

**MULRC**  
Media  
Law  
Resource  
Center  
**MEDIA LAW LETTER**

Associate Member Edition

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**MLRC**

- MLRC London Conference 2009** 3  
*October 1-2, Stationers' Hall; Save the Date*

**INTERNATIONAL**

- UK & Europe** **Across the Pond: Developments in UK and European Law** 4  
*Parliament Hearing; Iraq; ECHR Privacy Rulings; More Gloom From Ireland*
- Sidebar** **US Publishers Join Media Submission to UK Parliament on Libel Reform** 9
- ECHR** **European Court of Human Rights Declines to Apply Single** 14  
**Publication Rule to Newspaper's Online Archive**  
*No Prejudice Under Facts of Case*  
Times Newspapers v. United Kingdom

**PRIVACY AND LIBEL**

- Congress** **House Subcommittee Convenes Hearing To Discuss Libel Tourism** 16  
*Panelists Encourage Effective Legislative Remedy*  
Senate Bill 449 "Free Speech Protection Act 2009"

**REPORTERS PRIVILEGE**

- ICT** **International Criminal Tribunal Backs Reporter's Privilege** 18  
*Special Court for Sierra Leone Rules Journalist Cannot Be Compelled to Identify*  
*Military Personnel Who Facilitated His Reporting*  
Prosecutor v. Taylor

**INTERNET**

- Md.** **Court Adopts Rigorous Test for Unmasking Anonymous Internet Posters** 20  
*Adopts 5-Part Test Based on Dendrite Standards*  
Independent Newspapers v. Brodie

**COPYRIGHT**

- S.D.N.Y.** **Landmark Settlement in Authors Guild et al v. Google Class Action** 22  
*Authors, Publishers, and Google Reshape Digital Publishing and Online Access to Books*  
Authors Guild et al. v. Google

<b>S.D.N.Y.</b>	<b>French Plaintiffs Denied Summary Judgment in Copyright Enforcement Action</b> <i>Fair Use Issues Under American Law Require Trial</i> Sarl Louis Feraud Intern. v. Viewfinder, Inc.	<b>24</b>
<b>S.D.N.Y.</b>	<b>Federal Judge Reaffirms “Hot News” Misappropriation</b> <i>AP’s Claim Against Aggregator Survives Motion to Dismiss</i> Associated Press v. All Headline	<b>26</b>
<b>C.D. Cal.</b>	<b>Copyright Claim Over the Movie “Robots” Dismissed</b> <i>No Substantial Similarity to Support Claim</i> Rosenfeld v. Twentieth Century	<b>27</b>
<b>S.D.N.Y.</b>	<b>Sheppard Fairey Challenges AP – AP Fights Back To Protect Photojournalism</b> <i>Is Use of AP’s Obama Photo Fair Use?</i> Fairey v. Associated Press	<b>30</b>

**ACCESS / FREEDOM OF INFORMATION**

<b>Cal. App.</b>	<b>Electronic Mapping Database Must Be Disclosed Under Public Records Act</b> <i>Rejects Homeland Security Regulations, Copyright Reasons to Deny Disclosure</i> County of Santa Clara v. Superior Court	<b>32</b>
<b>Pa.</b>	<b>Autopsy Reports Are Public Records</b> <i>Not Clear Whether Autopsy Reports Will Remain Open under New Right to Know Law</i> Penn Jersey Advance v. Grim	<b>35</b>
<b>2d Cir.</b>	<b>Second Circuit Applies Expansive Privacy Exemption to Deny FOIA Requests</b> <i>Denies Requests for Commutation Petition and Guantanamo Data</i> Associated Press v. U.S. Dept. of Justice; Associated Press v. U.S. Dept. of Defense	<b>37</b>
<b>2d Cir.</b>	<b>Second Circuit Reviews Patriot Act Rules on Disclosure of National Security Letters</b> <i>Certain Nondisclosure Rules Violate the First Amendment</i> John Doe, Inc. et al. v. Mukasey	<b>38</b>
<b>Pa.</b>	<b>City Officials’ Itemized Cell Phone Records Not Public Under Right To Know Act</b> <i>Privacy Interest Bars Disclosure</i> Tribune Review Publishing Co. v. Bodack	<b>40</b>
<b>N.J. App.</b>	<b>New Jersey Governor’s Emails to Girlfriend Protected by Executive Privilege</b> <i>Concerns Over Labor Negotiations Insufficient Reason to Overcome Privilege</i> Wilson v. Brown	<b>41</b>

