a then serving MI5 intelligencer officer. The fact that the newspaper had originally been willing to pay her £25,000, which was reduced by the paper to £12,000 suggested either flexible ethics on the part of the newspaper or alternatively that she had not come up with the Nazi goods.

The Judge's view seemed to be that this was more of a story about hanky spanky than real public interest. In the view of Mr Justice Eady, the fact that the conduct may have been immoral, depraved or adulterous was irrelevant, people are now entitled to make choices about their sex life. The court should be wary about making judgments about conduct which might be distasteful. It was irrelevant that the conduct might be contrary to moral or religious teaching and it was no part of the court role to interfere or condemn such conduct.

The court's modern approach was to allow personal privacy to apply in relation to sexual preferences and practices, even though these were very different from the practice of previous generations. There was a greater willingness in Strasbourg jurisprudence to accord respect to the right of individuals to conduct their private life without interference or condemnation of the courts or the state. The Judge did indicate that had the evidence shown a real Nazi theme and had it been shown to be disrespectful of the victims of the Holocaust, there would probably have been sufficient public interest in publishing the story. There might have been arguments about the detail published.

The Judge also considered the question of responsible journalism. He accepted that there must be some allowance for editorial judgment where the facts allow for a number of reasonable possible conclusions. He felt this was analogous to the *Reynolds* responsible journalism test and that there could be allowances for judgments made by the journalists at the time. However, although he was prepared to accept the evidence of the journalist that what they had seen appeared to them to have a Nazi element, he felt that they had failed to consider the countervailing arguments to the effect that this was simply an S&M scenario without Nazi overtones. Allowance is therefore given for the exercise of editorial judgment in accordance with the *Reynolds* approach but journalists have in such circumstances to consider all the evidence.

Damages

The Judge refused to award exemplary damages but he did award the high sum of £60,000 compensatory damages. He felt

that damages had to provide an adequate financial remedy for the purpose of acknowledging that the privacy of Mosley had been infringed and to compensate him for the injury to his feelings, embarrassment and distress caused by the articles. It was not an exaggeration in the Judge's view to say that Mosley's life had been ruined by these articles.

However, he felt that what could be achieved by a monetary award was limited and that damages must be proportionate. In that context he noted that the award for injuries of maximum severity in terms of general damages was £220,000. On that basis he awarded £60,000. The costs of both sides were said to total £850,000, the large part of which will have to be paid by the newspaper.

The Judge refused to award exemplary or punitive damages on the basis that the newspaper may have made a calculation to the effect that Mosley was unlikely to sue and that in any event the profits generated by this article would outweigh the damages they might have to pay. The newspaper had certainly not helped itself by its editorial "our sensational expose of Max Mosley's Nazi Orgy Made Global Headlines and Sent Shockwaves through the World of Motor Racing."

However, the Judge felt that the award of exemplary damages could not be justified under Article 10 (2) ECHR as being proscribed by law or necessary in a democratic society. He felt that the effect of awarding exemplary damages in such cases would have "an obvious chilling effect" and there was no basis for extending the limited circumstances in which exemplary damages could be awarded.

Libel Lawsuit

Now on to Round Zwei with Mosley suing the News of the World for libel, presumably on the basis that they had falsely suggested that he is the sort of cad who would indulge in a Nazi-style orgy as opposed to an English gent engaging in the consensual S&M activities in his Chelsea flat that no doubt reminded him of his schooldays.

David Hooper is a partner at Reynolds Porter Chamberlain in London. Plaintiff was represented by barristers James Price QC and David Sherborne of 5RB and solicitors Steeles. The News of the World was represented by barristers Mark Warby QC, 5RB, Anthony Hudson, Doughty Street Chambers, and solicitors Farrer & Co.

Supreme Court of Canada Revives “Fair Comment” Defence

By Brian MacLeod Rogers

The Supreme Court of Canada took Canada’s libel law a step toward greater protection for free expression in its first ruling on the common law defence of fair comment in nearly 30 years in *WIC Radio Ltd. v. Simpson*, 2008 SCC 40 (June 27, 2008) (www.canlii.org). As Justice Binnie put it:

We live in a free country where people have as much right to express outrageous and ridiculous opinions as moderate ones. ... Public controversy can be a rough trade, and the law needs to accommodate its requirements.

The Court allowed the appeal unanimously (9-0, with two concurring justices writing separate reasons) and restored the trial judgment in favour of the defendants that had been reversed by the British Columbia Court of Appeal. The Court also signalled its interest in the defences of qualified privilege and public interest responsible journalism, which are the subject of another media libel appeal that is pending before it, *Cusson v. Quan*, [2007] 87 O.R. (3d) 241 (C.A.); 2008 CanLII 18972 (SCC) (now scheduled to be heard February 16, 2009).

The Court’s ruling, written by Justice Binnie for seven members of the Court, came after a 15-day trial and three day appeal over a four-minute radio commentary by Rafe Mair, “a well-known and sometimes controversial commentator on matters of public interest in British Columbia” who “has a reputation for provoking controversy.” In the October 1999 broadcast, he criticized a “family values” social activist, Kari Simpson, who opposed the public school system being used to teach tolerance towards homosexuals, and he compared her to the likes of Adolf Hitler, George Wallace and Orval Faubus. At trial, the judge found the words meant not just that she was a “dangerous bigot”, as Mair intended, but that she “would condone violence toward gay people”. Mair had made it clear he did not view Simpson as violent herself and disavowed the latter meaning. This raised a central issue of whether a subjective honest belief in the defamatory meaning must be held by someone relying on the fair comment defence, as had been held by the Supreme Court of Canada in its last case concerning the defence, *Chernesky v. Armadale Publishers Ltd.*, [1979] 1

S.C.R. 1067. That ruling had led to legislative amendments in almost every province to undo the decision’s adverse effects.

As illustrated by the *WIC Radio* case itself, the fair comment defence had proven increasingly problematic for libel defendants in Canadian jurisdictions, with courts holding that statements were ones of fact where opinions were too blunt or that, in effect, comments were “unfair” and “unsupportable” in light of all the available facts. There were divergent approaches to what was meant by “honest belief” and whether a defendant had to believe every meaning of the words complained of. All this meant the defence could not be counted on, leading to adverse trial results and impetus to settle cases prior to trial.

Thirty years later, the Court sided with the dissenting minority in *Chernesky* and set out this test for the defence:

the comment must be on a matter of public interest;

the comment must be based on fact;

the comment, though it can include inferences of fact, must be recognizable as comment;

the comment must satisfy the following objective test: Could any [person] honestly express that opinion on the proven facts?

even though the comment satisfies the objective test the defence can be defeated if the plaintiff proves that the defendant was [subjectively] actuated by express malice.

This is no more than the traditional test for fair comment accepted elsewhere by common law courts. However, the Court went on to elaborate on this test and made it clear that it should be applied robustly to protect free expression, undoing damage of various lower court rulings after *Chernesky*.

On the first three factors, the Court emphasized that a generous approach should be taken. With respect to what should be regarded as comment and matters of public inter-

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est, it observed: “The onus on these two issues is relatively easy to discharge. The public interest is a broad concept. The cases establish that the notion of ‘comment’ is generously interpreted.” A broad approach should also be taken to what is required by way of a factual foundation. “The comment must explicitly or implicitly indicate, at least in general terms, what are the facts on which the comment is being made”; it is enough that facts may be sufficiently “notorious” that the audience already understands them. However, the onus still lies with the defendants to prove the facts are true. “If the factual foundation is unstated or unknown, or turns out to be false, the fair comment defence is not available.”

Although it refused to eliminate entirely any need for an “honest belief,” the Court at least restored it to an objective test, following the approach taken elsewhere under the common law. Further, the Court clearly rejected the notion that the facts had to “support” the opinion: “The addition of a qualitative standard such as “fair-minded” should be resisted. “Fair-mindedness” often lies in the eye of the beholder...the trier of fact is not required to assess whether the comment is a reasonable and proportional response to the stated or understood facts.” In fact, all that is required is “the existence of a *nexus* or relationship between the comment and the underlying facts....” This almost matches the Media Coalition’s position on the appeal that a defendant need only establish that the opinion relates to the proven facts. The Court confirmed that the critical question should be: “Could any man honestly express that opinion on the proved facts...however prejudiced he may be, however exaggerated or obstinate his views?”; “the operative concept was ‘honest’ rather than ‘fair’ lest some suggestion of reasonableness instead of honesty should be read in.”

Two members of the Court would have gone even further and eliminated any need for “honest belief,” except possibly with respect to the issue of malice. As one of them put it:

If objective honest belief means the honest belief of anyone, no matter how “prejudiced... exaggerated or obstinate” in his or her views, I cannot think of an example in which the test of objective honest belief could not be met once it is demonstrated that the comment has a basis in true

facts. In my respectful view, the test of objective honest belief adds only an unnecessary complexity to the analysis of fair comment. (Rothstein J.)

With respect to malice – “An indirect or improper motive not connected with the purpose for which the defence exists” – the onus remains on the plaintiff, and in the Court’s view, “proof of malice on the part of the media is generally very difficult.” This requires the plaintiff to prove “subjective malice” on the defendant’s part as “the dominant motive of the particular comment”.

Throughout his analysis on behalf of seven members of the Court, Justice Binnie made the commitment to protecting reputation very clear, treating it as a fundamental value, and holding that the law of defamation must balance “the respect for individuals and protection of their reputation from unjustified harm on the one hand, and on the other hand, the freedom of expression and debate that is said to be the ‘very life blood of our freedom and free institutions.’” “An individual’s reputation is not to be treated as regrettable but unavoidable road kill on the highway of public controversy, but nor should an overly solicitous regard for personal reputation be permitted to ‘chill’ freewheeling debate on matters of public interest.”

However, the Court included a number of comments specifically favouring free expression and the need to strengthen the libel defences available, especially to the media, recognizing “their importance in our public life”. Indeed, Justice Binnie briefly reviewed the developing law of qualified privilege and the “responsible journalism” defence in other common law jurisdictions. While noting resolution of the issues would await another appeal, he referred to important cases in England, Australia and New Zealand and stated:

the Canadian law of qualified privilege will necessarily evolve in ways that are consistent with *Charter* values. At issue will be both the scope of the qualified privilege (*Reynolds* is broader) and whether the burden of proof of responsible journalism should lie on the defendant (*Reynolds*) or irresponsible journalism on the plaintiff (*Lange v. Atkinson*).

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Perhaps the most important signal for future cases is contained in the following passage:

The function of the tort of defamation is to vindicate reputation, but many courts have concluded that the traditional elements of that tort may require modification to provide broader accommodation to the value of freedom of expression. There is concern that matters of public interest go unreported because publishers fear the ballooning cost and disruption of defending a defamation action. Investigative reports get “spiked”, the Media Coalition contends, because, while true, they are based on facts that are difficult to establish according to rules of evidence. When controversies erupt, statements of claim often follow as night follows day, not only in serious claims (as here) but on actions launched simply for the purpose of intimidation. Of course “chilling” false and defamatory speech is not a bad thing in itself,

but chilling debate on matters of *legitimate* public interest raises issues of inappropriate censorship and self-censorship. Public controversy can be a rough trade, and the law needs to accommodate its requirements.

Brian MacLeod Rogers (Toronto) was counsel for intervenor, Media Coalition (Canadian Newspaper Association, Ad IDEM/Canadian Media Lawyers Association, British Columbia Association of Broadcasters, RTNDA Canada/The Association of Electronic Journalists, Canadian Publishers’ Council, Magazines Canada, Canadian Association of Journalists and Canadian Journalists for Free Expression). Dan Burnett of Owen Bird (Vancouver) was counsel for the Appellants, WIC Radio Ltd. and Rafe Mair. Lianne Potters acted for the plaintiff Kari Simpson. Robert Holmes of Holmes & King (Vancouver) represented intervenor, British Columbia Civil Liberties Association, and Professor Jamie Cameron (Osgoode Hall Law School of York University) with John McCamus and Matthew Milne-Smith of David Ward Phillips & Vineberg LLP (Toronto) acted for the Canadian Civil Liberties Association.

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Swiss Courts Refuse Prior Restraint of AP Article

By Dave Tomlin

A Swiss appeals court has upheld a trial court's refusal to order The Associated Press not to name a Swiss commodities importer in an upcoming article about the use of child labor in African gold mines.

The court agreed with the trial court's conclusion ([ruling here](#)) that it could not censor or suppress an article in advance without violating laws protecting media freedom and free expression.

AP reporters had contacted the import company, Decafin SA of Geneva, as they attempted to trace the path of gold from the tiny "bush mines," where the reporters observed young children working in deplorable conditions, to European gold markets and onward to manufacturers of jewelry and other consumer products.

The reporters watched as a trader's representative bought the bush gold at the mines in Senegal, then tracked it to the offices of an exporter in Mali whose Swiss trading partners included Decafin.

Decafin told AP it did not import any gold from mines worked by children. The company sued AP and the Geneva-based reporter working on the article, arguing that

under Swiss libel law and unfair competition law it was entitled to protection from the damage its reputation would suffer from any article linking Decafin to child-mined gold.

Decafin's court filings included assertions by both Decafin and the Malian exporter that Decafin's gold purchases from the exporter came from mines in Guinea, not Senegal.

The trial court ruled against Decafin in March, and Decafin appealed. The appeals court decision in June concluded that the court could not legally presume that the news agency would link Decafin to child labor without supporting facts.

The court held that "before the appearance of the litigious article, it cannot be established with sufficient probability, except by violating arts 16 and 17 Cst. (freedom of opinion and information and media freedom, respectively), that the journalists will present the facts in such a way that the unforewarned average reader will be obliged to make this connection, if they have no formal proof of the connection."

Dave Tomlin is Associate General Counsel for The Associated Press.

MLRC Calendar

PLEASE VISIT WWW.MEDIALAW.ORG FOR MORE INFORMATION

November 12, 2008
MLRC ANNUAL DINNER
New York City

November 13, 2008

*MLRC Defense Counsel Section Annual Meeting and LUNCH

Netherlands Supreme Court Allows Monitoring of Journalists “In the Interest of National Security”

Leak Investigation Justified Monitoring

By **Christien Wildeman**

In January 2006 reporters Joost de Haas and Bart Mos of the Dutch newspaper *De Telegraaf* gained access to state secret files of the Dutch General Intelligence and Security Service (AIVD) relating to an investigation in the late 1990s into organized crime figure Mink Kok, and into possible corruption within the judicial investigation authorities. The reporters wrote a number of articles on the subject. Before publication they sent the AIVD copies of the state secret files.

After publication the journalists were detained and questioned by the public prosecutor on suspicion of violating state secrets laws. The case was eventually dropped. However, during this examination the journalists were allowed to look into the police files, which contained official AIVD reports with detailed information on their meetings, telephone conversations and other discussions.

The journalists, *De Telegraaf*, the Dutch Association of Journalists and the Dutch Society of Editors initiated preliminary relief proceedings against the Netherlands government for the actions of the AIVD. They demanded that the government be prohibited from using the special powers of the AIVD against the journalists and that the information already obtained be destroyed.

Security vs. Press Rights

The government took the position that under the Intelligence and Security Services Act 2002 it could not confirm or deny whether the AIVD monitored the journalists. The court, however, in preliminary relief proceedings, found that the journalists provided sufficient evidence to support their claim.

The journalists argued that the AIVD's actions were an unauthorized infringement of their privacy within the meaning of Article 8 of the ECHR and the free access to information arising from Article 10 of the ECHR and the protection of journalistic sources based thereon. Moreover, the journalists argued that the AIVD did not have the right to use its special powers against journalists who were not the targets of an AIVD security investigation.

The Court in preliminary relief proceedings ruled that there was an infringement of Articles 8 and 10 of the ECHR, but noted that this does not necessarily mean that an investigation by the AIVD is never allowed. The protection of journalistic sources is not absolute. An infringement can be justified if it is provided by law and necessary in a democratic society. The principles of proportionality and subsidiarity must be taken into account in that respect.

These latter requirements were not met and the Court in preliminary relief proceedings allowed the claims of the journalists in a judgment of June 21, 2006.

The government lodged an appeal. In a judgment dated August 31, 2006 the Court of Appeal found that the requirement of proportionality was met because of the state interest in identifying who leaked the information to the journalists. The objective of the government is “to prevent the dissemination of the state secrets at issue by tracing the leak [within the AIVD] and the investigation, possibly also to protect the life of others, of the consequences of the disclosure of the state secrets at issue.” And although the Court of Appeal acknowledged that the protection of journalistic sources is fundamental in a democratic society, it found that the infringement was in reasonable proportion to the objective.

The Court of Appeal also ruled that the requirement of subsidiarity was met at the start of the monitoring until the AIVD - as appears from official reports - identified a suspected source (although it is not clear who this person is). From that moment on the AIVD should have ceased its investigation against the journalists and the monitoring was an infringement of their rights. However, the Court of Appeal left it to the Supervisory Commission of the AIVD to decide what to do with the information obtained.

The journalists appealed to the Supreme Court, arguing that the entire monitoring was an infringement. On July 11, 2008 the Supreme Court rejected their appeal and upheld the judgment of the Court of Appeal.

Conclusion

The result of this decision could be the continued monitoring of journalists under a broad “national security” objective especially in times of terrorism. In this case, involving documents from an old criminal investigation in the 1990s, the government, relying on the Intelligence and Security Services Act, gave no factual information beyond invoking “national security,” “prevent (further) dissemination of state secrets” and “security of AIVD sources and other parties concerned.”

De Telegraaf has decided to file a complaint with the European Court of Human Rights in Strasbourg. It will be interesting to see whether in these times of fear of terrorism the ECHR will dare to take a critical stand in defining matters of “national security.”

Christien Wildeman is a lawyer with Kennedy Van der Laan in Amsterdam, The Netherlands.

THE OTHER SIDE OF THE POND

Developments in the United Kingdom and Europe

By David Hooper

Conditional Fee Agreements

The UK government has now published its response to the CFA consultation between media organisations and claimant lawyers. The report can be found at <http://www.justice.gov.uk/docs/CP1607-response.pdf>.

Readers will recollect that amongst the problems of CFAs as they operate in media cases, is that they lead to disproportionately high legal costs with claimant lawyers being able to double their fees of £400-£500 per hour by way of a success fee. Furthermore, the after the event insurance (“ATE”), the cost of which has to be picked up by the unsuccessful defendant involves a premium of £68,250 for a mere £100,000 of cover.

CFAs are, however, here to stay. In a political sense they work pretty well in the personal injury field, giving access to justice for those who cannot afford to pay legal fees. The justification politically for CFAs in the libel field is that they make the law of libel available to all and politicians are not sorry to see fetters put on the press.

The government has not as yet produced a solution but has referred the whole question of CFAs to a group of academics headed by Professor Richard Moorhead of Cardiff University. The proposals for staged success fees which would in effect increase percentage-wise as the risk increased and also for changes to the regime for after the event premiums are not being implemented for the time being.

The government has, however, recommended that parties to media litigation could adopt an amended form of the agreement similar to that that has been entered into between Times Newspapers Limited and the law firm Carter-Ruck on a voluntary basis. This provides for staged success fees and ATE premiums but neither would be payable if a defendant admitted liability within 14 days of the notification of a claim, which period could be extended by agreement.

At the same time the Civil Procedures Rule Committee are launching a consultation process on costs capping guidance. At present therefore the key thing for media defendants to consider at an early stage in any CFA funded litigation

is applying to the courts for a costs cap, which effectively places a limit on the legal costs which can be charged on both sides.

UN Human Rights Committee Report

On 18 July 2008 the UN Human Rights Committee based in Geneva commented on the report which the UK is obligated to submit every three years on its compliance with human rights under Article 40 of The International Covenant on Civil and Political Rights.

Although the UK government received a slight pat on the back for steps it had taken such as the Racial and Religious Hatred Act 2006, the Civil Partnership Act 2004 and the Abolition of Blasphemy in the Criminal Justice and Immigration Act 2008, the Committee on the whole panned the UK.

It did not like the way the governor of the Cayman Islands, still a British protectorate, had behaved nor did it think that the rights of the Chagos Islanders had been sufficiently protected nor did it like the regime of anti-social behaviour orders in the UK nor the criminal procedure in Northern Ireland, let alone the terrorist legislation, discipline in the armed services and the policies of appointment to the judiciary in that they made insufficient allowance for women and ethnic minorities.

They also criticised the operation of the Official Secrets Act which prevented employees from raising matters for public interest, as to which see the comments on the *Griffin* case below. What, however, attracted the greatest degree of publicity were the comments of the Committee on the operation of English libel laws, sentiments one felt which could have been written by the MLRC.

In the light of the *Ehrenfeld* case where Sheikh bin Mahfouz was able to obtain an award for damages in respect of the 23 copies of her book, which had seeped into the UK, there was concern expressed at the concept of libel tourism and the consequent restriction of media reporting matters of serious public interest. This, it pointed out, was accentuated by the advent of internet and the international distribution of foreign media which created the danger that

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the UK's libel laws would affect freedom of expression worldwide.

The problem is that virtually any publication – and examples are given elsewhere in this survey of such cases – can be downloaded in the UK and can trigger the relatively low threshold for conferring jurisdiction on UK courts. The solution suggested by the Committee was that there should be a requirement for the proof of actual malice in relation to public figures and that there should be a modification or abolition of the requirement that an unsuccessful defendant should have to pay the claimant's legal costs. There should also be a radical revision of the CFA regime.

My advice would be that no-one holds their breath on this. No doubt lip service will be paid by the UK government to these thoughts and eventually the CFA regime will be improved, as indicated above. There may be further improvements in the scope of the *Reynolds* defence but it is unlikely in the extreme that the requirement of *Sullivan* actual malice will be imported into the UK law in the foreseeable future.

Already strategies are being devised by UK claimant lawyers to get around the Libel Terrorism Act and decisions such as *Bachchan* under which libel judgments cannot be enforced unless they are First Amendment compliant. UK claimants are now trying to seek rulings in their UK cases that there was actual malice. They are also looking towards suing UK-based distributors of hard copy publications where the owners of the publication have no assets in the UK. Such distributors should, however, have a defence of innocent dissemination under Section 1 Defamation Act 1986. Where jurisdiction is based on internet downloading from a website operated outside the UK, there will, however, be no such distribution to sue within the UK.

Internet Libel

There have been a number of interesting decisions which have not directly concerned the media but are clearly of interest to the media. On 3 April 2008, settlement was an-

nounced of a claim brought by Peter Walls, the Chief Executive of a company known as the Gentoo Group Limited and various of its employees against a Mr John Finn and his company Pallion Housing Limited.