**LEGISLATION**

<b>Congress</b>	<b>Legislative Update: DTV, Open Government, and Copyright Dominate Early Media Agenda on Capitol Hill</b>	<b>43</b>
<b>FTC</b>	<b>FTC Proposes Major Revisions To Guidelines on Endorsements and Testimonials</b>	<b>46</b>

## Save the Date!

### **MLRC London Conference 2009**

**October 1-2, 2009**

**Stationers' Hall, London**

***International Developments in Libel, Privacy  
Newsgathering and New Media IP Law***



Keynote Address: Lord Hoffmann, House of Lords  
Speech by Justice Ruth McColl, Supreme Court New South Wales Australia  
In-House Counsel Breakfast on practice and management issues  
Delegates receptions on September 30<sup>th</sup> and October 1<sup>st</sup>

Discussion topics include:

- Liability for third-party content posted online in the UK and Europe
- Libel Terrorism Protection Acts and enforcement of judgments
- The right to be left alone in public – the continuing evolution of the Princess Caroline privacy decision
- Reporting on terrorism: How has the fight against terrorism impacted reporting?
- Fair use and fair dealing in the digital media environment

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## The Other Side of the Pond: UK and European Law Update

### Parliament Hearing; Iraq; ECHR Privacy Rulings; More Gloom from Ireland

By David Hooper

#### *Ministry of Justice Moves to Reduce Costs in Defamation Cases*

On 24 February the Minister of Justice, Barbara Prentice, issued a consultation paper ([www.justice.gov.uk/publications/controlling-costs-in-defamation-proceedings.htm](http://www.justice.gov.uk/publications/controlling-costs-in-defamation-proceedings.htm)). The Minister said that the threat of excessive costs in libel action may force defendants to settle unwarranted claims. She noted that “*we need to ensure that people’s right of freedom of expression is not infringed and that media organizations can continue to report on matters of public concern. The aim of the consultation paper is to ensure that costs are more proportionate and reasonable.*” The costs issues under consideration are:

- Limiting recoverable hourly rates by setting either maximum or fixed recoverable rates.
- Mandatory cost capping or mandatory consideration of costs capping in every case: and
- Requiring the proportionality of total costs to be considered on costs assessment conducted by the court.

It was also observed that 220 defamation cases are, on average, issued in the High Court each year and about 300 claims are settled before proceedings are issued. One would comment that while the first figure is a matter of record, the second figure may not be accurate simply because such a statistic is extremely difficult to gather, unless one asks all the right people who, in the nature of things, are unlikely to be known.

The importance of this consultation paper cannot be understated. Members of the MLRC may wish to download the consultation paper and to give serious thought as to whether they wish to make representations.

#### *Committee on Culture, Media & Sport Hearing*

On February 24, evidence was taken from a cross-section of claimant and defense lawyers with the position of media defendants being expounded by Marcus Partington, Legal Adviser to the Trinity Mirror Group and Chairman of the Media Lawyers’ Association, Keith Mathieson of Reynolds Porter Chamberlain, and Tony Jaffa of Foot Anstey who represents many regional newspapers. Mr. Partington made the point that newspapers were being faced with claims in conditional fee agreement cases (CFAs) of up to £1,000 per hour. Mr. Partington said that in his experience claimants often prolong legal proceedings in libel cases in order to maximize costs and that the current system of CFAs designed to ensure that the poor could seek redress in the courts was being exploited by the rich and should be means-tested. He also made the point that in his belief, Carter-Ruck only lost about 2% of its CFA cases – the point being that the success fee of 100% seemed disproportionate to the number of CFA cases actually lost.

On this Carter-Ruck’s representative, Mark Thomson, was somewhat cagey saying that information about their track record on CFAs was “*confidential,*” although information on what proportion of CFAs were won by his firm would be provided on an anonymized basis to bodies investigating CFAs. Another of the claimant lawyers, Jeremy Clarke-Williams, of Russell Jones Walker was more forthcoming when he said that his firm had a CFA committee and they only took on cases which they were “*expected to win*” – a not unreasonable policy. But that being the case, is a 100% success fee really justified? It had always seemed to me that CFAs are not nearly as risky as claimant lawyers would have one believe. After all English libel claimants seldom lose.

However, the fact is that one can, on an assessment of costs, be told that the view taken of the risk of losing in the case by the advisers of a person represented under a CFA agreement, was that the case was 50/50. If that really is the case, in all but the most exceptional cases – for example, where a schoolteacher was unjustly accused

of being a pedophile – no sane, well-advised person would launch into defamation proceedings where the chances were only 50/50 if they were paying with their own money and faced paying the other side's costs if they lost the action. Either the risk is *not* as great as represented or, alternatively, people with CFA agreements are now in the position that because of this funding regime they are able to take on actions which no person who was paying privately would, in their right mind, assume.

The video stream of the hearing is available online [here](#). The evidence will be available in written form in about a week's time. Readers' attention is particularly drawn to the claim made by Mr. Thomson that "*our fee at the moment is about £400 an hour which is the standard.*" Mr. Thomson then went on to muse "*my experience is that the reason why there are expensive litigations is because of the way the defendants run the cases, Most cases settle very quickly with little cost. It is when the defendants decide to defend cases that costs rise.*"

That perhaps misses the point. Libel actions are very expensive – period - and claimant's advisers do more than their fair share in relation to such costs. It seems a little difficult to reconcile the evidence Mr. Thomson gave with what appeared to be a well-informed account of the bill of costs of over £800,000 submitted by Carter-Ruck when acting for the food store Tesco against the Guardian Newspapers in its graphically headlined article "*Luvaduck, it's Carter-Fuck*". In that case details were given of some £56,000 of costs incurred by a senior partner at Carter-Ruck charging at £500 per hour. Junior partners, it seems, do charge at £400 per hour at Carter-Ruck but they are the younger partners and partners at that firm tend to be appointed earlier in their career than many other firms. A full account of the Tesco case and the horrendous costs (£803,000 contrasted with damages of £10,000) can be found in the article by the Guardian's Editor, Alan Rusbridger, in the *New York Review of Books* "*The Chill in the Guardian*" ([www.nybooks.com/articles/2245](http://www.nybooks.com/articles/2245)).

A rather different perspective on costs was put by Keith Mathieson who told the Committee of a case where a tennis player complained of being described as the worst professional tennis player – no doubt an unpleasant allegation but not the most complex or earth-shattering. Mr. Mathieson explained that Reuters had wanted to fight the case, but had thought better of the matter when it appeared that the likely level of costs for defending this

case were estimated as being in the region of £1.2 million. Although the case settled four months before trial, the claimant's costs amounted to £235,000, whereas the defence costs were £31,000 – not exactly the Mark Thomson model.

Mr. Partington also drew attention to the fact that newspapers were facing claims in respect of articles in their online archives, which may have been published 10-20 years ago. It was something that needed urgent attention. Mr. Mathieson made the point that although things had improved following the Jameel case in relation to the Reynolds defence, claimants were able to trawl though all the papers relating to the creation of the article so that, for example, one email advocating caution could be seized upon as manna from heaven by the claimant's advisors.

Mr. Jaffa made the point that the costs of libel cases represented a threat which could put regional newspapers out of business. Not surprisingly, Mark Thomson indignantly refuted the suggestion from a Conservative MP on the Committee, Philip Davies, that CFAs were a "*racket*" whereby lawyers were able to "*double their money*" in cases they knew they were going to win. Mr. Thomson retorted that "*press standards have got worse and there are more victims*".