The individuals were involved with social housing in the Sunderland area. Finn turned out to have run anonymously a website called Dad's Place which was said to have run a malicious and relentless campaign over a period of six months alleging nepotism and corruption against the claimants. An order - known as a *Norwich Pharmacal* order - which are being increasingly used by claimants had been obtained compelling the ISP to provide details of the person posting the messages. Walls was awarded £100,000 damages, Gentoo £5,000 and the various employees £14,000. This was reported to be the largest online award of damages. See *Gentoo Group Ltd & Anor v Hanratty* [2008] EWHC 627 (QB) (April 7, 2008).

To similar effect was a Facebook libel claim, *Applause Store Productions Limited and Matthew Firsht -v- Grant Raphael* 2008 EWHC 1781. Although he denied it and blamed some strangers who came to his apartment and used his computer without authority, Grant Raphael was held to have created a false profile for Matthew Firsht which purported to give distinctly unflattering details of Firsht's social and private life.

Mr. Justice Eady observed that such bulletin board entries were read by relatively few people and that the postings were rather like contributions to casual conversation

In particular, it also had the headline "Has Matthew Firsht lied to you?"

which may perhaps have raised suspicions that he was not the person who had set up the posting. Again a *Norwich Pharmacal* order was obtained against Facebook Inc and this established when and where the Facebook entry was created. As only a limited number of people would have seen the offending entries and as they were only in place for 17 days, damages were relatively low, £15,000 to Firsht for libel plus £2,000 for an invasion of his privacy and the company was awarded £5,000 for libels in relation to it.

A claim, however, failed in relation to a bulletin board libel action in the case of *Nigel Smith -v- ADVFN plc* 2008 EWHC 1977. Mr Justice Eady stayed 37 libel actions

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brought by Mr Smith concerning postings on the bulletin board. Smith was an unemployed shareholder harbouring a grievance about an allegedly fraudulent share scheme. His scattergun approach to libel litigation was always going to be a problem for him, but the interest of the case is what Mr Justice Eady said about postings on bulletin boards. He observed that they were more akin to slander than ordinary libel which under English law has the significance that one would have to establish actual damage, unless one fell within the rather quaint exceptions including imputing unchastity to a woman or an infectious disease to a male or female.

Mr. Justice Eady observed that such bulletin board entries were read by relatively few people and that the postings were rather like contributions to casual conversation. One cannot conclude from this that libel actions cannot be brought in respect of bloggers, but it does show that the courts are now addressing the question of spontaneous communications on the internet. The problem of the internet, it has always seemed to me, is that it has the permanence of a letter but the indiscretion of a telephone call. That, fortunately, is a matter which Mr Justice Eady has now considered.

Forum Shopping

There seem to be an increasing number of cases where foreign language websites are sued upon in respect of downloading in the UK. *See Akhmetov -v- Serediba [2008] All ER (D), 5 June 2008*. In this case a Ukrainian businessman and Member of Parliament who was known in the Ukraine community in the UK sued in respect of two articles which appeared on a Ukrainian current affairs website suggesting that he had exported money and had participated in the torture of an opponent to death.

Although the judge took the view that these were very serious allegations, he awarded the sum of £50,000 reduced no doubt because of the limited extent of the publication but at the same time sufficiently large, as he would be mindful perhaps of the limited likelihood of such an award being enforceable in the Ukraine. The case was not contested but it adds to the sad litany of cases showing the ease of establishing jurisdiction in the UK.

Damages

Reminders of the potentially high level of damages came in the litigation which arose out of the shocking tabloid reporting of the circumstances of the disappearance of the five year old Madeleine McCann while on holiday in Portugal. The parents recovered £550,000 on an agreed settlement with Express Newspapers which had written about the topic repeatedly and prominently for many months. The allegations against the parents who had waged an incessant campaign to find their daughter and raised large sums of money in order to do so, could scarcely have been more serious. The awards were against four newspapers in the Express and Star group of newspapers and separate claims could have been brought in respect of each libel. The maximum sums recoverable have not been increased but if there is a pattern of libelling, the sums awarded can be very large.

This proved to be the case in another Maddie McCann related case namely that brought by Robert Murat and two of his friends. Murat lived in Portugal and had been designated an official suspect by the Portuguese police, although there was no evidence against him. This led to a field day for the UK tabloid press which strongly pointed the finger of suspicion of guilt at him and implied that he was part of some sort of pornographic and paedophile ring. He sued ten newspapers in respect of approximately 100 articles and damages in his case were agreed at £600,000 on the same basis as the McCanns. His two friends who had similar allegations levelled at them each recovered an unspecific six-figure sum.

Confidentiality Agreements

Since October 1996 following a spate of memoirs published by former members of the Special Forces, the Ministry of Defence has required those who are serving in the Special Forces to enter into confidentiality agreements whereby they will not disclose any information which they have obtained as a result of their service in the Special Forces without the express written authority of the Ministry of Defence. Furthermore, such employees have to assign any rights they might otherwise have in the information to the MoD.

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In *Ministry of Defence -v- Griffin* [2008] EWHC 1542, a decision of Mr Justice Eady on July 3, 2008, a former SAS soldier, Ben Griffin, who had signed such an agreement but had not obtained permission for the disclosures he intended to make in a book, was enjoined from disclosing any such information. The confidentiality agreement was upheld and the fact that he claimed that the information was in the public domain and that what he intended to reveal was of public interest was, by virtue of the express terms of the contract, held to be irrelevant.

What a person in Griffiths' position has to do is to submit his material to the MoD for approval. If the outcome of that process is unsatisfactory to him, his only remedy is to seek judicial review of the decision on the basis that it was unlawfully reached.

Production Orders in Terrorism Cases

In *Shiv Malik -v- The Chief Constable of Manchester* [2008] EWHC 1362, the Administrative Court upheld a judge's decision requiring the journalist, Shiv Malik, to hand over information which he had in his possession in relation to a book he was writing about Hassan Butt, a person believed to have close links to Al Qaeda. Malik's book was called "Leaving Al Qaeda: Inside the Mind of a British Jihadist."

Butt was said to have admitted involvement in a terrorist operation which involved an attack on a US Consulate in Pakistan. Production was sought under Schedule 5 Terrorism Act 2000 and Malik was required to hand over all information in his possession including notes of interviews he had had with Butt, Malik's attempt to set aside the criminal court judge's order was given short shrift in the Administrative Court, although insofar as the original order might require Malik to disclose his other sources, it was amended so that their identities could be redacted.

ECHR on Irresponsible Journalism

There was in an interesting decision in *Flux -v- Moldova* Applic No. 22824/04 on July 29, 2008 where the question arose of the extent to which freedom of speech would prevail where a newspaper appeared to have behaved irresponsibly. The case arose out of a feisty article based on an

anonymous letter from a group of students' parents alleging that the principal had misspent money on the inappropriate provision of a separate bathroom for himself and decorating his offices and had permitted the launching of a school magazine which only published articles about students' sex and relationships. For good measure it also suggested that he took bribes for enrolling children in the school.

The paper had not, it seemed, carried out any independent realistic research and had cavalierly dismissed a request for a right of reply from the editors of the school newspaper. The newspaper was apparently incensed when his reply was published in a competing publication. The newspaper did not, it seem, care for the understandable approach of the student editors who they seem to have thought had ideas above their station. "The editors who came to our office were arrogant and spoke down to us from a great height. We had the impression these editors were from the *New York Times* or at least *Le Monde*." So much then for the view of the *New York Times* in Moldova!

The European Court of Human Rights felt that the allegations amounted to imputations of a criminal offence. It upheld the award of a very modest sum of damages plus an order for the publication of an apology, stressing that the right to freedom of expression cannot be taken to confer on newspapers an absolute right to act in an irresponsible manner by charging individuals with criminal acts in the absence of a basis of fact at the material time. They felt that the paper was guilty of unprofessional behaviour and a flagrant disregard of the duties of responsible journalism.

It should be noted however, that there was a dissenting faction of three who felt that "when subservience to professional good practice becomes more overriding than the search for truth itself, it is a sad day for freedom of expression". It may be, however, that this article in Moldova was not the cause to go to the stake for.

Privacy

In addition to the Mosley case discussed in this issue of the MediaLawLetter, there have been some interesting regulatory decisions on privacy based on the professional codes of broadcasters and newspapers. These are of some significance as the courts pay considerable regard to the standards

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that the industry sets itself, even though the court may well itself then proceed to set a higher standard. The regulatory codes therefore are increasingly the minimum standards of professional conduct when it comes to matters such as privacy.

In *Rebecca Gauld -v- ITV* (Ofcom Bulletin Issue 113 p. 17) a nanny employed by a celebrity complained about her appearance in a programme about the celebrities life entitled “*Kate and Peter: The Baby Diaries.*” She had fallen out with her employers and had been asked to leave because they believed she had misled them. In the film there was footage of her bedroom and personal belongings and a private telephone conversation with her employers which catalogued her alleged misbehaviour was filmed. This was felt to be a breach of her privacy. She had not consented to the filming of her bedroom, nor was she given a proper opportunity to respond to the allegations against her not had she consented to her participation in the telephone conversation being broadcast.

The contrary decision was reached in *Gareth Nixon -v- ITV* (Ofcom Bulletin Issue 112 p. 59). Mr Nixon had, in one of his less sober moments, featured without his consent in a programme called “*The Truth about Binge-Drinking.*” The film showed his face but the picture was of him drunk in a public place in circumstances where he would have no reasonable expectation of privacy.

In a case which will have resonances with American readers, *Popple -v- the Scarborough Evening News*, a deci-

sion of the Press Complaints Commission, the newspaper had published photographs in the paper and a video-clip on its website of footage of drugs and cash allegedly being recovered in her flat. The reporter had been invited along by the police, but the PCC felt that insufficient regard had been paid to her privacy.

Schadenfreude Corner

Alas poor Burstein! Flushed by his triumph against Times Newspapers over an allegation of involvement with a group of hecklers at the production of the opera *Gawain*, Keith Burstein had sued Associated Newspapers Limited for a review in the London Evening Standard which had slated his opera *Manifest Destiny* on the basis that it appeared to the reviewer to glorify terrorism. This was held to be fair comment. See *Associated Newspapers Ltd. v Keith Burstein [2007] EWCA Civ 600* (22 June 2007).

Burstein’s lawyers were on a Conditional Fee Agreements so they did not get paid as they had lost the case. Burstein, however, was ordered to pay £67,000 to Associated Newspapers. He claimed that this should be stayed until his appeal in the European Court of Human Rights had been heard. The bankruptcy registrar refused that and Mr Burstein has been made bankrupt.

David Hooper is a partner with Reynolds Porter Chamberlain in London.

ANY DEVELOPMENTS YOU THINK OTHER MLRC MEMBERS SHOULD KNOW ABOUT?

CALL US, OR SEND US A NOTE.

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Michigan Federal Court Rules Reporter Must Reveal Sources in Privacy Act Case

Court Rejects Qualified Privilege in Civil Context

On August 28, 2008, a federal district court judge ruled that a non-party reporter for the *Detroit Free Press* must testify as to his unnamed sources in a Privacy Act claim brought by a former assistant U.S. attorney against the government. *Convertino v. U.S. Dept. Justice*, No. 07-CV-13842 (E.D. Mich. Aug. 28, 2008).

Judge Robert H. Cleland held that the information sought by the plaintiff was neither privileged nor beyond the scope of discovery as permitted by the Federal Rules of Civil Procedure.

Background

On Jan. 17, 2004, the *Detroit Free Press* published an article under the byline of David Ashenfelter titled "Terror Case Prosecutor is Probed on Conduct." The article detailed an internal investigation led by the Department of Justice Office of Professional Responsibility into possible ethics violations by plaintiff Richard Convertino, a former assistant U.S. attorney, in a prosecution of four terrorism suspects in the 2003 trial *United States v. Koubriti*.

In the article, Ashenfelter reported that "[U.S. Justice] Department officials, who spoke on condition of anonymity, fearing repercussions," divulged that Convertino had engaged in ethical wrongs during the prosecution.

Convertino filed a suit against the Department of Justice in the U.S. District Court for the District of Columbia under the federal Privacy Act, 5 U.S.C. § 552a, for its alleged publication of confidential information about the internal investigation. During discovery, Convertino sought from the Department of Justice the identities of the individuals mentioned in the article. However, Department of Justice representatives claimed that an exhaustive investigation into the matter was "unable to determine by a preponderance of the evidence" the identity of the source.

The Department of Justice Office of the Inspector General's investigation focused on about 30 employees who had knowledge of, or access to, the documents that contained the information disclosed in Ashenfelter's article. Convertino then served subpoenas upon Ashenfelter and the

Detroit Free Press demanding disclosure of the sources' identities.

No Qualified Privilege

In response to the subpoena, Ashenfelter asserted that the identity of his sources was shielded by a qualified reporter's privilege. Ashenfelter acknowledged that the Sixth Circuit in dictum had rejected a qualified reporter's privilege in the context of a grand jury investigation in *In re Grand Jury Proceedings*, 810 F.2d 580, 584-86 (6th Cir. 1987), but he argued that the district court was free to recognize a reporters' privilege in the context of a civil case. Citing *Southwell v. Southern Poverty Law Center*, 949 F. Supp. 1303, 1312 (W.D. Mich. 1996) ("Unlike the *Branzburg* and *In re Grand Jury* cases which involved grand jury proceedings or other cases where a criminal defendant's Sixth Amendment right to a fair trial was at stake, confidential source questions in civil cases raise different concerns.").

Judge Cleland reviewed the post-*Branzburg* case law in the federal circuits at length, but concluded that he is bound by Sixth Circuit precedent to reject recognition of a privilege.

However, this court cannot agree to characterize as *Grand Jury* dicta what is more clearly seen as the Sixth Circuit's conclusion: reporters are not entitled to a First Amendment privilege.... Simply put, this court is bound by the Sixth Circuit's determination: *Branzburg* forecloses recognition of a qualified First Amendment privilege for reporters. "The Sixth Circuit's decision in *Grand Jury*, though a minority of one, is the law in this circuit." *Slip op.* 11-12 (citations omitted).

Ashenfelter also sought protection under the Michigan reporters' shield law, but the court determined that the shield law would not apply because Convertino only asserted fed-

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Michigan Federal Court Rules Reporter Must Reveal Sources in Privacy Act Case

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eral claims; thus, federal law would determine evidentiary privileges.

The court also rejected Ashenfelter's assertion that he should be protected under a reporters' privilege as a feature of federal common law. "This court declines to circumvent the Sixth Circuit's ruling against a reporters' privilege by making artificial distinctions between one grounded in the First Amendment and one based in common law." *Slip op.* at 14.

Finding that the Sixth Circuit Court of Appeals does not recognize a qualified First Amendment privilege for reporters, the district court found that Convertino's motion to compel disclosure may be blocked only if it constitutes discovery abuse under Fed. R. Civ. P. 26. Under Rule 26, a court may find discovery abuse if the information sought is "unreasonably cumulative or duplicative, or can be obtained from some other source that is more convenient, less burdensome, or less expensive;" or if "the party seeking discovery has had an ample opportunity to obtain the information by discovery;" or if the discovery's "burden or expense...outweighs its likely benefit.

The court found that Convertino's subpoena to Ashenfelter did not constitute discovery abuse. "Convertino's case has a pressing need for the identity of Ashenfelter's sources, and discovery from Ashenfelter seems, at this point, the only way to get it." *Slip op.* at 18. Moreover, the court concluded that Convertino's Privacy Act claim, outweighed any interest in protecting the identity of sources.

The discovery requested of Ashenfelter – his presence at a deposition and the presentation of documents already within his control – will by no means cripple his resources, and in any case his burden is small when compared to the money damages Convertino could potentially recover in this action.

Moreover, while the court cited Ashenfelter's First Amendment interests as the "biggest factor counseling against dis-

closure," it found that the danger is minimized in this case because his sources may have violated federal law by revealing the information and "potential sources of further similar violations should be deterred from interactions of this kind" with journalists. *Id.* at 18-19. The court likened this case to a reporter's observation of criminal conduct, as in *Branzburg*. Thus, the court ruled that Convertino's motion to compel should be granted in regard to Ashenfelter.

Detroit Free Press Subpoena

In granting Convertino's motion to compel as to Ashenfelter, the court determined that the information sought from the Detroit Free Press would be, under Rule 26, "unreasonably cumulative [and] duplicative" because the information can be obtained from Ashenfelter, a "source that is more convenient, less burdensome, [and] less expensive." Because such granting such a subpoena against the Detroit Free Press would amount to Ashenfelter's having to depose both as an individual and as an agent of the newspaper corporation, such an order would be unnecessary for Convertino to receive the information he seeks.

In denying Convertino's motion to compel as to the Detroit Free Press, the court also noted that "the potential adverse effects on news gathering activities, posed by any order compelling disclosure of a confidential source, suggests that an order to disclose should be as narrow as possible, and that no additional information is likely to be provided by the newspaper itself.

The Detroit Free Press Inc. and David Ashenfelter are represented by Herschel P. Fink and Brian D. Wassom of Honigman, Miller in Detroit. Plaintiff Richard G. Convertino is represented by Lenore M. Ferber of Convertino Assoc. in Plymouth, Mich.; Stephen M. Kohn of Kohn, Kohn in Washington; and Robert S. Mullen of Progressive Legal Services in Plymouth, Mich. Defendant U.S. Department of Justice represented by Jonathan Eli Zimmerman of the U.S. Department of Justice in Washington.

Court Quashes Subpoena For Anonymous Posters' Identities On Shield Law Grounds

By Ashley Kissinger

On September 3, a trial court in Montana broke new ground in holding that Montana's shield law barred a defamation plaintiff's effort to obtain identifying information about anonymous website posters.

In *Doty v. Molnar*, plaintiff *pro se* Russell Doty sued political rival Bradley Molnar for defamation and false light invasion of privacy. No. DV 07-022 (Mont. Dist. Ct., Yellowstone County). Doty subpoenaed the *Billings Gazette*, Montana's largest regional newspaper, for the IP and e-mail addresses of, and other identifying information about, various persons who had posted comments, using pseudonyms, to articles in the *Gazette*.

The *Gazette* moved to quash the subpoena primarily on the ground that it was privileged from providing the information sought by Montana's Media Confidentiality Act. The Act provides, in pertinent part:

[N]o person, including any newspaper, magazine, press association, news agency, news service, radio station, television station, or community antenna television service or any person connected with or employed by any of these for the purpose of gathering, writing, editing, or disseminating news may be examined as to or may be required to disclose any information obtained or prepared or gathered, received, or processed in the course of his employment or its business.

Mont. Code Ann. § 26-1-902(1). The *Gazette* also contended that its provision of the subpoenaed information would violate the First Amendment rights of the anonymous posters, citing *Best Western Int'l, Inc. v. Doe*, No. CV-06-1537-PHX-DGC, 2006 WL 2091695 (D. Ariz. July 25, 2006); *Dendrite Int'l v. Doe No. 3*, 775 A.2d 756 (N.J. Super. Ct. App. Div. 2001); and *Doe v. TheMart.com, Inc.*, 140 F. Supp. 2d 1088 (W.D. Wash. 2001).

In response, Doty contended that the shield law, which was enacted before the proliferation of the Internet, might protect the identities of authors of articles and guest editorials published in the newspaper, but does not apply to third parties posting to the newspaper's website. "Blogs and online comment simply are not 'news,'" he argued, and he noted that the *Gazette* had not submit-

ted evidence demonstrating that it used any of the particular online postings at issue in the course of its news reporting.

With respect to the *Gazette's* First Amendment argument, Doty argued that he had made a "concrete showing" of a *prima facie* case of defamation and false light as required by the Arizona court in *Best Western*, and established the various other elements required by that court to obtain anonymous posters' identities. He requested that the court order the *Gazette* to notify the anonymous posters of the subpoena and give them an opportunity to respond.

After oral argument, Judge Todd Baugh of the Thirteenth Judicial District of Montana told Doty from the bench "that the Shield law does protect that which you seek to have them produce for you." Thus, he concluded, "the Court doesn't even get to the constitutional issue" of the anonymous posters' speech rights because "the legislature has already decided that with this statute."

The decision is significant in two respects. First, it appears to be the first decision in which a court quashed a subpoena to a media entity seeking the identities of anonymous website posters on the ground that a state shield law afforded a privilege from disclosure of the information. The only other published decision touching upon the issue is *O'Grady v. Superior Court*, 139 Cal. App. 4th 1423 (2006). And in *O'Grady*, a California appellate court, *in dicta*, suggested that anonymous website posters are *not* 'sources' of news whose identities are protected from disclosure by California's shield law.

Second, the court appears to have held that Montana's shield law not only affords a statutory privilege to journalists, but also in effect, codifies the First Amendment rights of persons to speak anonymously to (or through) media entities, reflecting a legislative determination that those rights outweigh the rights of civil litigants to obtain the anonymous speakers' identities.

While this state trial court decision is tied in some respects to the specific language of the Montana statute, and has no precedential value outside of that State, it is a potentially heartening development and might encourage a similar approach by courts in other jurisdictions.

Ashley Kissinger is a partner in the Denver, Colorado office of Levine Sullivan Koch & Schulz, L.L.P. with experience handling and writing about subpoenas for anonymous speakers' identities.

Pennsylvania Judge Quashes Subpoenas to Reporters in High Profile Inquiry into Alleged Grand Jury Leaks

By Michael Berry

On July 17, 2008, Judge Todd A. Hoover of the Pennsylvania Court of Common Pleas quashed subpoenas issued to reporters in connection with a high profile inquiry into alleged leaks from a grand jury investigating whether a Pennsylvania casino operator lied in his application for the first license for a free-standing casino issued in Pennsylvania.

The inquiry was ordered by the Pennsylvania Supreme Court after the casino operator and two other defendants, all of whom had been charged with perjury, complained that press reports about the grand jury's investigation included secret grand jury information. Once the Supreme Court ordered the investigation, the three defendants subpoenaed five newspapers, The Associated Press, and more than a dozen reporters to testify and produce evidence about their reporting. The reporters moved to quash the subpoenas based on the common law reporter's privilege and Pennsylvania's shield law. Judge Hoover granted the motions to quash in a one-sentence order.

Factual Background

Pennsylvania's burgeoning gaming industry has been mired in controversy since the state enacted legislation authorizing slots casinos in 2004. The latest controversy involves the first license issued for a free-standing casino. Almost as soon as the state issued the license to Louis A. DeNaples and his company, Mt. Airy #1, LLC, a grand jury began to investigate whether DeNaples and Mt. Airy had lied in their license application about their connections to people involved with organized crime and other criminal activity.

From the moment the grand jury began its investigation, information about the investigation was widely and publicly available: The local district attorney's web page listed the grand jury's schedule; grand jury witnesses appeared to testify in a public courthouse; and witnesses' names were announced by courthouse personnel in the hallway outside the grand jury room before they testified. Additionally, many of the witnesses and attorneys involved in the investigation

freely discussed their testimony and the nature of the grand jury's investigation. Newspapers throughout Pennsylvania reported on the investigation and included this public information in their reports.

In July 2007, DeNaples and Mt. Airy complained to Judge Hoover, who was presiding over the grand jury, about the press coverage and alleged that the newspapers were reporting secret grand jury information. They asked Judge Hoover to conduct an evidentiary hearing into the alleged grand jury leaks. Despite saying during an *in camera* hearing that he was inclined to call the reporters to testify, the Judge apparently never acted on the request, prompting DeNaples and Mt. Airy to petition the Pennsylvania Supreme Court for a hearing into the alleged leaks.

The Supreme Court promptly stayed the grand jury investigation. Ultimately, however, it denied the petition, concluding that the allegations of secrecy violations were based on little more than "newspaper articles that discuss information relating to the on-going investigation which is in the public realm (e.g., judicial orders, subpoenas, etc.)," and identified "nothing that threatens to expose the 'sanctity' of the Grand Jury's inner-workings." *In re Dauphin County Fourth Investigating Grand Jury (Petition of DeNaples)*, 943 A.2d 929, 935-36 (Pa. 2007).

The grand jury then restarted its investigation, and, in December 2007, recommended that perjury charges be filed against Father Joseph Sica, a close confidante of DeNaples. The following month, the grand jury issued a report recommending that perjury charges be filed against DeNaples and Mt. Airy. After the charges were filed, all three defendants again petitioned the Supreme Court, renewing their request for the Court to initiate an investigation into the alleged violations of grand jury secrecy. On May 2, 2008, the Supreme Court granted the defendants' renewed request and remanded the matter back to Judge Hoover with instructions that he conduct an "expedited evidentiary hearing" to determine whether a special prosecutor should be appointed to investigate the alleged leaks and issue an opinion within 90 days containing his recommendation to the Supreme Court regarding the need for a special prosecutor.

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The Proceedings Before Judge Hoover

Soon after the matter was remanded to Judge Hoover, the defendants served subpoenas on The Associated Press, The Allentown Morning Call, The Philadelphia Inquirer, The Philadelphia Daily News, The Scranton Times-Tribune, The Citizens' Voice, and more than a dozen of their reporters and things at the hearing, including any "notes" of communications with "any person sworn to secrecy . . . regarding any matter occurring before the Grand Jury," "all telephones" used by the reporters "on which telephone numbers are stored," and "all documents upon which [the reporters] relied in preparing" their articles about the grand jury investigation.

The reporters quickly moved to quash the subpoenas based on the common law reporter's privilege and Pennsylvania's shield law, which provides an absolute privilege for confidential sources. The reporters argued that the common law privilege protects their unpublished journalistic work product, whether that work product would reveal a confidential source or not, and contended that the defendants could not meet their burden to overcome the privilege.

The Pennsylvania Supreme Court has adopted the formulation of the reporter's privilege articulated by the U.S. Court of Appeals for the Third Circuit, which is the traditional three-part test. Thus, the reporters argued, first, that the defendants could not establish that the reporters were the only source for the information they sought and had not exhausted other possible sources. Only certain people enumerated by court rules and statute were sworn to secrecy before the grand jury, and those people were not called to testify before the reporters were subpoenaed.

The defendants also could not show that the reporters' testimony and evidence were crucial because none of their articles reported secret grand jury information. The reporters pointed out that the law requires secrecy over only certain information – testimony, evidence, deliberations, and votes. The only grand jury information that the newspapers published, however, was publicly available, such as witnesses' names, and voluntary statements made by witnesses and their attorneys, which are permitted under Pennsylvania law.

The reporters also argued that, even if all alternative sources had been exhausted and secret information had been reported, Pennsylvania's shield law flatly prohibits any attempt to identify reporters' unnamed sources. The shield law unambiguously provides that no reporter "shall be required to disclose the source of any information... in any legal proceeding, trial or investigation before any government unit," and no Pennsylvania appellate court has ever required a reporter to identify a confidential source, even when the reporter has received information that is subject to grand jury secrecy rules.

It should be noted that defense counsel for DeNaples and Mt. Airy also represent the plaintiffs in *Castellani v. The Scranton Times*, a defamation case arising from press reports about a different grand jury, which is now before the Supreme Court of Pennsylvania on interlocutory appeal. See *MLRC MediaLawLetter*, Jan. 2007, at 9; *MLRC MediaLawLetter*, June 2005, at 21.

In *Castellani*, plaintiffs' counsel has argued that a crime-fraud exception must be read into the shield law so that the law would not protect sources that disclose secret grand jury information to the press.

Shortly before the argument on the reporters' motions, Judge Hoover quashed the *duces tecum* portion of the subpoenas without elaboration. He then held argument on the motions in chambers and later conducted the evidentiary hearing called for by the Supreme Court behind closed doors without the reporters being called to testify. Ultimately, on July 17, Judge Hoover granted the reporters' motions and quashed the subpoenas in a one-sentence order.

In early August, Judge Hoover filed his recommendation with the Supreme Court on whether to recommend a special prosecutor. That opinion – as well all of the filings, transcripts, evidence, and nearly all of the orders that have been entered since the Supreme Court remanded the matter back to Judge Hoover – remain under seal. Indeed, even the reporters' motions to quash the subpoenas are sealed. The dockets themselves do not even list what documents have been filed nor who filed the underlying documents, instead simply stating "sealed entry" at least forty-five times on each of the criminal defendants' dockets. On August 15, 2008, AP filed a motion to unseal the proceedings.

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Pennsylvania Judge Quashes Subpoenas to Reporters in High Profile Inquiry into Alleged Grand Jury Leaks

(Continued from page 20)

The proceedings before Judge Hoover included one other bizarre and troubling twist involving the defendants' efforts to show that law enforcement officials spoke with the subpoenaed reporters. It has been reported that, prior to the hearing, the defense obtained certain law enforcement officials' telephone records by subpoenaing their cellular telephone service providers.

Subsequently, several of the subpoenaed reporters publicly stated that they received telephone calls from a person identifying himself as a reporter for another newspaper seeking confirmation of their names and/or telephone numbers. The reporters later learned that no such person worked for the newspaper.

In addition, an aide to a state senator called several of the subpoenaed reporters seeking the same information pursuant to a request made by Father Sica's attorney. After these public reports, law enforcement officials around the state called for a new law to provide greater protection for cell phone records.

A bill is now pending before the Pennsylvania General Assembly that would permit telephone companies to disclose a subscriber's phone records only if: (1) the sub-

scriber consents; (2) a court orders the disclosure after the subscriber is given notice and an opportunity to object (except in criminal investigations conducted by law enforcement authorities); (3) the government or a grand jury issues a subpoena; or (4) the government obtains a search warrant.

The Associated Press, The Allentown Morning Call, Inc., and their reporters are represented by Gayle C. Sproul and Michael Berry of Levine Sullivan Koch & Schulz, L.L.P. in Philadelphia. The Scranton Times-Tribune, The Citizens' Voice, and their reporter are represented by Kevin C. Abbott and Kim M. Watterson of Reed Smith LLP in Pittsburgh. The Philadelphia Inquirer, The Philadelphia Daily News, and their reporters are represented by Christopher H. Casey, Patrick M. Northern, and Joseph U. Metz of Dilworth Paxson LLP in Philadelphia. Defendants Louis A. DeNaples and Mt. Airy #1, LLC are represented by Richard A. Sprague of Sprague & Sprague. Defendant Joseph Sica is represented by Sal Cognetti, Jr. of Foley, Cognetti, Comerford, Cimini & Cumins. The Commonwealth of Pennsylvania is represented by Dauphin County First Assistant District Attorney Francis T. Chardo.



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Arizona Supreme Court Strengthens Its Rule Allowing Cameras In The Courts

New Rule Requires On the Record Findings

By David J. Bodney

On September 16, 2008, the Arizona Supreme Court amended and strengthened its rule governing cameras in the courts. Effective January 1, 2009, Rule 122 of the Arizona Supreme Court will require judges – before they can limit or prohibit camera access – to issue “specific, on-the-record findings” that the likelihood of harm outweighs the public benefits of camera coverage. Moreover, the new rule eliminates language that had forbidden appellate review by giving “sole discretion” for these decisions to the trial judge.

On November 1, 2007, KPNX Broadcasting Co., the NBC affiliate in Phoenix, filed a Petition to Amend Rule 122 in the Arizona Supreme Court. In substantial measure, KPNX based its petition on the number of requests for camera coverage that had been denied with increasing frequency in recent years, often without explanation or hearing – and often in cases of acute public interest and concern. KPNX’s petition sought to add basic procedural safeguards to a rule that had not been altered since its inception 25 years ago.

Under the existing rule, judges need only give “due consideration” to a half dozen factors before denying a request for camera coverage. Those factors include the impact of coverage on (a) a party’s right to a fair trial, (b) the privacy rights of a party or witness, and (c) the safety and well-being of any party, witness or juror. In addition, the rule requires judges to weigh the likelihood that coverage “would distract participants or would detract from the dignity of the proceedings.” Finally, the enumerated factors allow judges to assess the adequacy of the court’s physical facilities, as well as any other factor affecting the “due administration of justice.”

Drawing on recent decisions in Mississippi and New Hampshire, KPNX’s petition cited numerous studies that found significant benefits and few measurable harms attributable to cameras in the courtrooms. The petition identified four other states – Florida, Massachusetts, Tennessee and Washington – that either presumptively favor camera coverage of courtroom proceedings, or require courts to make specific factual findings and consider less restrictive alternatives before prohibiting coverage.

During a comment period that lasted more than six months, KPNX enlisted the support of the presiding judge of the Maricopa County Superior Court, the state’s largest judicial system, who suggested a few additional changes to the station’s proposal. For example, the presiding judge added a seventh factor for consideration in deciding whether to allow camera coverage – the timeliness of the request. Under the new Rule 122, most requests to tape or photograph a proceeding must be made “no less than two days in advance of the hearing.” If there is any objection to a request, or to an order allowing photographic coverage, the court must hold a hearing “promptly.”

During the petition’s comment period, the supreme court received 13 favorable submissions – including ones from the Reporters Committee for Freedom of the Press, the Arizona Broadcasters Association, *The Arizona Republic* (like KPNX, a Gannett company), the E.W. Scripps Company, a state legislator, three Tucson news stations and the former Chief Justice of the Arizona Supreme Court who presided over the televised impeachment trial of former Governor Evan Mecham. Most of the objections to KPNX’s proposal came from Southern Arizona and other less populated parts of the state. Judges in Cochise, Mohave and Pima Counties, together with the Pima County Bar Association, filed objections. In fact, one judge in Mohave County opposed a more focused lens in its courtrooms because “[s]ome of our non-lawyer JPs and Magistrates may not truly reflect the highest levels of professionalism or knowledge, which would reflect poorly upon the judiciary as a whole.”

KPNX filed a reply in support of its petition that incorporated the few additional changes proposed by the presiding judge of the Maricopa County Superior Court. In the end, the Arizona Supreme Court adopted KPNX’s proposed changes verbatim, dropping only one word. In the original proposal, judges could limit or forbid camera coverage only upon specific, on-the-record findings of a “substantial” likelihood of harm that outweighs the public benefits. In the new rule effective January 1, the word “substantial” will not appear. But for the first time, specific, on-the-record findings will be required, and appellate review will be allowed.

David J. Bodney, Peter S. Kozinets and Chris Moeser of the Phoenix office of Steptoe & Johnson LLP represented KPNX in its petition to the Arizona Supreme Court.

Eleventh Circuit Rules for National Geographic in CD-ROM Copyright Case

Compilation of Magazine Issues a Permitted Revision

By a 7-5 vote, the Eleventh Circuit Court of Appeals ruled in favor of the National Geographic Society on a copyright infringement claim, holding that a CD-ROM set containing over a hundred years of magazine issues was a permitted revision of a collective work under Section 201(c) of the Copyright Act. *Greenberg v. Nat'l Geographic Soc'y*, No. 05-16964, 2008 WL 2571333 (11th Cir. June 30, 2008).

In related litigations, the Second Circuit Court of Appeals also ruled in favor of the National Geographic, affirming summary judgment on state law breach of contract claims brought by freelance contributors who had also sued and lost copyright claims against the publisher for the CD-ROM set. *See Auscape Int'l v. Nat'l Geographic Soc'y*, 2008 WL 2595191 (2d Cir. June 27, 2008) and *Ward v. Nat'l Geographic Soc'y*, 2008 WL 259518 (2d Cir. June 27, 2008) (Cabranes, Katzman, Parker, JJ.).

Some of the plaintiffs in the Second Circuit cases have filed a petition for rehearing. The *MediaLawLetter* will publish a more detailed article by defense counsel after these petitions are resolved.

Background

In 1998, National Geographic released "The Complete National Geographic" on CD-ROM – an exact image-based reproduction of every National Geographic Magazine published between 1888 and 1996. Freelance photographer Jerry Greenberg, who had contributed photos to the magazine, sued for copyright infringement. An Eleventh Circuit panel had previously ruled in his favor, *Greenberg v. Nat'l Geographic Society (Greenberg I)*, 244 F.3d 1267 (11th Cir. 2001), but later reversed in light of the U.S. Supreme Court's decision in *New York Times Co. v. Tasini*, 533 U.S. 483 (2001). *See Greenberg v. Nat'l Geographic Soc'y (Greenberg II)*, 488 F.3d 1331, vacated upon grant of plaintiff's petition for rehearing en banc, 497 F.3d 1213 (11th Cir. 2007).

Eleventh Circuit's En Banc Decision

Writing for the majority, Judge Rosemary Barkett reasoned that the Supreme Court in *Tasini* gave "tacit approval" to microform-type compilations. Emphasizing that "contextual fidelity to the original print publication is the bedrock of any 201(c) analysis," the court observed that what the user of the set sees on

his or her computer screen is a reproduction that differs from the original only in the size and resolution of the photographs. Every article, advertisement, and photograph appears as it did in the original paper copy of the magazine.

Moreover, new elements in the CD-ROM set, including an introductory montage, a search function and other software functionality, did not create a "new collective work" outside the scope of § 201(c). These new elements, the court stated, "are no different than microform's "new" elements, such as a zoom lens or the ability to print only a portion of a document. These additional features do not destroy the original context of the collective works."

The very sharp dissenting opinion stressed that freelance contributors should be allowed to "share in the publisher's profits," and stated that the publisher's arguments were "bereft of logic, legal merit, and...totally disingenuous."

Second Circuit Rejects Contract Claims

Several freelancers had also sued over the CD-ROM set in the Second Circuit. The federal district court and Second Circuit held that the CD-ROM set was a privileged under Section 201(c) of the Copyright Act. *See Faulkner v. Nat'l Geographic Soc'y*, 294 F. Supp.2d 523 (S.D.N.Y. 2003), *aff'd*, 409 F.3d 26, (2nd Cir. 2005).

This month the Second Circuit resolved remaining state law contractual claims brought by the *Faulkner* plaintiffs and other freelance contributors against National Geographic. The freelancers argued that they were contractually entitled to payments for use of their photos in the CD-ROM set. In both the *Auscape* and *Ward* cases, the Second Circuit affirmed the district court's grant of summary judgment in favor of National Geographic, finding no triable issue of fact. The court noted that the contract language providing for payments for "further use" referred to use outside of the original context in which the contribution was published. Citing the absence of any explicit contractual provisions in combination with the parties' previous "course of dealings," the Second Circuit concluded that National Geographic did not breach its contractual obligations by reproducing freelancers' contributions in CD-ROM set.

Plaintiff Greenberg was represented by Norman Davis, Squire, Sanders & Dempsey, LLP, Miami. National Geographic was represented by Robert G. Sugarman, Weil, Gotshal & Manges, LLP, New York; Kenneth Starr, Kirkland & Ellis, LLP, Washington, DC; and Stephen N. Zack, Boies, Schiller & Flexner, LLP, Miami.

First Circuit Affirms Dismissal of Copyright / Misappropriation of Trade Secrets Case Against Oprah and ABC

Plaintiff Claimed Show Was Based on Her Idea

By Chip Babcock

A \$500 million copyright infringement and misappropriation of trade secrets case against Oprah Winfrey, Harpo Productions, Inc. and ABC, Inc. was recently dismissed for failure to state a claim as to the corporate defendants and for lack of personal jurisdiction as to Oprah, and that dismissal has now been affirmed by the United States Court of Appeals for the First Circuit in an unanimous *per curiam* opinion. *Tracy v. Winfrey*, No. 07-1630, 2008 WL 2357943 (1st Cir. June 11, 2008) (Boudin, Torruella, Lynch, JJ.).



Background

The plaintiff, Darlene Tracy, filed a pro se complaint arguing that the then-upcoming ABC network program “Oprah’s Big Give” violated her intellectual property rights. Plaintiff alleged that she had forwarded to Harpo a copy of her “intellectual property” titled “The Philanthropist,” and that she subsequently sent a business proposal for the program to the company. Her argument was that “Big Give” had been copied from “The Philanthropist,” and she sought an *ex parte* temporary restraining order against the network program. The TRO was denied.

Harpo and ABC responded to the suit with a motion to dismiss for failure to state a claim, arguing that under Massachusetts law plaintiff’s admitted voluntary submission of the material to Harpo removed any claim of misappropriation. The corporate defendants also argued that the plaintiff had not plead a sufficient claim of copyright infringement. Winfrey moved to dismiss for lack of personal jurisdiction and, in the alternative, for failure to state a claim.

The trial judge granted the motions and plaintiff, now with the benefit of counsel, appealed the dismissal for failure

to state a claim. She did not appeal Winfrey’s jurisdictional ruling.

First Circuit Decision

Plaintiff’s counsel initially moved to dismiss the appeal, arguing that no final judgment had been entered by the trial court. In a written order last October, the First Circuit rejected this contention. On the merits, the Court held that Ms. Tracy had “voluntarily and without reservation submitted her material to defendants,” and this therefore precluded her claim. It added that counsel’s claim for a “statutory attorney’s lien” was without merit because the “statute requires that a judgment have entered in the client’s favor and no such judgment has entered in this case.”

Chip Babcock and Nancy Hamilton of Jackson Walker, L.L.P. in Dallas and Robert Bertsche of Prince, Lobel, Glosky & Tye, LLP in Boston represented the defendants. The plaintiff was represented on appeal by Craig Tiedemann of the Tiedemann Law Firm in Boston.

Court Dismisses Copyright Claim Over 1980s Parody Film

Use of Three Words from Song was De Minimus and Fair Use

By Lincoln D. Bandlow

Any fan of music from the 1980s worth his or her salt knows the cheesy song “Mr. Roboto” (the “Song”) from the group Styx. On July 7, 2008, Judge Real of the United States District Court for the Central District of California, on a motion to dismiss, held that the use of three words from the Song in the 2007 film “Kickin’ It Old Skool” (the “Film”), a comedy that parodies icons of the 1980s, did not give rise to copyright infringement liability. *Wixen Music Publishing Inc. v. 20th Century Fox Home Entertainment LLC et al.*, No. CV-08-112-R (C.D. Cal. July 7, 2008).

The Court held that such a *de minimis* use was insufficient to establish liability, that the use was protected by the fair use doctrine and that the plaintiff, which had merely alleged that it was the administrator that represented the entity that owned the copyright in the Song, lacked standing to bring the action. Defendants, the producers and distributors of the Film, are now seeking to recover the attorneys’ fees incurred in the matter.

Background

The Film, which stars actor/comedian Jamie Kennedy, is a comedy that takes aim at the styles, trends, icons, catchphrases, popular music and other cultural symbols associated with the 1980s. The plot centers around Justin, who falls into a coma in the year 1986 and awakes in 2006. Once awoken, Justin attempts to raise money to pay for his medical bills by reassembling his old breakdancing group, *The Funky Fresh Boys*, for a competition. One of the members of his breakdancing group is Aki, who sometimes speaks Japanese, and is the brunt of many jokes about his Asian heritage. He is known for his dance move specialty being the “robot.” The Film includes a seven second exchange of dialogue between Justin and Aki that formed the basis for the claim.

In a scene about forty-five minutes into the Film, *The Funky Fresh Boys* are practicing their dance moves for the competition. Justin asks Aki to do the dance move the “robot” like he did when they were kids. Aki attempts to do so, but his efforts are,

in a word, pathetic. Justin implores Aki to stop what he is doing and, in a very serious tone, Justin says “Aki, it’s time to say *domo arigato* and find your inner roboto.” He then says “*domo*” to Aki, who responds “*domo*” and they both repeat “*domo*” again (hereinafter the “Film Dialogue”). The characters do not “sing” any of these words and there is no music playing in the background during the scene. The entire Film Dialogue amounted to less than 1 percent of the 109 minute long film and the entire scene that includes the seven seconds of Film Dialogue lasted one minute and twenty-three seconds, or 1.3 percent of the Film.

In addition to appearing in the Film, the scene with the Film Dialogue was one of a number of scenes that was featured in the two minute, twenty-nine second long trailer (the “Trailer”) for the Film. The Trailer consisted of rapid-fire scenes from the Film that highlight its *raison d’être*: skewering cultural icons from the 1980s. The seven seconds of Film Dialogue, exactly as it is shown in the Film, appeared a bit more than halfway through the Trailer.

The Claim

domo arigatodomo arigatodomo arigatodomo arigatodomo arigato

Wixen Music Publishing, Inc. (“Wixen”) asserted a single copyright infringement claim, alleging that Defendants wrongfully copied the lyrics “*domo arigato*, Mr. Roboto.” In fact, as set forth above, the Film never used the line “*domo arigato*, Mr. Roboto.” Rather, the line from the Film was “Aki, it’s time to say *domo arigato* and find your inner roboto.” That line appears nowhere in the

Song. Indeed, the Song never referred to “inner roboto” or even

to “roboto” standing alone. Moreover, Wixen focused particularly on the fact that the three words from the Song also appeared in the Trailer for the Film. Defendants filed a motion to dismiss.