### ***UK Libel Costs 140 times more than the European Average***

In a recently published report called [A Comparative Study of Costs in Defamation Proceedings Across Europe](#) by the Centre for Social-Legal Studies at Oxford University commissioned by Associated Newspapers, a group of academics and lawyers practicing in 13 European countries examine the likely scale of costs in a number of libel actions based on an established set of facts if they were to take place in each of the countries. Not unexpectedly, England was the most expensive followed by Ireland.

Amongst the European countries examined were France, Italy and Germany. Even when one stripped out the costs of CFAs which are unknown in the rest of Europe, English costs were *ten times greater* than the next country, Ireland, which in turn was *four times greater* than the next country, Italy. If one took an average of the likely level of costs in the eleven countries excluding England and Ireland, one found that England was *140 times more costly* than the average. England on

analysis fared worst in terms of legal costs, length of trial and number of lawyers used than all the other European countries, although it did take second place to Ireland when it came to the amount of damages awarded.

#### *Attempt to Cover-up Why We Went to War with Iraq*

On February 24, the Justice Secretary, Jack Straw, signed a certificate under Section 53 FOIA preventing the release of the Cabinet minutes of March 13 and 17 2003 when the legality of military action against Iraq without a second UN resolution and the justification for invading Iraq in the absence of the justification of self-defence or a UN resolution sanctioning the attack were debated. <http://www.justice.gov.uk/news/announcement240209a.htm>

<http://www.justice.gov.uk/docs/foi-oral-statement.pdf>

Jack Straw says that he proposes under Section 49 (2) FOIA to lay a report before Parliament. Not surprisingly, this decision caused a storm of protest not least because it was suspected that the Attorney General at the time, Lord Goldsmith, had changed his legal opinion at the behest of his political masters and in dereliction of his duties of independence. Furthermore, there was concern that in fact the decision to go to war had not been properly debated at all and had instead been effectively decided by the coterie of personal advisers sat on sofas in Downing Street.

The Information Commissioner and Information Tribunal had ruled that the Minutes *should* be disclosed. Rather than appealing the Tribunal's decision to the High Court, Jack Straw chose to take the unprecedented step of issuing a certificate vetoing the release of the papers. That itself is likely to be the subject of legal challenge. The Conservatives Shadow Justice Secretary did not oppose the decision taken by Mr. Straw, but has pressed for a full inquiry into the circumstances of the United Kingdom going to war – just as happened shortly after the Falklands campaign in 1983.

Needless to say, the British government has shown no enthusiasm for that suggestion either. The basis of Mr. Straw's decision is that the convention of Cabinet confidentiality and public interest in its maintenance are especially crucial, when the issues at hand are of the greatest importance. Confidentiality serves to promote discussion in the decision-making process. Disclosure of the Cabinet Minutes in this case jeopardizes that space for thought and debate at precisely the point when it has

greatest utility. Cynics retort that these high-sounding phrases represent no more than a desperate attempt to cover up.

#### *Allegations of Torture at Guantanamo Bay; UK Involvement?*

This was the issue which arose starkly in the case of *R on the application of Binyam Mohamed, the Secretary of State for Foreign and Commonwealth Affairs (2009) EWHC 152*. Binyam Mohamed ("BM") was an Ethiopian citizen who had been resident in the United Kingdom. He had been arrested in Pakistan in 2002 and held there until 2004. From there he had been extraordinarily rendered to Guantanamo via Morocco and had been tortured.

BM was charged with terrorist offences relating to a dirty bomb plot, but the charges were subsequently dropped. There had been various earlier proceedings and this case arose out of seven short paragraphs amounting to 25 lines in the report of the Court's judgment in those proceedings there was the summary of a report by the US government given to MI5 and MI6 on the treatment of BM and on the circumstances of him being held incommunicado. The English Court felt that this section was highly material to the question of whether BM had been subjected to torture or cruel, inhuman or degrading treatment.