Use Was De Minimus

It is a well-established principle in copyright law that trivial copying will not give rise to liability. *Newton v. Diamond*, 388 F.3d 1189, 1192 (9th Cir. 2004). This principle is based on the maxim *de minimis non curat lex*, i.e., “the law does not concern itself with trifles.” *Id.* Thus, a use that is *de minimis* and falls be-

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Any fan of music from the 1980s worth his or her salt knows the cheesy song “Mr. Roboto”

Court Dismisses Copyright Claim Over 1980s Parody Film

(Continued from page 25)

low the quantitative threshold of substantial similarity required to maintain a copyright action will not be subject to liability. *Sandoval v. New Line Cinema Corp.*, 147 F.3d 215, 217 (2d Cir. 1998). To determine this threshold, courts look to the amount of material that was copied, the length of time the work appears in the allegedly infringing work and its prominence in that work. *Id.*

Plaintiff argued that it was not the amount of material copied, but rather the “scale on which such copying takes place.” Such an argument, however, ignored the controlling Ninth Circuit decision in *Newton*. In *Newton*, defendants used in one of their songs a six second, three note segment of plaintiff’s song which was “looped” throughout so that this six second, three note segment appeared

over forty separate times in defendant’s song. *Newton*, 388 F.3d at 1192. Moreover, defendants included this sample on two other remixes. *Id.* Despite the fact that the allegedly infringing portion was used in three different songs and released worldwide, the Court found that “the limited scope of copying” was *de minimis* and thus an infringement claim failed as a matter of law. *Id.* at 1195-96.

Just like in *Newton* where the defendants used only a six second, three note segment from plaintiff’s composition, Defendants in this case used only *three* words from the Song which appeared in the Film for only seven seconds. Defendants did not even use a verbatim quote from Plaintiff’s Song. Thus, Defendants’ release of the Film had no bearing on whether Defendants’ use of three words was *de minimis* as a matter of law. Accordingly, the court concluded the use here was *de minimis* and did not rise to the level of substantial similarity to support a copyright infringement claim.

Claim Barred by Doctrine of Fair Use

Even though the Court determined that use of three words from the Song was *de minimis*, the Court also found that Plaintiff’s claim failed under the fair use doctrine, which “permits the use of copyrighted works without the copyright owner’s consent under certain situations.” *Perfect 10, Inc. v. Amazon.com, Inc.*, 487 F.3d 701, 719 (9th Cir. 2007). The Copyright Act provides the framework for determining when the fair use of a work is

protected from liability, stating that a use “for purposes such as criticism [or] comment... is not an infringement of copyright.” 17 U.S.C. § 107. In particular, in the legislative notes that accompanied the fair use provision, Congress listed examples of the “sort of activities the courts might regard as fair use” and “named parody as one of these activities.” *Fisher v. Dees*, 794 F.2d 432, 435 (9th Cir. 1986).

In determining whether a fair use has been made, courts consider four factors: (1) the purpose and character of the use, including whether such use is of a commercial nature or is for nonprofit educational purposes; (2) the nature of the copyrighted work; (3) the amount and substantiality of the portion used in relation to the copyrighted work as a whole; and (4) the effect of the use upon the

potential market for or value of the copyrighted work. 17 U.S.C. § 107. The four factors are not

treated in isolation, but must be weighed together in light of the policy to encourage “the development and evolution of new works.” *Mattel, Inc. v. Walking Mountain Productions*, 353 F.3d 792, 799-800 (9th Cir. 2003) (citing *Campbell v. Acuff-Rose Music*, 510 U.S. 569, 577 (1994)).

“Purpose and Character of the Use”

The most important inquiry in reviewing the first factor is determining whether the use is “transformative.” *Perfect 10*, 487 F.3d at 720 (“central purpose” of first factor is determining “whether and to what extent the new work is transformative”). A work is transformative when the new work does not “merely supersede the objects of the original creation” but rather “adds something new, with a further purpose or different character, altering the first with new expression, meaning, or message” (*Campbell*, 510 U.S. at 579) or where the defendant “changes a plaintiff’s copyrighted work or uses the plaintiff’s copyrighted work in a different context such that the plaintiff’s work is transformed into a new creation.” *Perfect 10*, 487 F.3d at 721; *Bill Graham Archives v. Dorling Kindersley Ltd.*, 448 F.3d 605, 609 (2d Cir. 2006) (use of concert posters in biography about Grateful Dead transformative). Even the making of an exact copy of a work “may be transformative so long as the copy serves a different function than the original work.” *Perfect 10*, 487 F.3d at 721-22. When, as here, the copyrighted work was used as raw material to further distinct, creative

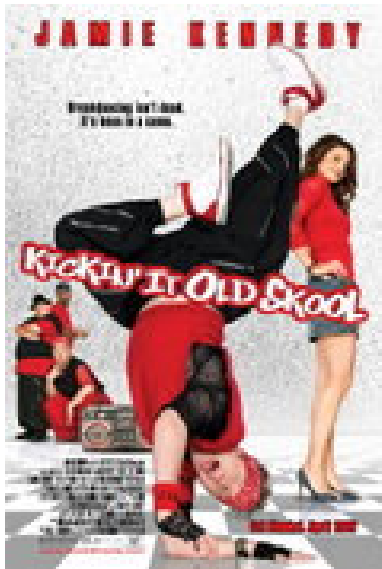
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or communicative objectives, the use was transformative. *Blanch v. Koons*, 467 F.3d 244 (2d Cir. 2006) (use of photograph in a collage painting was transformative).

In particular, parody, like other forms of comment or criticism, is a form of transformative fair use because it creates a new work by shedding light on an earlier work in a humorous way. *Campbell*, 510 U.S. at 579; *Burnett v. Twentieth Century Fox Film Corp.*, 491 F. Supp. 2d 962, 967 (C.D. Cal. 2007) (“Among the various forms of ‘transformative use’ is that of parody”). A parody “imitates the characteristic style of an author or a work for comic effect or ridicule,” or takes the “characteristic turns of thought and phrase in an author or class of authors” and “imitate[s them] in such a way as to make them appear ridiculous.” *Campbell*, 510 U.S. at 580 (footnotes omitted). Parody uses elements of a prior author’s work to “conjure up” the original as a known facet of modern culture and adds something new for humorous effect or commentary.



Elsmere Music, Inc. v. National Broadcasting Co., 623 F.2d 252, n.1 (2d Cir. 1980) (use of tune *I Love New York* for a Saturday Night Live comedy sketch *I Love Sodom* was fair use).

Here, Plaintiff, after conceding that parody is “protected as legitimate appropriation,” simply concluded without elaboration or support that “Defendants’ use [did] *not* constitute parody, so this factor is in plaintiff’s favor.” The Court found this argument unavailing. Instead it found that the Film Dialogue “conjured up” the 1983 song *Mr. Roboto* for the purpose of parodying it and other cultural icons from the 1980s. Plaintiff’s Song, a melodramatic social commentary on the threat of future technology, was clearly parodied in the Film, which used three words from the Song to poke fun at the absurdity of the Song’s frightening warning by, in fact, suggesting that robots are better equipped to advance the goals of the Film’s protagonists to find their “inner robot” and win a dance contest. Moreover, the Film’s Dialogue parodied the Song’s noted use of the common Japanese phrase “*domo arigato*” by having a character in the

Film speak that phrase to another character in the Film – an American of Japanese decent who was clearly annoyed by his friends’ constant references to his Asian heritage.

Thus, the purpose and character of the use factor favored Defendants because the use was transformative. Indeed, even though Defendants did not need to show that the use was a “parody” for it to be protected under this factor; the undisputed evidence demonstrates that the use was just such a parody. See *Fisher*, 794 F.2d at 437 (29 second song “When Sonny Sniffs Glue” in a 40 minute comedy album that parodied the ballad “When Sunny Gets Blue” deemed a fair use). Thus, the first factor favored Defendants.

“Nature of the Copyrighted Work”

The second factor looks at the nature of the work that was copied, particularly at whether the work was creative or factual/historical and whether the copied work was previously published. *Perfect 10*, 487 F.3d at 723. Here, Plaintiff conceded that the three words used from the Song – “*domo arigato*” and “*roboto*” – were not particularly creative. Moreover, Plaintiff conceded that the Song was long ago published to the world. Finally, Plaintiff did not dispute that the second factor is “of limited usefulness where the creative work of art is being used for a transformative purpose” (*Bill Graham Archives*, 448 F.3d at 612) and thus the second factor “is not much help” in resolving a parody case “since parodies almost invariably copy publicly known, expressive works.” *Campbell*, 510 U.S. at 586 (fact that copied work was a creative song mattered little in the fair use analysis where defendant’s work was a parody).

Rather, Plaintiff simply asserted that the Song, in its entirety, was creative. The Film, of course, did not use the Song in its entirety. The insignificant manner in which Plaintiff addressed this factor comported with the manner in which this factor has been addressed by the courts in the context of parody/transformative uses. See 2 *Nimmer on Copyright*, 13.05(A)(2)(a) (2002) (“second factor more typically recedes into insignificance in the greater fair use calculus”). Accordingly, because the use was for the purpose of a transformative parody, the second factor favored Defendants.

“Amount and Substantiality of the Use”

The third factor asks whether the amount and substantiality of the portion used in relation to the copyrighted work as a whole was “reasonable in relation to the purpose of the copying.” *Campbell*,

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510 U.S. at 586. “[T]he enquiry will harken back to the first of the statutory factors, for ... the extent of permissible copying varies with the purpose and character of the use.” *Id.* “Parody’s humor, or in any event its comment, necessarily springs from recognizable allusion to its object through distorted imitation. Its art lies in the tension between a known original and its parodic twin. When parody takes aim at a particular original work, the parody must be able to ‘conjure up’ at least enough of that original to make the object of its critical wit recognizable.” *Campbell*, 510 U.S. at 588 (citing *Elsmere*, 623 F.2d at 253 n.1). “What makes for this recognition is quotation of the original’s most distinctive and memorable features, which the parodist can be sure the audience will know.” *Id.* Defendants may take the “heart” of the work to conjure up the Song for parody. *Id.*

Plaintiff conceded, as it had to, that only three words were used from the Song. Moreover, Plaintiff conceded that even those three words were not copied exactly. The only stab that Plaintiff took at this factor was to simply state that Defendants copied the most important words of the Song. Opp. at 8. Glaringly absent from Plaintiff’s Opposition was any discussion of the fact that a parody *must* use enough of the original work – in fact, often the “heart” of the work or “most distinctive and memorable features” of the original – to ‘conjure up’ at least enough of that original to make the object of its critical wit recognizable.” *Campbell*, 510 U.S. at 588 (citing *Elsmere*, 623 F.2d at 253 n.1). Thus, of course, the Film used some portions of the Song – even if they were considered the “heart” of the work – to conjure up the Song for commentary. See *Burnett*, 491 F. Supp. 2d at 970 (“there is no requirement that ‘parodists take the *bare minimum* amount of copyright material necessary to conjure up the original work’”) (original emphasis).

Plaintiff’s analysis also completely ignored the fact that Defendants used only *three* words from the Song that lasted all of seven seconds in the Film (less than .01 percent of the entire film). In fact, the barest reference to “*domo arigato*” and “*roboto*” was used to conjure up recognition of the Song. Accordingly, the third factor strongly favored Defendants.

“Effect of the Use on the Potential Market”

The fourth factor looks at the effect of the use on the market for the plaintiff’s work. This factor reflects the copyright law’s condemnation of the “copier who attempts to *usurp the demand* for the original work.” *Consumer Union of United States, Inc. v.*

General Signal Corp., 724 F.2d 1044, 1050 (2d Cir. 1983) (emphasis added). As stated by the Second Circuit, “[t]he theory behind the copyright laws is that creation will be discouraged if demand can be undercut by copiers. Where the copy does not compete with the original, this concern is absent.” *Id.* at 1051. Moreover, when analyzing the fourth factor, courts look at “the impact on potential licensing revenues for traditional, reasonable, or likely to be developed markets.” *Bill Graham Archives*, 448 F.3d at 614. “The economic effect of a parody ... is not its potential to destroy or diminish the market of the original – any bad review can have that effect – but rather whether it fulfills the demand for the original.” *Fisher*, 794 F.2d at 438. Infringement only occurs when a parody “supplants the original in markets the original is aimed at, or in which the original is, or has reasonable potential to become, commercially valuable.” *Id.*

When, as here, the use was a parody, “it is more likely that the new work will not affect the market for the original in a way cognizable under this factor, that is, by acting as a substitute for it. This is so because the parody and the original usually serve different market functions.” *Campbell*, 510 U.S. at 591 (citations omitted). “The unlikelihood that creators of imaginative works will license critical reviews or lampoons of their own productions removes such uses from the very notion of a potential licensing market.” *Id.* at 592.

The Ninth Circuit addressed this issue in *Fisher* when it determined that the fourth fair use factor weighed in defendant’s favor because an original song and the parody served different potential markets. *Fisher*, 794 F.2d at 438. The same analysis applied here: nobody who had any interest in purchasing the Song was going to have that interest satiated by watching the Film and seeing a seven-second exchange of dialogue about a breakdancer finding his “inner roboto” to regain his dancing skills. In fact, the opposite was likely to happen: those watching the Film will be reminded of the iconic Song and will go out and purchase it. See *Hofheinz v. AMC Prods., Inc.*, 147 F. Supp. 2d 127, 140 (E.D.N.Y. 2001). Plaintiff argued that others have paid to license words from the Song for use in movies and television so this factor favored plaintiff. The simple assertion that plaintiff may have been deprived of a licensing fee, however, does not stave off a finding of fair use: “a copyright holder cannot prevent others from entering fair use markets merely by developing or licensing a market for parody, news reporting, educational or other transformative uses of its own creative work ... Copyright owners may not preempt exploitation of transformative markets.” *Bill Graham Archives*, 448 F.3d at 614-

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Court Dismisses Copyright Claim Over 1980s Parody Film

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15. Accordingly, because the Film does not supplant the Song in any market and Plaintiff's licensing practice is irrelevant to this factor, the fourth factor weighed in favor of Defendants.

Effect of the Trailer

In addition to the four factors, Plaintiff's allegations that Song fragments were incorporated into the Trailer as well as the Film itself did not change the fair use analysis. In this regard, *Leibovitz v. Paramount Pictures Corp.*, 137 F.3d 109 (2d Cir. 1998) was directly on point. In *Leibovitz*, an advertisement (for a movie) that was a parody of a well known Annie Leibovitz photograph was protected as fair use.

Liebovitz argued that "even if the advertisement is appropriately considered a parody of her photograph, it should fail the fair use test because it was employed for commercial purposes and because it replicated more of her original than was necessary." *Id.* at 112. The Court rejected those arguments. Rather, the Court held that, despite the fact that the "Naked Gun" ad was a promotion for that film (and, indeed, despite the fact that the image in the "Naked Gun" ad never itself appeared in the film), the use was a protected fair use.

That reasoning applied with much greater force in this case. Unlike in the *Liebovitz* case, the Trailer did not consist of some entirely separate creation that includes images and references that are not, themselves, a part of the Film. Rather, the Trailer was simply a synopsis of various different scenes that are actually in the Film. Thus, the Trailer did not merely "reinforce the kidding comments" made in the Film: the Trailer *was* the kidding comments made in the Film. Thus, the Trailer was equally protected by the fair use doctrine as is the Film. See *Mastercard Intern. Inc. v. Nader 2000 Primary Committee, Inc.*, 2004 WL 434404 (S.D.N.Y. 2004) (holding that an "advertisement which uses elements of a copyrighted work 'does not necessarily ... [infringe] the copyright, if the product that it advertises constitutes a fair use of the copyrighted work'" (quoting *Steinberg v. Columbia-Delphi Productions*, 663 F. Supp. 706, 714 (S.D.N.Y. 1987))).

Defendants Sought a License for the Song

Plaintiff alleged that the producers sought a license from Plaintiff to use the Song in the Film but did not obtain such a

license. Those facts could have been disputed, but even assuming such permission had been sought, this did not stop a finding of fair use. "If the use is otherwise fair, then no permission need be sought or granted. Thus being denied permission to use a work does not weigh against a finding of fair use." *Campbell*, 510 U.S. at 585, n.18. "Parodists will seldom get permission from those whose works are parodied." *Fisher*, 794 F.2d at 437. "The parody defense to copyright infringement exists precisely to make possible a use that generally cannot be bought." *Id.* (court refused to penalize defendant for fair use of song after plaintiff expressly refused permission).

Indeed, in *Bill Graham Archives*, which involved the use of images of various Grateful Dead posters in a coffee table book about the band, the publisher had conducted substantial negotiations with the plaintiff to license the images for the book, including exchanging fee information, but the publisher ultimately decided to use the images without a license. The Court found that it was a protected fair use and disregarded any argument to the contrary based on the prior licensing negotiations: "a publisher's willingness to pay license fees for reproduction of images does not establish that the publisher may not, in the alternative, make fair use of those images." *Bill Graham Archives*, 448 F. 3d at 615. Therefore, whether defendants sought but did not obtain permission to use the Song was irrelevant in the fair use analysis.

Plaintiff's Standing to Bring the Claim

In addition to finding the use *de minimis* and a fair use, the Court found that Plaintiff lacked standing to bring this action. The complaint averred simply that Plaintiff "represents" Stygian, the author of Song. Plaintiff argued that this exclusive representation gave it standing to bring a copyright claim. A copyright holder's representative does not, without more, have standing to bring an action under the Copyright Act. Under Section 501(b), only the "legal or beneficial owner" of a copyrighted work can bring a claim for infringement. 17 U.S.C. § 501(b). That provision is exclusive: parties that lack a legal or beneficial ownership right in the registered work cannot bring claims under the Act.

Lincoln D. Bandlow, of Spillane Shaeffer Aronoff Bandlow LLP in Century City, Cal., represented the defendants in this matter. Plaintiffs were represented by Evan S. Cohen and S. Martin Keleti of Cohen and Cohen in Los Angeles, Cal.

Are There Pirates in My Safe Harbor?

By Toby Butterfield and Alexis Mueller

The Northern District of California recently granted summary judgment to an internet service provider (“ISP”) whose website permits uploading of user generated content, on the grounds that the ISP had established it was entitled to Safe Harbor protection from liability under §512 of the DMCA. *Io Group, Inc. v. Veoh Networks, Inc.*, No. C06-03926 (N.D. Cal. Aug. 27, 2008) (Lloyd, J.).

The decision is a useful chart for those navigating the digital high seas, and describes what instruments are needed to guide ships of on-line commerce into the DMCA’s Safe Harbor.

Factual Background

The underlying dispute is a copyright claim by Io Group, Inc. (“Io”), a publisher of adult entertainment, against Veoh Networks, Inc. (“Veoh”), the operator of an online video distribution website which provides a means of uploading, sharing and viewing of video clips of varying length. Veoh offers both user-created and user-submitted content, as well as commercially produced videos licensed from sources such as Turner, CBS, US Magazine and Road & Track Magazine.

On cross-motions for summary judgment, the court decided that the safe harbor provision of the Digital Millennium Copyright Act (“DMCA”), 17 U.S.C. § 512(c), protected Veoh from copyright liability for the infringing activity of its users, namely, the unauthorized uploading of ten of Io’s adult video properties.

Qualifying for the DMCA Safe Harbor

To qualify for the safe harbor under § 512(c), an entity must satisfy certain threshold requirements. First, an entity must be a service provider, which is defined as a “provider of online services or network access, or the operator of facilities therefor.” 17 U.S.C. § 512(k)(1)(B). There was no dispute that Veoh met that definition. *Slip Op.* at 12-13.

However, to qualify, the service provider must also adopt and reasonably implement, and inform its users of a policy that provides for the removal of infringing materials and the termination of repeat infringers, as appropriate. 17 U.S.C. § 512(i)(1)

(A). Finally, a service provider must accommodate and not interfere with “standard technical measures” used by copyright owners to identify or protect their copyright works. 17 U.S.C. § 512(i)(1)(B). The DMCA defines “standard technical measures” broadly. 17 U.S.C. § 512(i)(2)(A)-(C).

Io contended that Veoh did not implement its repeat infringer policy reasonably. The court found otherwise, because Veoh had: (a) designated a copyright agent; (b) responded to infringement notices with days; (c) terminated accounts of repeat offenders after one warning and banned the user’s email address; and (d) adopted a means for generating a digital fingerprint for each video file to facilitate with identifying and removing infringing materials and preventing identical files from being uploaded at a later time. *Slip Op.* at 13-14.

Io also contended that Veoh unreasonably did not prevent repeat infringers from reappearing on Veoh’s site under a different user name with a different email address. The court found otherwise, citing the Ninth Circuit’s recent *Perfect 10 v. CCBill* decision that “a service provider need not affirmatively police its users for evidence of repeat infringement.” *Slip Op.* at 14:17-27. Io presented no evidence that any repeat infringer had, in fact, established a new account under a pseudonym, much less that Veoh’s intentionally allowed this to happen. *Id.* 15:13-14.

Finally, Io also argued that Veoh should have tracked users’ identities by IP address. Unpersuaded, the court reiterated that “section 512(i) does not require service providers to track users in a particular way.” *Id.* 16:6-7. Veoh thus qualified for the DMCA safe harbor.

Entering the DMCA Safe Harbor

DMCA § 512(c) limits a qualifying service provider’s liability “for infringement of copyright by reason of the storage at the direction of a user of material that resides on a system or network controlled or operated by or for the service provider.” 17 U.S.C. § 512(c). However, a qualifying service provider only enters the safe harbor if it designates an agent to receive notices of alleged copyright violations; lacks the requisite knowledge; does not receive a financial benefit from activity it controls; and swiftly removes infringing content. 17 U.S.C. § 512(c)(1)(A)-(C).

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Io contended that Veoh had not entered the safe harbor because: (a) the infringing materials were not stored on Veoh's system "at the direction of a user"; (b) Veoh was aware of apparent infringement; and (c) Veoh had the right and ability to control the infringing activities and derived a direct financial benefit from such activities.

First, Io contended that the files were not created at the direction of Veoh's users, because Veoh automatically converted any compatible video files uploaded by its users into the Flash format and still image thumbnails. The court disagreed, holding that Veoh did not lose safe harbor protection by automatically processing of user-submitted content, citing the Second Circuit's recent *Cartoon Network v. CSC* decision about who "does" any copying with a complex computer system. *Slip Op.* at 19:19-20 and 20:15-17. See *The Cartoon Network LP v. CSC Holdings, Inc.*, No. 07-1480-cv and 07-1511-cv (2d Cir., Aug. 4, 2008).

Second, Io argued that Veoh was aware of apparent infringing activity (even though Io did not send Veoh a notice and take-down letter before suing) because of the following "red flags": (a) Veoh had constructive notice of Io's copyright registrations; (b) the works in question were apparently professionally created; (c) one of the works contained Io's trademark; and (d) the material did not include the label required of adult video content under 18 U.S.C. § 2257(f)(4).

The court was unconvinced, because: (a) none of the allegedly infringing clips included Io's copyright notice; (b) Io's trademark only appeared several minutes into one clip and no evidence was presented as to Veoh's awareness and willful ignorance of the Io's trademark; (c) there is little to no real world distinction between "professional" and amateur video productions; and (d) the matter before the court did not concern whether there was a violation of 18 U.S.C. § 2257(f)(4).

The court concluded Veoh was not aware of apparently infringing activity and stated that "even assuming Veoh's sufficient knowledge or awareness of the allegedly infringing activity in question, Veoh would not lose safe harbor protection" because it acted expeditiously to remove and disable access to infringing material upon receiving notice thereof. *Slip Op.* at 23:2-4, 23:22-5.

Third, Io contended that Veoh had the "right and ability to control" the infringing activity because it selectively enforced policies that prohibit users from engaging in various types of conduct on its website. However, the court concluded that the

issue is "not whether Veoh has the right and ability to control its system, but rather whether it has the right and ability to control the infringing activity," *Slip Op.* at 24:26-25:1 (emphasis added), and went on to explain that "to escape imposition of vicarious liability, the reserved right to police must be exercised to its fullest extent." *Id.* at 26:20-21 (citing *A&M Records, inc. v. Napster, Inc.*, 239 F.3d 1004, 1023 (9th Cir. 2001) (internal citations omitted)). The court concluded that there was no indication that Veoh failed to police its system "to the fullest extent permitted by its architecture" and that it took steps to reduce, not foster, the incidence of copyright infringement on its website. *Id.* at 29:3-4, 29:15-16.

Finally, Io contended that Veoh should have verified the source of all incoming videos by obtaining the identities and addresses of the submitter and producer and the submitter's authority to upload each file, by hiring more employees or by limiting its website to a smaller number of users and/or files, if necessary. The court disagreed, stating that "the DMCA was intended to facilitate the growth of electronic commerce, not squelch it," and that "Veoh qualifies for safe harbor." *Slip Op.* at 30:17-19.

Analysis

Much has been written and spoken about how the § 512 safe harbor depends on an ISP using "Standard Technical Measures," a term only generally defined by the Act, and which by definition varies over time. This case is therefore another useful ruling on what measures are now "standard." Eliminating repeat offenders is required, but ISPs need not screen for the Internet Protocol address used by alleged repeat offenders. Identifying repeat infringers who use an identical e-mail address is sufficient. This ruling sets a low bar for eliminating repeat offenders, as Hotmail, Yahoo and Gmail all provide multiple free e-mail addresses.

Second, this decision creates an echo of the Second Circuit's recent decision in *Cartoon Network v. CSC*, *supra.*, in which the Second Circuit ruled on whether the owner and operator of a complex computerized system for downloading television programs was a direct infringer when its users selected which files to be copied, stored and later played back. The Second Circuit concluded that only the end user was engaging in a volitional act of copying, not the owner and operator of the service. Likewise in this decision, the Northern District of Cali-

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fornia has concluded that an ISP “is not precluded from Safe Harbor under § 512(c) by virtue of its automated processing of user-submitted content.” *Slip. Op.* at 19:19-20. The lesson for ISPs is to rely on the computers to do the copying, and not to “actively participate or supervise the uploading of files.” *Id.* at 20:8. The *Veoh* Court even cited *Veoh*’s lack of supervision in concluding that *Veoh* enjoyed safe harbor protection.

Finally, the *Veoh* Court considered the reasonableness of *Veoh*’s actions to remove or disable access to infringing material, and its right and ability to control infringing activity in light of the numerous Ninth Circuit decisions in this area in recent years. The *Veoh* Court distinguished *Napster* as an example of a system created with the sole purpose of providing for “a forum for easy copyright infringement,” and concluded that “there is no indication that *Veoh* has failed to police its system to the fullest extent permitted by its architecture.” *Slip. Op.* at 29:3.

Io’s suggestions that *Veoh* could have improved or changed its business operations to prevent infringing activity did not create a genuine issue of material fact, as “the DMCA does not require service providers to deal with infringers in a particular way.” *Id.* at 30:8.

In its overall analysis, the *Veoh* decision bears some similarities to *Tiffany (NJ) Inc. vs. eBay, Inc.*, 04 Civ. 4607 (RJS)

(S.D.N.Y., July 14, 2008), in which the district court deferred to *eBay*’s decisions about what measures were necessary to prevent infringing material appearing on its website. Like the *Veoh* decision under the DMCA, the *Tiffany* Court subjected *eBay* only to an overall general review of the reasonableness of its measures. Although the *Tiffany* Court was considering trademark liability, not copyright issues or the DMCA, its overall approach is somewhat similar.

However, little analysis has been given, either in this case or in others in this area, to the incentives the law seems

to be creating. The law seems to favor safe harbors for ISPs who have designed a system architecture which fails to prevent infringements so long as an ISP is using its system to the full extent possible. Courts are reluctant to analyze whether the ISP’s system overall is deficient. Perhaps court-appointed experts, such as the expert appointed by the District Court in *Cartoon Network v. CSC*, should provide courts with impartial technical advice, to help them understand the state of the technology in the fast-moving internet technology market.

Toby Butterfield and Alexis Mueller are with Cowan DeBaets Abrahams & Sheppard LLP in New York. Io Group is represented by Gill Sperlein, San Francisco. Veoh is represented by Michael Elkin, Jennifer A. Golinveaux, and Matthew Alex Scherb of Winston & Strawn LLP, San Francisco.

The lesson for ISPs is to rely on the computers to do the copying, and not to “actively participate or supervise the uploading of files.”

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Court Summarily Dismisses Copyright and RICO Lawsuit Filed by Talk Show Host Michael Savage

By Thomas R. Burke

A U.S. District Court Judge in San Francisco summarily dismissed a lawsuit filed by conservative radio talk show personality Michael Savage against the Council on American-Islamic Relations (“CAIR”), the nation’s largest Muslim civil rights organization, prompting Savage to abandon the lawsuit derided for its threat to free speech rights. *Savage v. Council on American Islamic Relations, Inc.*, No. C 07-6076 (N.D. Cal. July 25, 2008).

In a 21-page opinion, U.S. District Court Judge Susan Illston granted CAIR’s motion for judgment on the pleadings, summarily dismissing Savage’s copyright claim with prejudice. Savage sued CAIR in December of 2007 alleging that CAIR infringed his copyright interest in “*The Savage Nation*,” Savage’s nationally-syndicated week-day radio.

CAIR posted four minutes of audio excerpts from Savage’s October 29, 2007 radio program on its website to reveal and to criticize and counter anti-Muslim and anti-CAIR remarks that Savage made during a prolong tirade. Among other things, Savage said CAIR “need deportation. . . You can take [CAIR] and throw them out of my country” and that “the Quran is a document of slavery and chattel.” Savage’s lawsuit also included a federal racketeering claim stemming from the alleged copyright infringement, asserting that CAIR was somehow responsible for the September 11, 2001 terrorist attacks on the nation. Judge Illston characterized the dispute as “not about the 9/11 or efforts by the United States to prevent future terrorist activities. It is, rather, a dispute about the ideas expressed in a four-minute audio clip and the protections of the First Amendment, protections upon which plaintiff relies for his livelihood and the airing of his radio program.”

Dismissing Savage’s copyright claim with prejudice, Judge Illston determined that CAIR’s use of the audio excerpts of Savage’s anti-CAIR, anti-Muslim on-air tirade to criticize him was barred by the doctrine of fair use doctrine, 17 U.S.C. § 107. *Campbell v. Acuff-Rose Music, Inc.*, 510

U.S. 569, 577 (1994). Treating the allegations in Savage’s complaint as true for the purposes of CAIR’s motion, the Court observed:

The complaint affirmatively asserts that the purpose and character of [CAIR’s] use of the limited excerpts from the radio show was to criticize publicly the anti-Muslim message of those excerpts. To comment on [Savage’s] statements without reference or citation to them would not only render [CAIR’s] criticism less reliable, but be unfair to [Savage]. Further, it was not unreasonable for [CAIR] to provide the actual audio excerpts, since they reaffirmed the authenticity of the criticized statements and provided the audience with the tone and manner in which [Savage] made the statements.

Analyzing Savage’s copyright infringement claim in considerable detail, ironically, Judge Illston principally relied on controlling Ninth Circuit precedent (*Hustler Magazine Inc. v. Moral Majority, Inc.*, 796 F.2d 1148 (9th Cir. 1986)), established by the late Reverend Jerry Falwell who,

CAIR was entitled to use the audio excerpts of Savage’s tirade to counter and criticize Savage’s public anti-CAIR and anti-Muslim remarks.

after famously losing his “outhouse parody” invasion of privacy lawsuit in the United States Supreme

Court. Falwell successfully defended a copyright lawsuit later brought by *Hustler* when his Moral Majority mailed a complete copy of the *Hustler* parody without permission for fundraising and political purposes to raise over a million dollars.

Like the protection given to Rev. Falwell to use the entire parody to provide a defense against *Hustler*’s attack, CAIR was entitled to use the audio excerpts of Savage’s tirade to counter and criticize Savage’s public anti-CAIR and anti-Muslim remarks. Judge Illston also found that Savage failed to show any copyright damage or to even “allege or suggest an impact on the actual or potential sale,

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Court Summarily Dismisses Copyright and RICO Lawsuit Filed by Talk Show Host Michael Savage

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marketability, or demand for the original, copyrighted work.” Instead, Savage merely contended that CAIR’s use of the audio excerpts caused him to suffer an alleged loss of one million dollars in national advertising. (Had Savage sued CAIR for libel or misappropriation, his complaint would have been subject to California’s anti-SLAPP statute, which otherwise is not available against federal claims.)

Addressing Savage’s racketeering claim, Judge Illston found numerous fundamental flaws (including Savage’s lack of standing, failure to meet the heightened pleading requirements, and failure to prove CAIR’s conduct proximately caused Savage any injury) and expressed concerns that Savage’s RICO claim appeared to be based on CAIR’s First Amendment-protected activities. Considering CAIR’s First Amendment defense, the Court characterized Savage’s RICO claim as raising “serious First Amendment concerns.”

The Court observed: “Here, much of plaintiff’s RICO claim is based on defendants’ involvement in the filing of lawsuits and amicus briefs, the Court finds that defendants are entitled to *Noerr-Pennington* protection.” The Court also dismissed the RICO claim but allowed Savage leave to amend his complaint provided that he could cure the numerous deficiencies outlined by the Court.

Savage, who is infamous for making outrageous statements on his radio program, branded Judge Illston a “radical liberal judge” on his website and compared Illston to members of the Third Reich among other things in reaction to the Court’s earlier tentative ruling against him. After the court’s order was filed in an interview with the *San Francisco Chronicle*, Savage’s attorney, Daniel Horowitz, publicly promised to file a revised complaint. However, facing a threat of Rule 11 sanctions by CAIR’s counsel, Horowitz later announced in an unusual court filing that Savage would abandon the action entirely. Judge Illston formally dismissed Savage’s complaint with prejudice on August 15. CAIR plans to seek the recovery of its attorneys’ fees and costs.

CAIR was represented by partners Thomas R. Burke, Eric Stahl, and associate Jeff Glasser in the San Francisco, Seattle and Los Angeles offices of Davis Wright Tremaine LLP and Matthew Zimmerman, of the Electronic Frontier Foundation in San Francisco. Michael Savage was represented by Daniel A. Horowitz of Lafayette, CA.

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DVR System Not a Direct Infringement of Content Owners' Copyrights "Who's Doing the Copying?"

By Toby M.J. Butterfield and Al J. Daniel, Jr.

The Second Circuit recently held that Cablevision would not be a direct copyright infringer by operating without license its remote digital video recorder system, an elaborate computer server farm which makes individual copies of television programming content at the request of individual subscribers, in their separate storage areas, for later viewing or storage. *The Cartoon Network LP v. CSC Holdings, Inc. and Cablevision Systems Corp.*, Nos. 07-1480-cv and 07-1511-cv (2d Cir., Aug. 4, 2008) (Walker, Sack, Livingston, JJ.).

The Circuit reversed the District Court and vacated its injunction.

The Second Circuit's decision turns on its analysis of "Who is doing the copying?" The Court found individual subscribers "make" the copies using the Cablevision-supplied remote control, not Cablevision, which provides the multi-million dollar server farm system which creates, stores and delivers the copies to subscribers for viewing. Both sides were amply supported by *amici*, as this case may present an opportunity for the Supreme Court of the United States to review its decisions in *Sony Corp. of America v. Universal City Studios, Inc.*, 464 U.S. 417 (1984) (*Sony Betamax*) and *Metro-Goldwyn-Mayer Studios, Inc., v. Grokster, Ltd.*, 545 U.S. 913 (2005) (*Grokster*).

"Remote Storage DVR System"

Cablevision is a cable television operator providing licensed copyrighted content to subscribers, through set-top boxes and, for an additional fee, through set-top digital video recorders, which allow subscribers to download and store programming on hard disks, just as VCRs allowed copying on video tapes.

In March 2006, Cablevision announced it would soon offer a new service called a "remote storage DVR system," allowing individual subscribers using their remote controls to request that Cablevision make individual copies of specific television programming for storage and future viewing. Cablevision's remote server farm would then create and store a separate copy for each requesting subscriber.

Claim Of Direct Infringement

On May 24, 2006, Twentieth Century Fox Film Corp., other motion picture and television production companies, and other major television networks sought a declaratory judgment from the United States District Court for the Southern District of New York that Cablevision's proposed system would infringe their reproduction and public performance copyrights in violation of 17 U.S.C. § 106.

The complaint alleges that Cablevision is a direct infringer, not a contributory infringer. Cablevision's answer includes a two page "Introductory Statement" brief, arguing that its system is merely an updated version of the Sony Betamax machine, and that Cablevision would no more be an infringer by operating its system than was Sony for manufacturing the Betamax machine. Cablevision's answer does not assert a defense of fair use, though its counterclaim seeks a declaratory judgment that its system would constitute a fair use under the Supreme Court's decision in *Sony Betamax*. The Cartoon Network LP filed a similar complaint, later consolidated with Twentieth Century Fox's action.

District Court Finds Direct Infringement

On March 22, 2007, Judge Denny Chin granted plaintiffs' motion and denied defendants' motions for summary judgment. Judge Chin's decision describes Cablevision's system, and concludes that it would infringe the plaintiffs' copyrights in three ways: (1) by storing a copy of plaintiffs' copyrighted programming; (2) by making temporary copies of portions of the programming in a data "buffer;" and (3) by "performing" the works publicly without authorization.

The parties and Judge Chin agreed that "the question is *who* makes the copies" of the complete programs on Cablevision's servers. *Cablevision*, 478 F.Supp.2d at 617 (emphasis in original). The District Court rejected Cablevision's argument that it was simply providing a time-shifting service, analogous to a Sony Betamax machine, stating that "[t]he RS-DVR is clearly a service, and I hold that, in providing this service, it is Cablevision that does the copying." *Id.*, at 618. The District Court also held that copies of the

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DVR System Not a Direct Infringement of Content Owners' Copyrights "Who's Doing the Copying?"

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programs were made when portions were briefly copied in buffers on their way to storage in Cablevision's server farm. *Id.* at 621-622. Finally, Judge Chin held that Cablevision would be publicly performing the works and making unauthorized transmissions when it downloads the programs for viewing at a subscriber's request. *Id.* at 622-624. Judge Chin permanently enjoined Cablevision from using its digital video recording system to copy or publicly perform plaintiffs' copyrighted works without a license to do so. *Id.*, at 624.

Second Circuit Reverses

On appeal, the Second Circuit reversed. It held that it is the subscriber, with remote control in hand, who actually does the copying, and that Cablevision is therefore not a direct infringer. The Court does not address whether Cablevision might be a contributory infringer, because plaintiffs stipulated that they would only assert direct infringement claims. Similarly, the Court did not address the "fair use" defense, which Cablevision stipulated not to raise.

The Second Circuit next held that because buffers contained data for only a brief period of time on their way to storage, the buffers failed to satisfy the durational requirement in the definition of a "copy" in § 101 of the Copyright Act. The Circuit distinguished cases in which the storage of a computer program in RAM for several minutes was sufficient to constitute infringement. Slip Op. 13-14.

As to the complete copy of plaintiffs' programming stored on Cablevision's servers, each at the request of individual subscribers, the Second Circuit held that "the core of the dispute is over the authorship of the infringing conduct ...," *i.e.*, "who made this copy." Slip Op. 21 (emphasis in

original). It rejected the District Court's analysis, holding that Cable-

vision's conduct in designing, constructing, housing and maintaining the digital video storage system on which all copyrighted works are actually stored was not sufficient to qualify as a direct infringement. *Id.*, 23. The Court discussed or distinguished cases involving copy shops, internet service providers, and video on demand systems. *Id.*, 26.

The Court acknowledged that the continuing relationship between Cablevision and subscribers might make Cablevision liable as a contributory infringer, discussing *Sony Betamax*, but concluded that could not support direct liability. *Id.*, 26-27.

Finally, the Court of Appeals rejected the District Court's conclusion that Cablevision's transmission of the programming for viewing at the request of the subscriber "does not involve the transmission of a performance 'to the public ...,'" based upon the Court's analysis of the definition of public performance in the Copyright Act, 17 U.S.C. § 101. Slip Op. 31. The Second Circuit distinguished cases with facts extremely close to those present here. Accordingly, the Court of Appeals reversed and remanded for partial entry of judgment for Cablevision, and vacated the lower court's permanent injunction. *Id.*, 29, 44.

Analysis

The Copyright Act provides that "the owner of copyright ... has the exclusive rights *to do and to authorize* any of the following" exclusive rights, including reproducing copies of the works and "perform[ing] the ... work publicly." 17 U.S.C. § 106(1) and (4) (emphasis added). The Court's decision on whether the passage of programming data through the "buffer" are unlawful copies turns on its technical statutory construction of the definition of a "copy" under the Act, 17 U.S.C. § 101. Its rejection of the "public performance" claim related to downloading and playing the works from Cablevision's servers also turned on technical statutory construction of the definition of public performance in the Act. *Id.*

However, the decision on the principal issue of infringement by storage of complete copies on Cablevision's server

that it is the subscriber, with remote control in hand, who actually does the copying, and that Cablevision is therefore not a direct infringer

farm comes down to which legal person is

"authorizing" or "making" the copies. The parties' positions could not be more starkly different: the plaintiffs believe that Cablevision itself is doing the "making," as it has created and maintains a huge and very expensive system to conduct all the "making."

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DVR System Not a Direct Infringement of Content Owners' Copyrights "Who's Doing the Copying?"

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In plaintiffs' view, Cablevision cannot claim that the computers, guided by end-users, are "making" the copies, as this is tantamount to blaming the machine for making the copies, when that is exactly what the owner and controller of the machine has designed it to do. Copyright infringement is a strict liability tort, just as no motorist is able to evade liability to the pedestrians whom they strike by saying "it wasn't me who hit you, it was my car."

Cablevision argues that it is more analogous to view it like the provider of photocopying machines, who does not have any humans doing any volitional act to make any of the copies. In essence, it analogizes itself to a copy shop which merely provides the equipment in a public area of the shop. Had secondary liability been in issue in this case, it would seem to be easy to find liability, as Cablevision operates a "closed shop" in which only its subscribers can operate Cablevision's elaborate computer server farm on which copies of programs are store and from which they are downloaded for viewing.

The Court's analysis on direct infringement abides in a more abstract, philosophical realm, asking who is "the doer," and focusing on the pressing of the button by the customer. Arguably such "doing" requires at least a symbiotic relationship. Cablevision devised and controls the system for a single purpose - to allow its subscriber to simply push a button on a remote control in order to make a complete copy of copyrighted works and to later download and view them. Cablevision's system won't make a copy and deliver it for viewing unless a subscriber requests it; on the other hand, the subscriber could not copy and view the copy of the programs if Cablevision had not created and maintained its closed system - available only to subscribers and only capable of making copies of copyrighted television programs.

Although the parties do not appear to have focused on it, it is possible that plaintiffs could argue that by making its system and offering its services to consumers, Cablevision is "authorizing" its customers to make copies of the copyrighted programming, an exclusive right under the Act. This analysis would render Cablevision's position closer to that of a printer, whom courts have regularly found to be a direct

infringer, even when the printer has no knowledge that the book it has been handed by its customer to print contains copyrighted material belonging to others. *See Fitzgerald Publ. Co., Inc. v. Baylor Publ. Co., Inc.*, 807 F.2d 1110 (2d Cir. 1986) (innocent printer directly liable for unauthorized copying requested by printer's customer).

Although en banc or certiorari petitions will probably follow, this case, which focused purely on a direct liability, may yet evolve into a test about secondary liability and the *Sony Betamax* arguments excluded from analysis so far. If other cable channels (not bound by the present stipulation to pursue only direct liability claims) intervene, plaintiffs may get a "second bite of the apple."

The Supreme Court's *Grokster* decision suggests stricter secondary liability standards than the Court tolerated in *Sony Betamax*. Four justices dissented in *Sony Betamax*, while the Court unanimously decided that *Grokster* had both contributory and vicarious liability for operating that system. The United States itself, which pointedly did not express a view in *Sony Betamax*, also sided with the plaintiffs as amicus in *Grokster*.

Even if this case winds up determined by secondary liability issues, this Second Circuit decision may still be relevant for its analysis of when there is a "transitory copy" in a buffer or in RAM in a computer and the "public performance" analysis.

Meanwhile, rights holders will be troubled by the Court's conclusion that Cablevision cannot be liable as a direct infringer, even when it creates and operates an elaborate closed system for copying and replaying copyrighted works at the request of its subscribers.

Toby M.J. Butterfield and Al J. Daniel, Jr., are with Cowan DeBaets Abrahams & Sheppard LLP in New York. Cablevision was represented by Jeffrey Lamken, Robert Kry, Joshua Klein and Timothy Macht of Baker & Botts. Plaintiffs, including The Cartoon Network, Twentieth Century Fox, CNN, NBC and Disney were represented by Katherine Forrest and Antony Ryan of Cravath Swaine & Moore; and Robert Alan Garrett, Hadrian Katz, Jon Michaels, Peter Zimroth and Eleanor Lackman of Arnold & Porter.