There was, in the Judge's view, no sensitive information about sources and methods nor secret intelligence. The judgment of Lord Justice Thomas referred to the authorities underlining the importance of open justice and made the point that the court must do justice in public, unless it cannot otherwise be done or there are good reasons for disallowing such publicity. Representations were made by the press and on behalf of the English Press and of Associated Press and the New York Times and specifically by David Rose, a contributing editor at Vanity Fair, put in an 18 page statement as to why the earlier judgment should be published in full. His account of the case can be read at <http://www.vanityfair.com/politics/features/2009/02/milib-and-torture200902>.

The court was evidently sympathetic to the publication of the redacted part of the earlier judgment on the basis that publication would end uninformed speculation as to what in fact happened and would facilitate debate as to whether or not BM's treatment was humane and would resolve the question of whether MI5

knew about any mistreatment of BM. The point was made that Article 10 of the European Convention of Human Rights was not just about freedom of expression. It was also about the right to receive and impart information, a right which is the *lifeblood of democracy*.

However, in view of the insistence of the Foreign Secretary that to do so “*is likely to result in serious damage to US national security and could harm existing intelligence information-sharing arrangements between our governments*”, the court felt bound to prevent the publication of the seven paragraphs. On no less than eight occasions in the Judgment there was reference to the *threats*. Subsequently, however, and despite the Foreign Secretary’s advisers having had time to consider the judgment in draft, it transpired that there was no explicit threat – rather there was a lot of backsliding by the Foreign Secretary – whose earlier prospects of succeeding Gordon Brown had been dealt a blow by an unfortunate picture of him clutching a banana.

Those advising BM are now taking the case back to the Divisional Court for the court to determine whether or not it was properly given the picture of exactly what was the attitude of the United States government. The potential embarrassment for the British government is considerable.

In the meantime, BM has been released and is now at liberty in England subject to an obligation to report periodically to his local police station.

### ***European Court of Human Rights Privacy Decisions***

There have been three important decisions on the question of privacy. The first is [Reklos v. Greece](#) (Application No 1234/05). This concerned the taking of a picture of a newly-born child in a clinic with the aim of selling the picture to the proud parents. This baby was, however, in a sterile clinic and the parents were incensed. Unwisely, the photographer refused to hand over the negative. The Greek courts took the view that there had been no publication of the photo and that the private life of the baby was therefore *not* engaged.

The ECHR disagreed and awarded damages of €8,000, stating that “*the effective protection of the right to control one’s image, presupposed in the circumstances of the case, concerned the consent of the person concerned when the picture was being taken and not just when it came to possible publication*”. Therefore, the mere *taking* of the photograph infringed the child’s

Article 8 rights. The case could be of some significance in the analysis of image rights as the court stressed that a person’s image revealed his or her unique characteristics and constituted one of the chief attributes of his or her personality.

The second case is [Armonas v. Lithuania](#) (Application 36919/02). This was a case of reckless behaviour by a newspaper which accused the complainant, who died in the course of the proceedings, of having AIDS and of having fathered a child with a lady who was described as “*notoriously promiscuous and already sick with this fatal disease*”. He had been awarded the very modest sum of just under €3,000 and complaint was made to ECHR about the sum awarded.

The court felt that the sum awarded should not be theoretical or illusory, but should represent a right that was practical and effective. The court felt that the facts were incapable of properly contributing to a debate in a democratic society, but rather were making tawdry allegations about an individual’s private life. Surprising, they only increased the award to €6,500 but the principles are there for all to see.

The third case is [Ku v. Finland](#) (Application 2872/02). In a case where the facts were not dissimilar to those in *Lunney v. Prodigy Services*, a false advertisement had been put on a dating website in relation to a 12 year old boy which was calculated to invite unwelcome sexual advances. Under the Finnish law in place before the adoption of European Directive 2002/58/EC, the complainant was unable to obtain disclosure from the ISP as to who had placed this advertisement. The ECHR ruled that Article 8 imposed *positive obligations* to protect privacy and in such circumstances to bring the miscreant to justice. The boy was awarded €3,000.