Third Circuit Finds Right Of Access To Juror Names Before Commencement Of Criminal Trial

Presumptive Right of Access Prior to Empanelment

By Robert Clothier

In a second victory for access rights in a highly publicized criminal case in Pennsylvania, the Third Circuit ruled that the press and public have a First Amendment right of access to the names of trial and prospective jurors prior to trial in a criminal case.

United States v. Wecht, No. 07-4767; 2008 WL 2940375 (3rd Cir. Aug. 1, 2008). The Third Circuit, however, declined to strike down the district court's voir dire process that relied solely on written questionnaires until the venire was reduced to a pool of forty. See

(In a prior Third Circuit decision arising out of the same case, the Third Circuit addressed a gag order incorporating Western District of Pennsylvania Local Rule 83.1 limiting what attorneys can say about ongoing criminal cases. While declining to rule on constitutional grounds, the Third Circuit exercised its "supervisory authority over the application of local rule of practice and procedure" and required that "district courts apply Local Rule 83.1 to prohibit only speech that it substantially likely to materially prejudice ongoing criminal proceedings.")

The Third Circuit also ruled that the press and public have a common law right to access to so-called *Orsini* records filed with the district court, and that the trial court did not abuse its discretion in allowing public access to the records. See *United States v. Wecht*, 484 F.3d 194 (3d Cir. 2007). That ruling was discussed in the MediaLawLetter April 2007 at 46.)

Procedural Background

The decision arose out of a federal criminal prosecution of "an acclaimed forensic pathologist" alleging that he "used his public office" as county coroner "for private financial gain."

At issue on appeal was the district court's decision to empanel an anonymous jury and to conduct voir dire through use of a written questionnaire and without venirepersons physically present in an open courtroom until the pool of prospective jurors was reduced to 40. On December

4, 2007, WPXI, Inc., PG Publishing Co., d/b/a the *Pittsburgh Post-Gazette*, and the Tribune-Review Publishing Co. (the "Media-Intervenors") filed a motion challenging the court's decision. They did not seek the jurors' addresses or the actual jury questionnaire. When the district court denied their motion, the Media-Intervenors appealed to the Third Circuit on December 21, 2007, moving for summary reversal and/or for stay of jury selection.

On January 9, 2008, the Third Circuit vacated the district court's ruling to the extent it restricted public access to the names of trial jurors or prospective jurors, denying all other relief sought. The Third Circuit's Order decreed that "juror and prospective jurors' names" shall be disclosed prior to the swearing and empanelment of the jury. On August 1, 2008, the Third Circuit released its opinion in support of January 9th ruling.

The Collateral Order Doctrine

The Third Circuit first addressed whether the Media Intervenors' appeal was appealable under the collateral order doctrine. The Third Circuit confronted the stringent rule set forth in *Flanagan v. United States*, 465 U.S. 259, 263 (1984), which "prohibits appellate review until conviction and imposition of sentence" in a criminal case unless the asserted right would be "destroyed if it were not vindicated before trial." The issue was "whether *Flanagan* had effectively overruled" prior Third Circuit cases applying the collateral order doctrine and permitting interlocutory appeals from denials of access in criminal cases.

The Third Circuit's treatment of this issue presaged its ultimate ruling in favor of access. Addressing the collateral order doctrine's third requirement first (because *Flanagan* "has its greatest impact" on that requirement), the court concluded that "it would be impossible for us to vindicate the public's asserted right of access if we foreclosed appeal of this matter until after final judgment." That was because the "value of right of access" – the public's ability to "verify the impartiality of key participants in the admini-

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stration of justice” – “would be seriously undermined if it could not be contemporaneous.”

Having surmounted this hurdle, the court easily found the remaining two elements for the collateral order doctrine -- hat the district court’s order “conclusively determine[d] the disputed question,” and that the order “resolve[d] an important issue completely separate from the merits of the action.”

The Third Circuit also rejected the government’s contention that the Media Intervenors’ appeal was untimely because the district court had made its intention to establish an anonymous jury clear one and one half years before the appealed-from order. The court stated: “Because the media acts as a surrogate for the public in asserting a right of access, ..., we decline to reject the appeal even assuming *arguendo* that the Media-Intervenors were not diligent in asserting this right.” In other words, the court refused to punish the public for what might have been the press’ lack of diligence.

Presumptive Right of Access to Juror Names

The Third Circuit then addressed whether the press and public have a presumptive First Amendment right of access to the names of trial and prospective jurors prior to empanement of the jury. That question was “one of first impression in our circuit” and one, the Court felt, left unresolved in *Press-Enterprise Co. v. Superior Court*, 464 U.S. 501 (1984) (“Press-Enterprise I”), which ruled in favor of a right of access to voir dire proceedings. While the Media-Intervenors argued for a common law right of access, the Third Circuit did not reach that argument.

The Court applied the familiar “experience and logic” test set forth in *Press-Enterprise Co. v. Superior Court*, 478 U.S. 1, 8-9 (1986) (“Press-Enterprise II”). On the “experience” prong, the Court, relying heavily on the Supreme Court’s decision in *Press-Enterprise I* as well as the Fourth Circuit’s decision in *In re Baltimore Sun Co.*, 841 F.2d 74, 75 (4th Cir. 1998), found that the “instances of courts withholding jurors’ names appear to be very rare before the 1970s” and concluded that “jurors’ names have traditionally been available to the public prior to the beginning of trial.”

Turning to the “logic” prong, the court found that the “purposes served by the openness of trials and voir dire generally are also served by public access to jurors’ names,” adopting the First Circuit’s reasoning in *In re Globe Newspaper Co.*, 920 F.2d 88 (1st Cir. 1990) (holding that public has right of access to names and addresses of jurors following completion of criminal trial).

Knowledge of juror identities helps the public ensure jurors’ impartiality and serves to educate the public about the judicial system generally. The court recognized the risks – e.g., “jury tampering” and “excessive media harassment.” But the court did not consider “these risks so pervasive as to overcome the benefits of public access,” believing that that district court judges can “address these risks on a “case-by-case basis.”

Finally, and significantly, the court determined that the presumptive right of access to juror names “attaches no later than the swearing and empanelment of the jury” because “[c]orruption and bias in a jury should be rooted out before a defendant has run the gauntlet of a trial.” It is this part of the Third Circuit’s decision that is most significant, as few courts around the country have found that such a presumptive right of access arises before trial. Also significant is the Third Circuit’s firm rooting of such a right on the First Amendment. The First Circuit’s decision in *In re Globe Newspaper Co.* and the Fourth Circuit’s decision in *In re Baltimore Sun* both avoided relying on constitutional grounds.

Countervailing Interests

The court then turned to “whether the District Court articulated the necessary findings and consideration of alternatives to overcome the presumption that the jurors’ names should be publicly available.” The court rejected the three reasons given by the district court.

First, the district court found that “withholding the jurors’ names is necessary to prevent the media from publishing stories about them,” which would impact “jurors’ willingness to serve” and their “abilities to remain fair, unbiased, and focused on th[e] case.” The Third Circuit found this “not a legally sufficient reason to withhold the jurors’ names from the public,” calling such “generalized” privacy

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concerns "a necessary cost of the openness of the judicial process."

Second, the district court cited the "possibility that friends or enemies of [the defendant] would attempt to influence the jurors." This "conclusory and generic" explanation was also "insufficient" and "would justify anonymity in virtually every jury trial, whether or not it attracts media attention, since almost all defendants have friends or enemies who might be inclined to influence jurors."

Lastly, the district court emphasized evidence that the defendant had "acquired many enemies" as a prominent coroner involved in publicized criminal trials. The Third Circuit felt that this evidence supported openness, because knowledge of juror identities made it possible to ensure that the defendant's enemies would not become jurors. Such evidence, the court found, did not arise to the level of a "serious and specific enough" risk that would justify the denial of access.

Voir Dire

The Media-Intervenors also challenged the voir dire process that relied "solely on written questionnaires without jurors being physically present in the courtroom prior to reduction of the venire to a pool of forty." They did not request "immediate access to the actual questionnaires" but rather that the district court "conduct voir dire in open court in addition to using the questionnaires." The Third Circuit rejected this request, finding that the media was seeking not merely access to information but that the district court "conduct a specific procedure." The court felt that "the method of conducting voir dire is left to the sound discretion of the district court."

The Dissent

The dissent asserted that the order at issue was not appealable under the collateral order doctrine, which is

"reserved for only the most rare of circumstances." In particular, the dissent felt that the district court's order, issued three weeks before trial, was "not set in stone" and therefore did not conclusively determine the matter in question. And the dissent felt that the right of access would not be "destroyed" if not vindicated prior to trial. The dissent expressed concern that the majority's "expansion" of the collateral order doctrine "will undoubtedly cause significant problems and delays in our district courts..."

On the merits, the dissent criticized the majority's disregard for recent trends favoring juror anonymity and felt that given "the increased media presence and role in judicial proceedings, the collective experience of courts over the last few decades in managing high-profile trials is arguably more relevant than the early development of the jury system..." On the "logic" prong, the dissent saw little value in pre-trial disclosure of juror names and stressed concerns about juror privacy and resulting deterrent effect on juror's willingness and ability to serve. Lastly, the dissent felt that even if there were a presumptive right of access, the district court's reasons were sufficient to deny access to juror names.

The dissent chastised the majority for "effectively creat[ing] a new constitutional right" and felt that in this "age of pervasive media coverage," the district court should be given discretion and not be "micro-managed" by an appellate court.

Robert C. Clothier is partner and chair of the Media, Defamation and Privacy Law Practice Group in the Philadelphia office of Fox Rothschild LLP. Counsel for the media intervenors are David Strassburger of Strassburger, McKenna, Gutnick & Potter, P.C. (Tribune-Review Publishing), David J. Berardinelli and Walter DeForest of DeForest Koscelnik Yokitis, Kaplan & Berardinelli (on behalf of WPXI, Inc.), and David J. Bird and W. Thomas McGough, Jr. of Reed Smith LLP (PG Publishing Co.). Counsel for the defendant are Richard L. Thornburgh, Amy L. Barrette and Jerry S. McDevitt of Kirkpatrick & Lockhart.

First Circuit Reinstates Journalists' Fourth Amendment Claim Over Alleged FBI Assault

Qualified Immunity Was Granted Prematurely

The First Circuit Court of Appeals affirmed summary judgment against journalists' and press organizations' First Amendment claims over a confrontation with FBI agents, but reinstated their Fourth Amendment excessive force claims. *Asociación de Periodistas de Puerto Rico v. Mueller*, 529 F.3d 52 (1st Cir. June 18, 2008) (Lynch, C.J., Torruella, Selya, JJ.). The court found that plaintiffs' allegations of excessive force stated a claim for a Fourth Amendment violation and at this stage in the litigation, the government defendants failed to establish that qualified immunity applied.

Background

Plaintiffs Asociación de Periodistas de Puerto Rico and the Overseas Press Club of Puerto Rico, along with several journalists, brought suit against the director of the FBI and unknown FBI agents. The suit concerned a search warrant executed by the FBI on February 10, 2006 in San Juan, Puerto Rico against a local political activist, Liliana Laboy-Rodríguez.

The local media attempted to cover the FBI agents' search. Laboy-Rodríguez, who gained prominence through her association with the movement for Puerto Rican independence, lives in a multi-unit condominium complex with a metal fence and concrete wall around the perimeter. FBI agents sought to restrict access to her apartment by prohibiting media from entering the private property and relegating them to a location beyond the metal fence.

At midday, a Department of Homeland Security helicopter landed in a field near the condominium. More FBI agents approached the Laboy-Rodríguez residence. Journalists attempted to speak with these agents and were allegedly physically prevented. According to the journalists, agents pushed away their microphones, cameras and one pointed a rifle at them. After their failed attempt to communicate with the agents, the journalists returned to standing outside the metal fence of the condominium.

As the day progressed, a large crowd of both journalists and the general public had gathered in the area. Laboy-Rodríguez's daughter appeared outside the apartment and journalists entered the complex after they allegedly received a "wave" from her. FBI agents immediately ordered the journalists to leave, and according to the journalists, began responding with physical

force, through batons and pepper spray, without giving them opportunity to exit.

Qualified Immunity Defense

Plaintiffs asserted that the FBI agents had violated their First and Fourth Amendment rights. The lower court granted defendants' summary judgment motion, based on qualified immunity, on both claims. The First Circuit, in reviewing the qualified immunity defense, applied a three part test to determine if such a defense exists. The test first asks whether a constitutional right has been violated. Next, the "constitutional right [must be] clearly established at the time." Finally, the tests asks "whether a 'reasonable officer, similarly situated, would understand that the challenged conduct violated' the clearly established right at issue." *Asociación de Periodistas*, 529 F.3d at 57 (quoting *Riverdale Mills Corp. v. Pimpare*, 392 F.3d 55, 59-61 (1st Cir. 2004); *Suboh v. Dist. Attorney's Office*, 298 F.3d 81, 90 (1st Cir. 2002)).

First Amendment Claims

Plaintiffs' First Amendment claim was based on the agents denying them access both within the condominium property and also the field where the helicopter had landed. Before analyzing whether qualified immunity exists, the court held that the claim failed. Plaintiffs did not demonstrate that they had a right beyond the public to be within the condominium (despite the claim that Laboy-Rodríguez's daughter gave them access through a "wave") or in the field where the helicopter landed.

Because plaintiffs failed to meet the burden of showing a constitutional right existed, they failed the first part of the qualified immunity test: if no right existed, then none could have been violated.

Fourth Amendment Claims

Plaintiffs' second claim was for violation of their Fourth Amendment right to be free from excessive force. The basis for the claim was the FBI agents' alleged use of pepper spray

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First Circuit Reinstates Journalists' Fourth Amendment Claim Over Alleged FBI Assault

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and batons resulting in injuries. The plaintiffs allege the force was used when the agents expelled them from the condominium.

The lower court had ruled in favor of defendants, finding they “reasonably could have believed that it was necessary to use physical force against members of the crowd.” *Asociación de Periodistas de Puerto Rico v. Mueller*, No. 06-1931, *13 (D.P.R. June 12, 2007). The appeals court disagreed, finding that the lower court had failed to view the evidence in a light most favorable to the plaintiffs, the summary judgment motion standard.

The court analyzed the three part test for qualified immunity. First, it found that the journalists' Fourth Amendment right to be free from excessive force was violated. Plaintiffs had offered evidence of multiple instances of the use of excessive force, while defendants only made “conclusory statements” that the force was necessary. Defendants also failed to address any of the specific allegations made by plaintiffs.

Next, the court addressed whether the constitutional right

had been “clearly established.” The issue was narrowed to the specific inquiry of whether prior case law established that the force used “against a group of non-threatening individuals was excessive.” The court cited cases giving examples of what type of force was deemed excessive. Focusing on the plaintiffs allegation that they were given no opportunity to leave the premises before force was used, the court found that the type of force used was established as excessive.

The final question was “whether an objectively reasonable officer *would have believed* the conduct was unreasonable.” *Asociación de Periodistas*, 529 F.3d at 61 (quoting *Jennings v. Jones*, 499 F.3d 2, 19 (1st Cir. 2007) (emphasis added)). Again, the court pointed out that defendants failed to address specific allegations of force. For example, an agent was alleged to have sprayed pepper spray directly “into the face of an unthreatening journalist lying on the ground.” Allegations like this need to be addressed in further detail beyond the summary judgment stage. Furthermore, defendants failed to adequately develop their general claim that they reasonably believed force was necessary to control the crowd.

New Mexico Cameraman Arrested at Crime Scene *Police Chief Acknowledges Mistakes were Made*

On May 29, 2008, an Albuquerque police officer attacked a cameraman attempting to film a crime scene. The reporter was arrested, but charges were dismissed this month. The attack has prompted city police to promise new policies to deal with the media.

Rick Foley, a veteran cameraman for KOB-TV, was on a public street outside the crime scene perimeter. Police officer Daniel Guzman told Rick Foley to leave the area, allegedly to join a media staging area several blocks away. Foley refused and instead remained filming.

After a back and forth, the officer lunged at the cameraman. With the camera still rolling, the two scuffled, with another police officer telling the cameraman that he refused to obey a lawful order. Foley was arrested on that charge.

The video was aired on both television and the Internet and can be found on YouTube at <http://www.youtube.com/watch?v=eS97Cylw9Lo>. On July 1, Metro Court Judge Benjamin Chavez dismissed the charge, finding that the cameraman was arrested on a traffic citation that did not include probable cause for the arrest citation.

The Albuquerque Police department has promised changes in media relations, including requiring officers in media disputes to call in a supervisor or public information officer. Officer Guzman was put on leave and faces a disciplinary hearing.

Third Circuit Strikes Down Federal Law Criminalizing Depictions of Animal Cruelty

Court Declines to Create New Category of Unprotected Speech

By a 10-3 vote, the Third Circuit declared unconstitutional a federal law criminalizing depictions of animal cruelty. *United States v. Stevens*, No. 05-2497, 2008 WL 2779529 (3d Cir. July 18, 2008) (en banc). While noting that some of the material targeted by the law might be considered obscene, the court held that the statute also applied to protected speech and there was no compelling government interest for such a restriction. The government, the majority reasoned, was essentially inviting the court to create a new category of unprotected speech – a step the court refused to take.

Background

The defendant, Robert J. Stevens, was convicted in March of 2004. His case was the first prosecution under 18 U.S.C. section 48 to come to trial. Stevens had been arrested after law enforcement agents arranged to buy three videotapes from him. Two of the tapes show 1960s and 70s era footage of dog fights involving pit bulls and more recent footage of such fights in Japan. A third video shows dogs hunting and attacking wild boar.

18 U.S.C. section 48 was signed into law by President Clinton in 1999. Section 48(a) provides that “Whoever knowingly creates, sells, or possesses a depiction of animal cruelty with the intention of placing that depiction in interstate or foreign commerce for commercial gain, shall be fined under this title or imprisoned not more than 5 years, or both.”

18 U.S.C. section 48(b) contains an exception for “any depiction that has serious religious, political, scientific, educational, journalistic, historical, or artistic value.”

18 U.S.C. section 48(c) defines depictions of animal cruelty to include “any visual or auditory depiction ... in which a living animal is intentionally maimed, mutilated, tortured, wounded, or killed, if such conduct is illegal under Federal law or the law of the [jurisdiction] in which the creation, sale, or possession takes place, regardless of whether the maiming, mutilation, torture, wounding, or killing took place in the [jurisdiction].” Under this provision of the statute, material legal in one jurisdiction could presumably be subject to prosecution elsewhere in the country.

Third Circuit Decision

Judge D. Brooks Smith began his opinion for the majority by noting that the government’s position would require the court to create a new category of unprotected speech, something that has not been done by the Supreme Court since its 1982 decision in *New York v. Ferber*, 458 U.S. 747 (1982) (holding that child pornography is not protected speech).

The court first looked to the legislative history of section 48, noting that the primary target of the statute was so-called “crush videos,” which typically feature women using their bare or stiletto-clad foot to inflict torture on animals, usually to appeal to a specific sexual fetish. In a footnote, the decision left open the idea that a more narrowly-tailored statute designed specifically to regulate such “crush videos” may fall under the existing unprotected speech category of obscenity. *Stevens*, 2008 WL 2779529, at *4 n.5. However, because the statute was written more broadly to cover all depictions of animal cruelty, the court was compelled to consider whether such depictions should constitute a new category of speech undeserving of First Amendment protection.

To determine whether a new category should be created, Judge Smith looked to the factors laid out by the Supreme Court in *New York v. Ferber*. The first factor the court deemed the “most important”: does the government have a compelling interest? The court was not persuaded that preventing animal cruelty met the high standard required by *Ferber*: “No matter how appealing the cause of animal protection is to our sensibilities, we hesitate – in the First Amendment context – to elevate it to the status of a *compelling* interest.” *Id.* at *6. “And even more fatal to the Government’s position,” was that “the statute does not regulate the underlying act of animal cruelty.” *Id.*

The second factor considered in *Ferber*, the intrinsic relationship between child pornography and the sexual abuse of children, was also found to be inapplicable. “While animals are sentient creatures worthy of human kindness and human care, one cannot seriously contend

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Third Circuit Strikes Down Federal Law Criminalizing Depictions of Animal Cruelty

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that the animals themselves suffer continuing harm by having their images out in the marketplace.” *Id.* at *9.

The third factor considered in *Ferber*, the “drying-up-the-market theory,” was found to be potentially apt in the animal cruelty context. However, the majority found no evidence in the record to confirm that the theory is valid in this circumstance.

Finally, considering the value of the speech, the court noted the exception in the statute for depictions with “serious” value, but stressed that speech does not generally need “serious” value to be deserving of First Amendment protection.

Considering all of the factors, the court declined to categorize visual depictions of animal cruelty as unprotected speech. Judge Smith also noted that the majority’s reluctance to do so stemmed in part from the lack of precedent from the U.S. Supreme Court: “Without guidance from the Supreme Court, a lower federal court should hesitate before extending the logic of *Ferber* to other types of speech.” *Id.* at *5.

Because the speech was protected, the court applied a standard of strict scrutiny, which the statute failed. The court also held that the statute was over-inclusive because it prosecutes depictions of animal cruelty that may have been

filmed in locations where there may be no law prohibiting such activity or filmed prior to the passage of any such law. In a footnote, the court suggested that the law might also be unconstitutionally overbroad, but declined to decide the case on overbreadth grounds, noting that such an approach should be turned to as a last resort.

Dissent

Judges Cowan, Fuentes and Fisher dissented, agreeing with the government that preventing animal cruelty provided a compelling interest for the statute. The dissent pointed to the laws prohibiting animal cruelty in every state as evidence of a national interest in eliminating such abuse. The dissent also asserted that the material covered by the statute offers little social value, adding that “the depictions outlawed by section 48, by and large, can only have value to those with a morbid fascination with suffering.” *Id.* at *19.

The government was represented by Robert Eberhardt and Laura Irwin of the U.S. Attorneys Office in Pittsburgh. Defendant was represented by Karen S. Gerlach, Office of the Federal Public Defender, Pittsburgh.

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NY Court Applies *Dendrite* Standard: Orders Disclosure of Identifying Information

Pseudonymous Posters Allegedly Defamed Ex-Congressman

By Mark Fowler

A judge in Westchester County New York adopted the four-part test set forth in *Dendrite v. Doe* in ruling on a case involving a subpoena to compel disclosure of information that might lead to the identification of individuals who posted pseudonymous commentary on an online forum. *Ottinger v. The Journal News*, No. 08-03892 (NY Sup. Ct. July 1, 2008) (Bellantoni, J.).