### ***The BBC and FOIA***

An interesting issue arose in [Sugar v. BBC](#) [2009] UKHL9 when an English solicitor sought access to the Balen report under FOIA which the BBC had commissioned on the question of whether its Middle East coverage was impartial. The BBC is subject to FOIA, unless the information is held for *the purposes of journalism, art or literature*.

The Information Commissioner ruled that this information *was* held for the purpose of journalism. The Information Tribunal on appeal *reversed* this decision.

The Administrative Court held that there was no jurisdiction to hear the appeal. The Court of Appeal agreed but the House of Lords by 3-2 said there *was* jurisdiction to hear the appeal. So the present state of play is that at present Mr. Sugar *is* entitled to see the report unless that decision is now reversed on a fresh appeal to the Administrative Court.

### ***A Contested Libel Action***

As indicated, this is something of a *Rara Avis*. On January 29, Austen Ivereigh, a former spokesman for the head of the Catholic Church in England, was awarded £30,000 after a nine day trial against Associated Newspapers Limited in relation to an article in the Daily Mail in June 2006 accusing him of hypocrisy over an abortion his former girlfriend had had when they were both students in Oxford.

The interest of the case was that there had been an earlier trial at which the jury had been unable to reach a unanimous verdict. The costs of both parties were estimated in the press to exceed £2 million and indeed Ivereigh's counsel tried to persuade the court to order that £1 million be paid on account.

Quite apart from the scale of the costs in relation to what was at stake, the case was noteworthy for the fact that it was the first case to be re-tried when the original jury had been unable to reach a unanimous verdict. Up until that point such hung-jury cases were invariably settled to reflect the uncertainty of outcome manifested at the first trial. This case was, however, different and it was not without significance that the claimant lawyers were acting on a conditional fee agreement. They would not be paid unless they won.

### ***More Gloom from Ireland***

An interesting booklet "*Damage and Costs in Ireland: a Guide for Publishers*" had been published by the leading Dublin solicitors, McCann Fitzgerald. This reminds one that this is a plaintiff-friendly jurisdiction. Attempts to reform the law do not seem to have got very far. As long ago as 1991 the Law Reform Commission recommended a full-scale reform of the Defamation Act 1961 and in 2002 the government identified reform of

Ireland's defamation laws as a priority. There is a Defamation bill going through the Irish Parliament but at the same leisurely pace and it is some way off from being enacted.

This means that, generally speaking, the Irish law has all the worst aspects of the old English law of defamation and none of the recent English improvements. There are a few applications before trial enabling trial by ambush. Most Irish solicitors acting for plaintiffs have, it would appear, limited experience in defamation matters and therefore defer to their barristers with the result that cases are that much more difficult to settle before trial. Juries are given no guidance as to damages with the consequence that although the Supreme Court considered the award of €317,434 to a wealthy entrepreneur, Dennis O'Brien as "disproportionately high" at the re-trial the jury awarded the Plaintiff €750,000. In 1999 the Supreme Court upheld a jury award of €380,921 to Proinsias de Rossa, a politician who had been wrongly accused of supporting terrorism.

McCann Fitzgerald note that the Supreme Court observed that the libel was extremely serious and that the amount was towards the top of the range, but it seems that that range increases inexorably. McCann Fitzgerald also report the rise in privacy damages, of which the latest instance was the case of *Herrity v. Associated Newspapers* where €90,000 was awarded which included €30,000 by way of punitive damages. It is worth noting in this context that the English courts have set their minds against the award of punitive damages in such cases.

In the best traditions, the Irish High Court, on February 17, 2009, approved a €50,000 settlement for a 10 year-old against the Daily Mirror in respect of their publication in March 2007 suggesting that the boy, then aged 9, had been found with a bag of cocaine in the school grounds. Rather appropriately it turned out that the substance was nothing more sinister than baby powder!

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## U.S. Media Organizations Join Submission to Parliament Committee

### *Argue for Fundamental Reforms to UK Libel Law*

A number of American publishers are planning to sign on to a submission to the UK Parliament's Culture, Media and Sport Select Committee inquiry on Press Standards, Privacy and Libel. The draft submission written by Geoffrey Robertson QC, Doughty Street Chambers, and Mark Stephens, Finers Stephens Innocent, is reprinted below.

1. These submissions are presented on behalf of foreign based newspapers and news organisations and internet services, together with overseas publishers and human rights organisations. We all have substantial and increasing concern at the potential of the English law of defamation to affect our work unjustly and oppressively, reducing the amount of newsworthy information that we may disseminate to people in the UK, and particularly in England and Wales. The committee will be aware of the "libel tourism" and "libel terrorism" bills in the United States, which have been fuelled by a real and justified grievance: we do not think, however, that such laws satisfactorily address a problem that has arisen between two friendly nations. US/UK co-operation in communications is vitally important to both countries: indeed, "freedom of speech" was the first of the four freedoms enumerated by President Roosevelt after America entered the Second World War on the side of the UK and of liberty. We respectfully suggest that the problem caused by libel law – and sometimes, by libel lawyers – could be addressed by the UK government and parliament so that it will no longer threaten to damage US/UK relationships.

2. The claimant-friendliness of English libel law, most notoriously its requirement that the media bears the burden of proving truth, attracts many wealthy foreign forum shoppers in search of favourable verdicts that they would not obtain at home, or in the home countries of publishers whose newspapers and magazines have an international circulation. The rule which gives them the opportunity to sue a foreign publication with a minute circulation in the United Kingdom dates from 1849, when the Duke of Brunswick despatched his manservant to a newspaper office to obtain a back issue of the paper in order to sue for a libel he had overlooked for

17 years.<sup>1</sup> This single publication was deemed sufficient to constitute the tort of libel and from this anachronistic case springs the absurd but venerated rule that in the UK a single defamatory publication – even if only in a library – is an actionable tort.

3. The primitive Duke of Brunswick rule that every publication is a separate tort has long been abandoned in America where a single publication rule applies to every edition of a newspaper or to the placing of an article on an internet site. However, in a disastrous 3-2 decision, the House of Lords approved the Duke of Brunswick rule in *Berezovsky v Forbes Magazine*. Boris Berezovsky, the controversial Russian oligarch sued Forbes for damage done to his "English" reputation by allegations that he had made his billions through corruption, gangsterism and murder. Forbes sold only 1900 copies in England but 800,000 in the United States. The trial judge ruled that Russia and the United States were both more appropriate places for trying the action because Berezovsky at the time had an entirely Russian reputation and the defendant was an indelibly US magazine. However, on appeal three judges in the House of Lords were struck by Berezovsky's ex-wives in Chelsea and by his connections with royalty and UK based banks. The minority judges said that the trial judge had been "entitled to decide that the English court should not be an international libel tribunal for a dispute between foreigners which had no connection with this country".<sup>2</sup>

4. The result of the Duke of Brunswick rule is that blatant internet forum shoppers can come to London to sue foreign news organisations in relation to allegations that are entirely sourced abroad. The Court of Appeal has permitted American boxing promoter Don King to sue a US attorney for defamation over anti-Semitic allegations made on a Californian website – an unhappy decision which followed

<sup>1</sup> *Duke of Brunswick v Harmer* (1849) 14 QB 185

<sup>2</sup> *Berezovsky v Forbes* 2000 EMLR 643 at 666, per Lord Hoffman.

the green light that Berezovsky gave to forum shoppers. It is difficult to understand why Americans who fall out with each other in America should be permitted to take up the time of UK courts with their slanging matches, rather than resolve them under their own law. If English courts continue to exercise their exorbitant jurisdiction over foreigners responsible for alleged libels on the internet, then those defendants who have no assets in England will simply be advised to stay away from any trial, especially if they are American, since their courts do not enforce English libel judgments.