Background

Former U.S. Representative Richard Ottinger (who also served as Dean of Pace University Law School during the 1990s) and his wife filed a John Doe lawsuit alleging defamation arising out of series of pseudonymous comments on a forum appearing on the LoHud.com website, maintained by *The Journal News*, a daily newspaper owned by Gannett.

The comments alleged a series of improprieties relating to the Ottingers' renovations of their house in Mamaroneck, New York. For example, according to the complaint, a poster using the screen name "SAVE 10543" stated that "it now appears that it has been proven that the Ottinger's [sic] . . . have presented a FRAUDULENT deed in order to claim that they own land under water . . ." and that "[t]hey paid the right people off" and "have been very generous in greasing the wheels of corruption" (emphasis in original).

According to court documents, a second poster, using the screen name "hadenough," wrote about the "Ottingers [sic] criminal behavior" and "their illegal scam." A third poster (the complaint says), using the screen name "aoxomoxoa," contended that a local town official "took the juice from Richard and June Ottinger to the tune of \$25,000 so they could build their starter Taj Mahal on a substandard lot" and that "[t]heir money bought [another town official]."

The complaint also specified several other allegedly false and defamatory statements. The plaintiffs issued a subpoena to *The Journal News* seeking email addresses and IP addresses relating to the three screen names.

The newspaper moved to quash the subpoena, arguing that the Ottingers should have proceeded instead by a special proceeding seeking pre-action discovery and that, in any event, the information requested need not be disclosed unless the Ottingers could meet the four-part test set forth in *Dendrite v. Doe*, 775 A.2d 756 (N.J. Super. Ct. App. Div. 2001), and its progeny. Pre-action discovery in New York requires, among other things, evidence that the party seeking discovery has a meritorious cause of action and a showing that the information being sought is material and necessary to the actionable wrong.

The First Hearing

At an initial hearing on May 28, 2008, Acting Supreme Court Justice Rory Bellantoni converted the case to a special proceeding, as the newspaper had advocated. He agreed that the First Amendment "protects the right of a person to speak anonymously," while noting that such protection is not absolute. He also indicated that he would follow the *Dendrite* approach in analyzing the respective rights of the Ottingers and the posters. As an initial step, he ordered counsel for the Ottingers to post a notice on two relevant LoHud.com forums indicating that the Ottingers were seeking identifying information relating to the three screen names and making clear that posters could intervene in the proceeding on or before June 25, 2008, "individually or by counsel," "anonymously or otherwise." The notices themselves provoked spirited online commentary.

The Second Hearing

At the continuation of the hearing on June 25, no posters appeared. Judge Bellantoni then proceeded to apply the remaining three steps in the *Dendrite* analysis. He found that the Ottingers had identified the exact statements they were complaining about, as *Dendrite* and New York pleading rules require. He found that at least some of the statements could be deemed defamatory, noted that the Ottingers had come forward with factual evidence on the merits in

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NY Court Applies *Dendrite* Standard: Orders Disclosure of Identifying Information

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affidavit form supporting each element of the cause of action -- except one.

The newspaper had argued that Richard Ottinger – and perhaps his wife as well – would qualify as public figures and therefore would be required to prove actual malice. As to this element, the judge adopted the approach set forth in *Doe v. Cahill*, 884 A.D.2d 451 (Del. 2005), holding that the Ottingers were not required to make a showing on actual malice because such information could not reasonably be expected to be in their possession at this early stage in the proceedings, given the anonymity of the potential defendants.

The judge indicated that he had also balanced the First Amendment right of anonymous speech against the strength of the case presented by the Ottingers, as the *Dendrite* standard requires.

First NY Case to Apply Full Dendrite Test

The court held that, because the Ottingers had made the requisite showings under the *Dendrite* standard, *The Journal News* should disclose any potentially identifying information that it had collected concerning the pseudonymous posters. The case appears to be the first in New York to apply the *Dendrite* standard across the board. An earlier case, *Greenbaum v. Google, Inc.*, 18 Misc.3d 185 (Sup. Ct. N.Y. County 2007), cited *Dendrite* with approval, but did not have occasion to apply all elements of the test because the court found that the statements at issue were not defamatory.

Mark Fowler and Glenn Edwards of Satterlee Stephens Burke & Burke LLP of New York City represented The Journal News. Russell Ippolito of Tarrytown, New York, represented the Ottingers.

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Third Circuit Rejects FCC's "Fleeting Images" Policy

Reverses Super Bowl Fine

By Robert Corn-Revere, Ronald G. London and Amber Husbands

On July 21, 2008, the United States Court of Appeals for the Third Circuit unanimously rejected the \$550,000 forfeiture penalty and finding of indecency violation levied against CBS for the 2004 Super Bowl halftime show featuring Janet Jackson and Justin Timberlake. *CBS Corporation v. FCC*, No. No. 06-3575 (3d Cir.) (Scirica, Rendell, Fuentes, JJ.).

The appeal involved the live broadcast of the show, which culminated in an unscripted nine-sixteenth-second exposure of Janet Jackson's breast. The court held that the FCC arbitrarily and capriciously departed from its prior policy of excepting fleeting broadcast material from the scope of actionable indecency. It also determined the FCC could not impose strict liability on CBS, or hold it liable for the conduct of Jackson and Timberlake because they were independent contractors and not CBS employees.

FCC's Decision Was Arbitrary and Capricious

In the court's opinion, authored by Judge Scirica, the Third Circuit found that at the time of the 2004 Super Bowl halftime show, the FCC's policy was to exempt fleeting or isolated material — both images and words — from the scope of actionable indecency. "During a span of three decades," the court observed, "the Commission frequently declined to find broadcast programming indecent, its restraint punctuated by only a few occasions where programming contained indecent material so pervasive as to amount to 'shock treatment' for the audience." Contrary to the FCC's argument that it always treated fleeting images differently from fleeting expletives, the Third Circuit found that the agency's indecency enforcement history proved otherwise.

Moreover, regardless of whether the Super Bowl fine was unprecedented because the FCC had previously treated fleeting images and fleeting words the same, or because it never had had a specific policy on how it would treat fleeting images, the court held that the FCC's current policy of including fleeting images within the scope of actionable indecency is a departure from prior policy, for which the FCC failed to provide a rational explanation, and that it unfairly applied to CBS retroactively. Therefore, the fine against

CBS was arbitrary and capricious under the Administrative Procedure Act and was invalid as to CBS.

No Liability for Acts of Independent Contractors

The Third Circuit also explained that, even if the departure from precedent did not invalidate the Super Bowl forfeiture, the FCC could not impose liability on CBS for the actions of Jackson and Timberlake because they were independent contractors and not CBS employees. The court also rejected the FCC's argument that CBS had a nondelegable duty to comply with the indecency policy, because the First Amendment precludes punishing a speaker for

the content of expression absent a showing of scienter, *i.e.*, a knowing or reckless violation of indecency law.

Noting that "the scienter element of the indecency provisions — as a constitutional requirement — is paramount," the court explained that "when a broadcaster endeavors to exercise proper control, but ultimately fails, to prevent unscripted indecency, it will not have acted with scienter if its actions were negligent rather than reckless," such that "when unscripted indecent material occurs during a live or spontaneous broadcast, as it did here, the FCC

should show that the broadcaster was, at minimum, reckless in causing the indecent material to be transmitted."

No Decision on FCC's "Willful" Conduct Argument

Finally, the Third Circuit did not reach a decision on FCC's alternative argument — that CBS was directly liable because its own conduct was "willful." The court determined that it would need further clarification on the FCC's interpretation of relevant provisions of the Communications Act to decide the matter. However, even if the FCC's interpretation of the statute were permissible, and CBS's conduct were held to be willful, the outcome would be the same because the court rejected the forfeiture order under

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Third Circuit Rejects FCC's "Fleeting Images" Policy

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the Administrative Procedure Act.

Accordingly, the court vacated the Super Bowl order and invalidated the imposition of a fine against CBS. In addition, although it cautioned that any further FCC action would be declaratory in nature, as the agency may not retroactively penalize CBS, the court remanded the case for further proceedings consistent with its opinion.

On this point, Judge Rendell dissented. Although she agreed

entirely with the holding that the FCC's action unlawfully constituted an unexplained departure from precedent, she dissented on the need for a remand. Judge Rendell noted that the FCC could explain any change in policy in future orders or declaratory rulings without involving CBS as a direct party in the proceedings.

Robert Corn-Revere, Ronald G. London, Amber Husbands and David Shapiro with Davis Wright Tremaine in Washington, D.C. represented CBS in this matter.

MLRC INSTITUTE FIRST AMENDMENT SPEAKERS BUREAU

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Seen here: Kathleen Conkey of Jacobs DeBrauwer, LLP and film maker Norman Green at the Drama Book Shop in NYC July 22.



Bruce Johnson, Davis Wright Tremaine, speaking at an MLRC Institute Panel "Shining a Light on Reporters and the Law" held on July 18 in Seattle. Available online [here](#).

We asked a group of renowned First Amendment lawyers and Supreme Court practitioners to answer questions about the direction of the Court on First Amendment issues. Their responses were published in our Supreme Court Bulletin and are reprinted below.

Supreme Court Roundtable

Floyd Abrams, Professor Erwin Chemerinsky and Cliff Sloan

1. Does the current Court have a discernable First Amendment philosophy or direction?

Floyd Abrams: There are three Supreme Courts in First Amendment issues – liberal, conservative and Justice Kennedy. The liberals are generally sympathetic to First Amendment interests in cases involving sexual content on the Internet, speech of students and government employees and, most broadly, truthful speech about matters of public concern. Conservatives find their First Amendment when Congress limits the expenditure of funds that may influence elections, when states suppress the speech of pro-life protesters near abortion clinics, and when privacy interests (although nowhere specified in the Constitution) clash with First Amendment interests. Justice Kennedy is consistently and significantly more First Amendment-protective than all other members of the Court. In the two recent First Amendment cases that I consider to be the worst in recent memory – *Hill v. Colorado*, 530 U.S. 703 (2000), upholding sweeping limitations on the speech of anti-abortion protesters in the vicinity of abortion clinics and *McConnell v. FEC*, 540 U.S. 93 (2003), upholding sweeping limitations on campaign expenditures, Kennedy dissented in both. And in the two greatest recent First Amendment victories – *Ashcroft v. Free Speech Coalition*, 535 U.S. 234 (2002), striking down portions of the Child Pornography Act of 1996, and *Bartnicki v. Vopper*, 532 U.S. 514 (2001), holding portions of the Federal Wiretapping Act unconstitutional as applied to the press in certain circumstances, Kennedy wrote the first and joined the second. In the former cases, liberal anti-speech votes carried the day; in the latter ones, liberal pro-speech votes prevailed. Kennedy voted for the pro-speech position in all. Of course, Kennedy is not as predictable as that may suggest and there are cases in which more than one side has a legitimate claim to be carrying the First Amendment banner and others in which competing interests should prevail over those that claim the protection of the First Amendment. Even when Justice Kennedy does not join the “pro-speech” side of a case, he sometimes seeks to limit the precedential impact of the ruling by making clear that

he will not extend it another inch. His concurring opinion (with Justice Alito) in the recent *Morse* case (permitting punishment of a high school student’s speech outside the school), is one illustration of this. In any event, taken as a whole, Justice Kennedy stands alone as a consistent defender of First Amendment interests. As a result, there is no easily summarized First Amendment “philosophy” of the Court.

Professor Chemerinsky: This is a Court that generally favors government power over individuals (and business over consumers and employees, though that generally is not relevant in the First Amendment area). The two most important First Amendment cases so far from the Roberts Court have been *Morse v. Frederick*, 127 S. Ct. 2618 (2007) and *Garcetti v. Ceballos*, 547 U.S. 410 (2006). Both were 5-4 decisions to favor government power over speech, with the majority comprised of Chief Justice Roberts and Justices Scalia, Kennedy, Thomas, and Alito. The former said that a school could punish a student’s speech even without any showing that the speech caused any disruption or posed any harm. The latter created a bright line rule that there is no First Amendment protection for the speech of government employees on the job in the scope of their employment. These are major losses for freedom of speech. The one area where “speech” claims have prevailed is in the area of campaign finance. There have been three major campaign finance cases from the Roberts Court: *Randall v. Sorrell*, 548 U.S. 230 (2006), *Federal Election Commission v. Wisconsin Right to Life*, 127 S. Ct. 2652 (2007) and *Davis v. Federal Election Commission*, 128 S. Ct. 2759 (2008). Each has sided with the challenger to the campaign finance law, the latter two by 5-4 margins. The dispute in these cases is whether campaign contributions should be regarded as speech and what justifications are sufficient to allow limits. In these cases, it is the conservative Justices who regard campaign contributions as speech and want to eliminate all or most of the limits.

Cliff Sloan: It’s especially hazardous to talk about the Court’s “direction” right now because the Court seems to be at a once-in-a-generation crossroads. Its future hangs in the balance in the Presi-

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dential election – a prospect that’s often talked about, but which seems overwhelmingly likely this year. More than any time in recent memory, the Court is at a genuine tipping point, in which its identity will be forged by new appointments in the next few years. The most dramatic change in the Court’s approach to First Amendment issues has been the replacement of Justice O’Connor by Justice Alito. In campaign finance in particular, this change has led to a Court that is more receptive to the First Amendment interests asserted in challenging campaign finance regulations. In terms of an overall philosophy, I think that the Court right now has a series of individuals with their own philosophies, or groups of Justices with similar philosophies, rather than a distinct overarching approach of the Court. The current Court often muddles through on First Amendment issues – a stance which, depending on the future direction of the Court, may or may not look like it was a desirable approach. As in other areas, a key question for the Supreme Court on First Amendment issues will be whether a majority seeks to revisit and overrule existing precedents. Justice Scalia, for example, publicly has stated (in Norman Pearlstine’s *Off The Record*) that, “given the chance,” he would “probably” vote to overrule *New York Times v. Sullivan*. In many areas of constitutional law, Justice Thomas has shown an eagerness to overturn long-settled precedents.

2. Do recent First Amendment decisions in campaign finance and employee speech cases (or other areas) shed any light on the Court’s attitude towards press issues?

Floyd Abrams: Cases relating to campaign finance limitations tell us absolutely nothing about how Supreme Court Justices will vote in other cases. The four most predictably conservative members of the Court plus Justice Kennedy take the First Amendment seriously in such cases; the four more liberal members barely acknowledge any First Amendment interest at all in speech (or what they view as merely spending money that is somehow attendant to speech) within months of elections. The same is basically true in reverse in cases such as *Garcetti*; the conservatives (Justice Kennedy included on this one) lean hard against the assertion of broad speech rights of government employees while the four liberal-ish jurists would give far more protection to such speech. Lesson: one can’t predict votes in this area by simply thinking in general terms based on liberal/conservative labels. And in some cases – flag burning comes to mind – one can’t predict at all.

Professor Chemerinsky: It is difficult to generalize from the campaign finance and the employee speech cases to press issues. The campaign finance cases reflect a strong sense by the conservatives that *Buckley v. Valeo*, 424 U.S. 1 (1976) was wrong and that limits on contributions are unconstitutional. Justices Scalia, Kennedy, and Thomas have expressly taken this position and Chief Justice Roberts and Alito have voted in that direction in every case so far. The employee speech case, *Garcetti v. Ceballos*, reflects a Court very deferential to the government as employer. That was also reflected this past term in *Engquist v. Oregon Department of Agriculture*, 128 S. Ct. 2146 (2008) which held that government employees cannot bring class-of-one equal protection claims. The resolution of press issues will depend so much on context and the issue and the way in which it is presented. If, for example, it is about press access to prisons, I think that the Court is very likely to side with the government. Likewise, if it is about student newspapers, *Morse v. Frederick* suggests the government will prevail (again depending on the facts and specific issue). But in other contexts, the Court might be very sympathetic to press claims.

Cliff Sloan: It is unlikely that they do shed significant light on press issues. The Justices tend to be very contextual in their approach. One might think, for example, that the emphasis of five Justices (Roberts, Alito, Kennedy, Scalia, and Thomas) on the importance of protecting core political speech in the campaign finance speech area might lead them to a strong defense of press freedom because it similarly represents core protected speech. As noted, however, Justice Scalia, a strong First Amendment advocate in campaign finance (and in certain other areas, such as flag-burning), has stated that he thinks *New York Times v. Sullivan* should be overruled. Justice Scalia would argue that these positions are entirely consistent based on his historical approach to the First Amendment, but they illustrate the difficulty of applying a Justice’s strong First Amendment language in one context to another context. And it’s important to note that context does matter in assessing the merits of a First Amendment claim. In my view, for example, the First Amendment claims in opposing campaign finance regulation frequently are overwrought. With all due respect to Floyd Abrams’s role as one of the advocates against the constitutionality of the McCain-Feingold Act, I do not agree with him that the Supreme Court’s decision upholding the Act was one of “the worst in recent memory” on First Amendment issues.

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3. Justice Kennedy is described as the new swing vote on the Court. Does he have a First Amendment outlook that could make itself felt in media cases? Are there any other bellwether Justices?

Floyd Abrams: As I have said, Justice Kennedy stands alone on the Court in terms of his general support for First Amendment interests. When he does not believe those interests are significant in a particular case, i.e. *Garcetti*, the party asserting a First Amendment claim will invariably lose – often in an opinion assigned to him either because (a) he might not join the sort of opinion another jurist might write or (b) because he is known to be sympathetic to First Amendment claims. As regards media claims, there may be some cases in which the Court will rule with the media – especially if the Internet is involved – but I wouldn't count on the Court broadly protecting “press” interests outside areas such as those involving prior restraints where the law is clearly established that near-absolute protection exists.

Professor Chemerinsky: For much of his time on the Court, Justice Kennedy has been a very pro-speech Justice. In fact, one study found him the most pro-speech Justice and Justice Breyer the least pro-speech Justice. But that has not been reflected in the last few terms. He was in the majority in the 5-4 decision in *Morse v. Frederick*. He wrote the majority opinion in *Garcetti v. Ceballos*. This term, in *United States v. Williams*, 128 S. Ct. 1830 (2008) he was in the majority (in a 7-2 decision) upholding the new federal child pornography law which allows punishment even if the material is not actually child pornography. It is very difficult to reconcile this with his earlier opinion in *Ashcroft v. Free Speech Coalition*. During the Roberts years, Justice Kennedy has not been a pro-speech Justice. But if it is a 5-4 decision, in the speech area or any other area of constitutional law, it is a safe prediction that it will be 5-4 with Justice Kennedy in the majority.

Cliff Sloan: I think that the voting patterns on the Court are somewhat less predictable than Professor Chemerinsky suggests. In fact, the emphasis on Justice Kennedy's role as an inevitable swing vote often is exaggerated. Remember, for example, that, this past Term, Justice Kennedy was in dissent in fully one third of the Supreme Court's 5-4 decisions. Here's another indication: last Term, contrary to public perception, Justice Clarence Thomas actually was in the majority in 5-4 cases the same number of times as

Justice Kennedy. To be sure, last Term may have been unusual. The Term before last, Justice Kennedy was in the majority in every 5-4 decision, which put him in the majority in 5-4 cases more than any other Justice. But last Term's unpredictable pattern at least suggests that the common view of Justice Kennedy as the invariable swing vote is far too sweeping. It's no exaggeration to say that all of the Justices should be viewed as “bellwether Justices” and potential “swing votes” on media issues (and on other issues as well). That's certainly true from an advocacy perspective. Even with regard to Justice Kennedy, he frequently has defended First Amendment values with strong language, but he also has proven that his votes are not always predictable. Speaking of Justice Kennedy, with regard to Professor Chemerinsky's observation that it's difficult to reconcile Justice Kennedy's votes in the two virtual child pornography cases, it's notable that Justice Kennedy voted in those two cases the same way as Justice Stevens and Justice Breyer – still another indication that the conventional portrait of Justice Kennedy as the controlling balance wheel on the Court is painted with too broad a brush.

4. This coming term, the Court will review the Second Circuit's 'fleeting expletive' decision in *FCC v. Fox*. Is there any chance the Court will reconsider *Pacifica* in light of the new media landscape as suggested by the Second Circuit?

Floyd Abrams: I think it unlikely that the Court will reverse *FCC v. Pacifica*, 438 U.S. 726 (1978). It has thus far refused even to narrow it and I would be very surprised if this Court – the Roberts Court – came close to overruling Justice Stevens' opinion in *Pacifica*. However, the Court may well rule for Fox. The punishment of “fleeting expletives” seems both arbitrary and often ridiculous. While I think Justice Breyer, rarely a First Amendment enthusiast, is a tough vote for Fox to get (see Judge Leval's dissent below) Justice Thomas (but not Justice Scalia) seems to me a possible vote for Fox on this one.

Professor Chemerinsky: I believe that there is a strong chance that the Court will reconsider *Pacifica*. Social sensibilities about profanity are different. They are far more common in the media and everyday use. Also, the media is different. *Pacifica* was part of the Court developing a medium-by-medium approach to inde-

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cent speech, treating it differently over the broadcast media, over cable, over the Internet, over telephones. Today, people receive all of these services from one provider. The distinctions in terms of speech protection make little sense. *Pacifica* was wrong when it was decided. The George Carlin monologue was a wonderful expression about society's hang-ups about language. What a fitting tribute to George Carlin's memory for the Court to overturn the decision in the year he died.

Cliff Sloan: I think that there is a significant chance that the Supreme Court will reconsider *Pacifica*, or, at least, that individual Justices will raise doubts about it. As many of the briefs point out, the factual premises that the Court relied on in *Pacifica* about the unique status of broadcasting no longer are present. It's possible that the Court will find against the government without reaching this issue. The government's erratic and arbitrary record in enforcing its fleeting expletives doctrine is striking. This record may lead the Supreme Court to reject the FCC's action on the same basis as the Second Circuit – that it fails to pass the test of reasoned decision making. But it also is conceivable that the record of bizarre and unpredictable government enforcement actions will be the trigger that causes the Court, or individual Justices, to recognize that the *Pacifica* standard now has been superseded by events and should be jettisoned. In *Reno v. American Civil Liberties Union*, 521 U.S. 844 (1997), the Supreme Court famously, and importantly, held that the Internet is entitled to the same full First Amendment protections as other media, and that the Internet should not be subject to the weaker *Pacifica* protections. In light of the explosion of media alternatives and the reshaping of the media landscape since the *Pacifica* decision, this may well be the Term in which the Supreme Court finally reaches the same conclusion about broadcasting itself.

5. The Supreme Court has not considered a media libel case since *Masson v. New York* in 1991. Are there any libel law issues that the Court might or should accept for review in the near term? E.g., post-trial injunctions?

The George Carlin monologue was a wonderful expression about society's hang-ups about language. What a fitting tribute to George Carlin's memory for the Court to overturn the decision in the year he died.

Floyd Abrams: While there are issues that the Court may yet decide as to which there is considerable disagreement below – the treatment of neutral reportage, for example – the real issue is whether *New York Times v. Sullivan* itself will survive. Justice Scalia has already asserted his desire to reverse the ruling (possibly forcing him to recuse himself?) and we should not underestimate the level of anger at and disdain of the press by a considerable number of the Justices.

Professor Chemerinsky: There are countless media issues that remain unresolved. The example of post-trial injunctions of speech is a good one. The related issue of whether injunctions are permissible as a remedy in defamation cases, and if so when, was raised but not decided in *Tory v. Cochran*, 544 U.S. 734 (2005). There remain major unresolved issues concerning defamation law (such as the standards of liability for plaintiffs who are not public figures when the speech does not involve a matter of public concern.) Also, and probably most importantly, there will be issues regarding the war on terrorism and speech. These might be access issues or perhaps ones related to the state secrets doctrine.

Cliff Sloan: At some point, I think that the Supreme Court is going to have to hear a case on the scope of Internet jurisdiction in libel cases. Many courts in other countries are applying a breathtakingly expansive view of jurisdiction based on Internet presence, including in libel cases. The issue may come to the Court in the context of the enforceability of judgments from foreign countries.

6. The Supreme Court has been active in reviewing the constitutionality of punitive damage awards. Should large compensatory damages awards in First Amendment cases be subject to constitutional scrutiny?

Floyd Abrams: I see no realistic chance that the Court will provide protection to the press from compensatory damages awards. If it does, it will come in the form of an opinion in another area that is by its nature applicable to libel and privacy ruling as well. But I

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don't think that will happen anywhere and certainly not in a press case. Put another way, I think there is a clear and significant majority on the Court against reaching out to protect the press or to afford any more protection than currently exists.

Professor Chemerinsky: No Supreme Court case has suggested constitutional limits on compensatory damage awards. The reasoning of cases like *BMW v. Gore*, 517 U.S. 559 (1996), *State Farm v. Campbell*, 538 U.S. 408 (2003) and *Philip Morris v. Williams*, 549 U.S. 346 (2007) is all about due process as a limit on punitive damages. It is not possible to apply this to compensatory damages. I do not see any indication in these cases that the Court is inclined to impose constitutional limits on compensatory damages.

Cliff Sloan: I don't think that the Court will address large compensatory damage awards in the same way that it has addressed punitive damage awards. There is a very significant difference between the intended role of compensatory damages (to compensate) and the intended role of punitive damages (to punish). As a result, by their nature, punitive damages trigger due process concerns far more readily than compensatory damages. On the other hand, I certainly think it's possible that, in a particular case, if an excessively large compensatory damages award is masking another reality, such as a crippling punishment for certain speech, the award may well be an important element of the Supreme Court's willingness to take the case and of the Court's eventual approach to the case.

7. Is the Court likely to hear more commercial speech cases and if so how far will this Court go to reduce the distinctions between protections for commercial and non-commercial speech?

Floyd Abrams: The Supreme Court over the past three decades has decided more cases dealing with when commercial speech is protected than any other sort of speech. Just a few years ago, I thought the Court might well reduce the distinction between commercial and political speech, limiting the former to consumer protection-like situations. But then came *Nike v. Kasky*, 539 U.S. 654 (2003), not the hardest case for a First Amendment victory, and the Court thought it was far more complicated and difficult than many people (myself included) did. So will the Court really move farther

down the road of giving commercial speech more protection? I'd say it's no better than 50-50.

Professor Chemerinsky: Again, I think that this very much will depend on the context in which the case is presented. I believe that the Court will be very protective of true commercial speech. I don't believe that the Court will be receptive to attempts to regulate commercial speech to discourage harmful behavior (such as tobacco or alcohol consumption). The hard cases will be those that pose issues at the line between commercial and non-commercial speech. *Nike v. Kasky*, from a few years ago, is an example of this and, of course, the Court did not decide it. The issue was whether a company's claims about its production processes (that it did not exploit workers), made to sell products, is commercial speech. That issue comes up in a number of different contexts, such as when companies run issue ads to help sell their products. The Court never has dealt with these questions. The Roberts Court is quite pro-business and that is likely to be reflected in its commercial speech decisions. I predict that, overall, it will be more receptive to commercial speech claims than many other First Amendment claims.

Cliff Sloan: I think we're going to see the Court taking more commercial speech cases. The Court continues to show great interest in business-related cases. I also think that the Court will be giving commercial speech enhanced protection. The particular form of this enhanced protection is not entirely certain. The Court may fashion an entirely new standard, or, as it has done in other areas, it may re-interpret the existing standard.

8. Will the new digital media environment provide the impetus for the Court to redefine the concept of "reasonable expectation of privacy"?

Floyd Abrams: As the public ever more willingly surrenders its privacy for transient gains – using E-ZPass to get across a bridge more quickly, providing Social Security numbers to get credit more quickly – I suspect the Court may well expand privacy rights in cases against the press. This would be both ironic and odd: even those of us who are enthusiastic about reading privacy rights into the Constitution as against the government recognize that it's a close call. But to do so, as has occurred in Europe, not against the government but against a serious assertion of speech rights by the

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press, seems to me highly problematic. But I wouldn't bet against it.

Professor Chemerinsky: The Court inevitably will have to deal with privacy issues in the context of new technologies. "Reasonable expectation of privacy," as many have pointed out, is inherently problematic because it allows for the elimination of privacy just by taking away the expectation of privacy. So many technologies allow for the gathering and dissemination of private information. The Court's decision almost surely will depend on the context and circumstances of the case.

Cliff Sloan: The "reasonable expectation of privacy" standard has the inherent problem suggested by Professor Chemerinsky – that the expectation theoretically can be reduced to zero. But that problem is longstanding, and the Supreme Court has not shown an interest in revisiting it. The digital media environment will raise questions about applying this standard in new circumstances, but not, I think, questions about the underlying standard. In fact, in my view, the privacy issue in digital media that will be of most concern to media companies is the possibility of well-intentioned but misguided government regulation in the online privacy arena. There is a great deal of misunderstanding on this issue, and I fear that certain types of regulation might unwisely and unnecessarily limit media companies in their digital media initiatives. At a time when media companies face severe business challenges, digital media offers a potential lifeline for new media business opportunities. Ill-considered regulation under the privacy banner may shred this lifeline before media companies can fully realize the opportunities of digital media.

9. Do the Sony and Grokster decisions provide enough guidance for lower courts to properly decide cases like Google Books and Viacom v. Google?

Floyd Abrams: I do not think either *Sony v. Universal*, 464 U.S. 417 (1984) or *MGM v. Grokster*, 545 U.S. 913 (2005), will lead the way to a ruling in the Google case. But I think Google has much to be concerned about in that case.

Professor Chemerinsky: No, *Sony* and *Grokster* do not provide much guidance at all, other than on the narrow questions presented. But this is a situation where technology is moving so much faster than the law.

Cliff Sloan: It's a mistake to think that the Supreme Court needs to issue detailed new opinions to resolve contested copyright and intellectual property issues in the online environment. The question is how established principles play out in the online environment, not whether there is a new body of law to govern the Internet. In *Grokster*, for example, the Supreme Court applied what it took to be established principles about unlawful inducement, and did not see itself as promulgating a new body of law. In many of these cutting-edge cases, in fact, the winning party will be the party that most convincingly establishes that its position fits within familiar principles, rather than the party arguing that a new body of law is necessary. The crucible of litigation, and the factual record that it generates, also will play an important role in the outcome, just as it did in *Sony* and *Grokster*.

Floyd Abrams is a partner with Cahill Gordon & Reindel in New York specializing in freedom of speech and press issues. He was co-counsel for The New York Times in the Pentagon Papers case and has argued before the Supreme Court in several landmark cases, including Nebraska Press Association vs. Stuart; Landmark Communications v. Virginia Smith; Smith v. Daily Mail; Nixon v. Warner Communications; CBS v. FCC; and Harper & Row v. The Nation.

Erwin Chemerinsky is a nationally renowned professor of constitutional law and federal civil procedure. He was named the founding dean of the Donald Bren School of Law at UC Irvine, effective July 1, 2008. Professor Chemerinsky is the author of the recently published book Empowering Government: Federalism for the 21st Century (Stanford University Press 2008).

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ETHICS CORNER

Ethical Issues in Outsourcing Legal Work Overseas

By Timothy J. Conner

Outsourcing of United States legal work overseas, which began slowly around the mid-90s, has taken off and grown exponentially in the last few years. In 2008 some experts predict that 29,000 legal jobs will be sent overseas; by 2015 that number will be 40,000. The estimated value of that legal work if sent to U.S. lawyers: \$4.3 billion, the bulk of it headed for India.

Who's sending the work? U.S. law firms (large and small) and major U.S. corporations' legal departments, some with established legal offices overseas. Microsoft, American Express, Oracle, Morgan Stanley, West Publishing, DuPont, United Technologies, TransUnion, and Trico Marine Services, among others, have all reportedly sent U.S. legal work overseas.

The type of work ranges from

litigation support like creating databases from large volumes of documents in discovery and organizing mounds of evidence, to preparing briefs for use in litigation, preparing patent applications and conducting prior art research, among any number of other tasks. The American Bar Association reported in April this year that the changes in e-discovery rules have boosted legal outsourcing to India even further.

Some critics have raised issues regarding ethical considerations though. In an April 3, 2008, Time article entitled "Call My Lawyer ... in India", by Suzanne Barlyn, Mary C. Daly, dean of St. John's University Law School in New York City, is quoted as saying "[l]awyers are being seduced by the business end of outsourcing and are not being concerned enough with the ethical issues it's raising. I'm deeply troubled that outsourcing companies do not understand the scope of a lawyer's duty to confidentiality, nor are they familiar with conflict-of-interest rules."

Until fairly recently there has been no official guidance on how to address the ethical issues raised by overseas outsourcing. On July 25, 2008, The Florida Bar Board of Gov-

ernors approved a professional ethics opinion which had been issued earlier this year. That opinion concluded that a lawyer could ethically outsource U.S. legal work overseas to both foreign lawyers and non-lawyers provided a number of ethical issues are addressed. *Professional Ethics of the Florida Bar Opinion 07-2, January 18, 2008.*

That opinion largely followed ethics opinions from the City of New York Bar Association's Committee on Professional and Judicial Ethics, Formal Opinion 2006-3, and the Los Angeles County Bar Association's Professional Responsibility and Ethics Committee's Opinion No. 518. The San Diego County Bar Association has also provided guidance in its Ethics Opinion 2007-1.

So what are the ethical considerations involved? The ethics opinions commonly address six issues: (1) aiding in the un-

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authorized practice of law; (2) adequate supervision by a U.S. licensed attorney; (3) protecting client confidentiality; (4) conflicts of interests; (5) billing; and (6) when to obtain client consent.

Unauthorized Practice of Law

The definition of the practice of law varies, but it is clear that much of the work performed through the outsourcing process constitutes the practice of law. For instance, The New York State Bar Association's Lawyer's Code of Professional Responsibility provides that "[f]unctionally, the practice of law relates to the rendition of services for others that call for the professional judgment of a lawyer. The essence of the professional judgment of the lawyer is the educated ability to relate the general body and philosophy of law to a specific legal problem of a client" EC3-5. The California Supreme Court has defined the practice of law as "the doing and performing services in a court of justice in any matter depending therein throughout

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its various legal stages and in conformity with the adopted rules of procedure” and which “includes legal advice and counsel and the preparation of legal instruments and contracts by which legal rights are secured although such matter may or may not be pending in a court.” *People ex rel. Lawyers' Institute of San Diego v. Merchants Protective Corp.*, 189 Cal. 531, 535 (1922) (internal quotations and citations omitted). State Bar rules prohibit a person from aiding or abetting anyone in engaging in the unauthorized practice of law. Accordingly, the ethics opinions address whether outsourcing constitutes aiding and abetting the unauthorized practice of law.

In Ethics Opinion 2007-1, the San Diego Committee discussed this issue in the hypothetical context of a California law firm that had engaged a firm in India “to do legal research, develop case strategy, prepare deposition outlines, draft correspondence, pleadings, and motions” with respect to a case involving U.S. intellectual property issues. The Indian firm utilized foreign-licensed attorneys to perform the work, none of whom held a license from a U.S. jurisdiction. The California attorney reviewed all legal work, and signed court submissions and correspondence with opposing counsel.

The Committee had no trouble concluding that if the Indian firm had performed the work directly for the client it would have constituted the unauthorized practice of law. Because the California lawyer reviewed the work, and exercised independent judgment in deciding how and whether to use it on the client's behalf, however, the Committee determined that the California lawyer had not aided in the unauthorized practice of law. In the Committee's opinion, the lawyer's “fiduciary duty and potential liability to his corporate client for all of the legal work that was performed were undiluted by the assistance he obtained” from the overseas firm.

Likewise, the N.Y. Committee decided that “to avoid aiding the unauthorized practice of law, the lawyer must at every step shoulder complete responsibility for the non-lawyer's work. In short, the lawyer must, by applying professional skill and judgment, first set the appropriate scope for the non-lawyer's work and then vet the non-lawyer's work and ensure its quality.” (it should be noted that the N.Y. Committee defines “non-lawyer” as both a foreign

lawyer not admitted to practice in N.Y., or in any other U.S. jurisdiction, and lay persons).

The Florida Committee and the Los Angeles Committee also resolved this issue by emphasizing the duty of a lawyer to oversee and be ultimately responsible for the work performed.

Duty to Adequately Supervise

The responsibility to adequately supervise legal work performed overseas encompasses numerous issues from the quality of the work, to adherence to ethical constraints in the U.S. such as conflicts of interests, and maintaining confidentiality of client confidences and secrets. The ethics opinions agree that when legal work is sent overseas the duty to supervise is heightened.

After reviewing several of the considerations inherent in the duty to supervise, the N.Y. Committee stated:

Given these considerations and given the hurdles imposed by the physical separation between the New York lawyer and the overseas non-lawyer, the New York lawyer must be both vigilant and creative in discharging the duty to supervise. Although each situation is different, among the salutary steps in discharging the duty to supervise that the New York lawyer should consider are to (a) obtain background information about any intermediary employing or engaging the non-lawyer, and obtain the professional resume of the non-lawyer; (b) conduct reference checks; (c) interview the non-lawyer in advance, for example, by telephone or by voice-over-internet protocol or by web cast, to ascertain the particular non-lawyer's suitability for the particular assignment; and (d) communicate with the non-lawyer during the assignment to ensure that the non-lawyer understands the assignment and that the non-lawyer is discharging the assignment according to the lawyer's expectations.

The San Diego Committee determined that an attorney should have an understanding of the legal training and busi-

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ness practices in the jurisdiction where the work will be performed in order to discharge the duty to adequately supervise. Noting that the training to become a lawyer differs around the world, the Committee stated that one factor to be considered when outsourcing work is the educational background of those who would perform the work. The U.S. lawyer must know something about the requirements of lawyering where the work is to be performed and the credentials of those who will perform the work. In cases where the attorney is supervising non-lawyers, reasonable steps should be taken to make sure the non-lawyers conduct comports with the U.S. lawyer's professional obligations.

Client Confidentiality

One of the most sacrosanct duties of counsel is to preserve inviolate the confidences and secrets of the client. But what happens if a client's confidences need to be shared with either a non-lawyer or lawyer overseas in order to perform certain work? Security breaches in other contexts have raised concerns about confidentiality. The San Diego Committee noted an instance involving a medical transcription project performed by an Indian firm that resulted in a debacle when the Indian firm threatened to post confidential medical information online unless the medical center involved retrieved money, owed to the Indian firm, from a third party. The Florida Committee also noted numerous examples of data breaches involving sensitive information being processed overseas.

The San Diego Committee noted that the "legal and ethical standards applicable to foreign lawyers may differ from those applicable to domestic lawyer[s], particularly with respect to client confidentiality, the attorney-client privilege, and conflicts of interest." That Committee resolved the issue by concluding that because any disclosure of attorney-client privileged information would have been reasonably necessary for the accomplishment of the tasks at hand there could be no waiver under California law.

The New York Committee went further in its focus on this issue. First, the Committee stated that if the outsourcing assignment requires the lawyer to disclose client confidences or secrets, then the lawyer should secure the client's informed consent in advance. The Committee noted that the lawyer must be mindful of differing traditions and laws in the foreign jurisdiction on confidentiality as some foreign jurisdictions provide less protection than the U.S. In addition, the Committee recommended that a lawyer take steps to help preserve client confidences and secrets, e.g., restricting access to the information, contractual provisions addressing confidentiality and remedies in the event of a breach, and periodic reminders regarding the duty to keep matters confidential.

The Florida Committee also suggested that in light of varying rules and regulations regarding the use of data and information, "an attorney should require sufficient and specific assurances (together with an outline of relevant policies and processes) that the data, once used for the service requested, will be irretrievably destroyed, and not sold, used, or otherwise be capable of access after the provision of the contracted-for service." The Committee also balked at allowing the overseas provider remote access to a law firm's computer system, and stated that access needed to be limited to only the information necessary to complete the

work for the particular client.

The Florida Committee went a

step beyond the other ethics opinions and also raised the issue of protecting the confidentiality of information regarding the opposing party and third parties. One might give some thought to addressing these issues in the appropriate case where voluminous discovery may well be sent overseas to be sorted, processed, and analyzed, through appropriate provisions in a protective order for instance.

Conflicts of Interests

Just as with any lawyer, the company to whom a legal project is outsourced overseas may be working on other matters which conflict with, and are potentially or actually

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adverse to, the client and their interests. Whose conflicts of interests rules apply, and what should a U.S. lawyer do to avoid a conflict in this context? Would a conflict be imputed to the U.S. Lawyer? The Committees all seem to assume that the conflicts rules of the jurisdiction of the outsourcing lawyer would apply.

In addition, the Los Angeles Committee stated that “the attorney should satisfy himself that no conflicts exist that would preclude the representation. [cite omitted] The attorney must also recognize that he or she could be held responsible for any conflict of interest that may be created by the hiring of Company and which could arise from relationships that Company develops with others during the attorney's relationship with Company.” The Florida Committee cited this language in its opinion, and agreed explicitly with it.

The N.Y. Committee also concluded that:

As a threshold matter, the outsourcing New York lawyer should ask the intermediary, which employs or engages the overseas non-lawyer, about its conflict-checking procedures and about how it tracks work performed for other clients. The outsourcing New York lawyer should also ordinarily ask both the intermediary and the non-lawyer performing the legal support service whether either is performing, or has performed, services for any parties adverse to the lawyer's client. The outsourcing New York lawyer should also pursue further inquiry as required, while also reminding both the intermediary and the non-lawyer, preferably in writing, of the need for them to safeguard the confidences and secrets of their current and former clients.

The considerations noted above addressed by the Florida Committee regarding the retention of information that may contain client confidences and secrets would apply equally here as well.

Billing Issues

How should outsourced work be billed? The N.Y. Committee noted that because the outsourced work is technically not legal work, it is inappropriate for a New York lawyer to

include the cost of outsourcing in his or her legal fees. The Committee stated that “[a]bsent a specific agreement with the client to the contrary, the lawyer should charge the client no more than the direct cost associated with outsourcing, plus a reasonable allocation of overhead expenses directly associated with providing that service.”

The Florida Committee said that a lawyer may charge the actual cost, but “in a contingent fee case, it would be improper to charge separately for work that is usually otherwise accomplished by a client's own attorney and incorporated into the standard fee paid to the attorney, even if that cost is paid to a third party provider.”

The Los Angeles Committee concluded that a lawyer could pass the cost directly to the client, mark up the cost and pass the marked up cost on to the client, or charge the client a flat fee. Each of these scenarios implicates differing disclosure and client consent issues.

Consent of the Client

When should a lawyer advise the client and seek consent to outsource legal work? As already noted above, if client confidences and secrets are to be revealed in performance of the assignment, then a client's consent should be obtained in advance. But what about under other circumstances?

The San Diego Committee recognized that client consent generally turns on whether the outsourcing constitutes a “significant development.” If the outsourcing is a “significant development” then client consent should be obtained. The Committee outlined various considerations for determining whether the outsourcing is a “significant development”, e.g.: (1) whether responsibility for overseeing the client's matter is being changed; (2) whether the new attorney will be performing a significant portion or aspect of the work; and (3) whether staffing of the matter has been changed from what was specifically represented to the client. The Committee also stated that whether a development qualifies as “significant” depends on the client's “reasonable expectation under the circumstances” on whether outsourcing was intended to be used. The Los Angeles Committee essentially provided the same analysis under California law.

The N.Y. Committee noted an evolving approach under New York law that had become more “nuanced” than previously. The Committee stated there is little to be gained from

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requiring a disclosure to a client every time a piece of legal work is outsourced. The presence of one or more additional factors, however, that should be considered (similar to those noted by the San Diego and Los Angeles Committees) were outlined.

The Committee stated that factors informing whether client consent may be required include “if (a) non-lawyers will play a significant role in the matter, e.g., several non-lawyers are being hired to do an important document review; (b) client confidences and secrets must be shared with the non-lawyer, in which case informed advance consent should be secured from the client; (c) the client expects that only personnel employed by the law firm will handle the matter; or (d) non-lawyers are to be billed to the client on a basis other than cost, in which case the client's informed advance consent is needed.”

The Florida Committee stated that the requirement for informed consent from a client should generally be tied to the degree of risk involved for the type of activity sought to be outsourced, whether the client would reasonably expect the lawyer or firm to personally handle the matter, and whether the non-lawyer will have more than a limited role in the matter.

Conclusion

The handful of ethical opinions published to date have all concluded that a lawyer may ethically outsource U.S. legal work overseas to either foreign lawyers, or non-lawyers. If the U.S. lawyer maintains ultimate authority and responsibility over the work product then the Committees considering this issue have said there should be no unauthorized practice of law issues. It is crucial for the U.S. lawyer to provide adequate supervision over the work for numerous reasons that are self evident.

Client confidences must be preserved, and guidance has been provided in the ethics opinions outlined above regarding steps that may be taken to ensure that confidential information remains protected. A lawyer must investigate whether there might be conflicts of interests, and assure that the overseas provider is not compromised in the work to be performed, thus potentially compromising a client's interests as well as the U.S. attorney's. Billing issues must be dealt with appropriately. And, finally, an assessment must be made regarding whether and when to obtain the client's informed consent for the outsourcing.

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MLRC Calendar

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