5. American courts refuse to enforce awards made under British libel law, on the ground that this law is “antipathetic to the First Amendment”<sup>3</sup>. In America defamation actions succeed when the media can be proved at fault: the claimant must show that the allegations were false and published with a reckless or negligent disregard for the truth. What US courts find repugnant about UK law is that it places the burden of proving truth on the defendant and holds him liable to pay damages for statements he honestly believed to be true and has published without negligence. In every other area of tort law the burden of proof is on the claimant: why should libel be any different? The reason, of course, is that the English common law disfavors free speech. It does so by use of two absurd presumptions: that defamatory (i.e. critical) statements are always false, and that defamations always do significant damage. These two presumptions – of falsity and damage – are both in terms illogical, but are in law irrebuttable and further proof that English law disfavors free speech.

6. Repressive British laws - especially sedition and criminal libel – were repudiated by the First Amendment to the US Constitution. In *New York Times V Sullivan* (1964) the US Supreme Court ruled that defamation law could restrain coverage of public events and public figures which was malicious, in the sense of being reckless or unconcerned about truth. A more stringent test applies to reporting facts about persons who are not public figures. There is a widespread belief in the UK that US libel law is powerless. Nothing could be further from the truth. It is certainly different, but in some respects is far less favourable to the media. Jury damages can be for millions of dollars – there is

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<sup>3</sup> *Bachen v India Report Publications* 585 NYS 2d 661 (1992)

no cap. There is much less protection for journalistic source disclosure, and orders for discovery can be extensive and expensive. So all significant US media organisations employ defamation lawyers to fact-check the copy, and they take out insurance against non-compliance with US law. Libel lawyering and insurance is part of the management and editing function of the news organisation, directed to the law that applies where it is established – i.e. the state where it predominantly circulates. Given the extent to which media organisations rely on their compliance with their own country’s law, it is, as a general proposition, unfair to subject them to a law and procedure that is entirely alien, and which lacks the defences available in the place of main publication.

7. It must also be stressed that most US media organisations readily offer alternative dispute resolution. Many have ombudsmen who will make an independent investigation of any allegation of defamatory reporting and order corrections and apologies – sometimes after a very critical report on journalistic standards. Most internet services will be prepared to hyperlink the offending article to a letter of complaint, so that no-one will read it without being able to read the complainant’s alternative presentation. Newspapers usually offer a right of reply by way of a letter to the editor. English libel lawyers usually and foolishly tell their clients to reject this offer, despite the fact that the letters on the Op-Ed pages are often the second most widely read section (other than the front page). There is a real sense amongst English claimants’ lawyers that they want money for their clients as well as themselves, as if only money will assuage hurt feelings and compensate, in some metaphysical way, for the blot on the family escutcheon. Russian oligarchs who do their suing in England are particularly amenable to this line of thought. We gain the impression that many of these claimants are so wealthy (they measure their wealth in many billions) that they do not bother about the five or low-six figure sum that they might eventually receive in damages in England. Money does not matter at all to them: they are suing in order to inflict some pain and irritation and frustration and expense on the journalists and editors they see as their tormentors. They use libel actions, in other words, not to vindicate their reputation but to harass and embarrass their critics and to develop for themselves a reputation for taking libel action whenever criticised, - a reputation that will deter would-be critics, whose

newspapers do not have the money to fund expensive libel defences.

8. What normally happens when a foreign newspaper or website is sued in the jurisdiction of England and Wales, either by a UK resident or (increasingly) by a foreigner (i.e. a libel tourist, who wishes to take advantage of the UK's plaintiff-friendly libel law), is the receipt of a pompous "letter before action" from a firm of London solicitors, (e.g. Carter Ruck, Eversheds, Schilling and Lom etc). It will demand apologies, damages and (of course) their legal costs. When a factual error is demonstrated, the foreign media organisation will normally publish a correction or arrange for a hyperlink that draws it to the attention of every internet downloader. Otherwise, it will offer an independent inquiry if it has an ombudsman, or at least a letter to the editor. These offers are usually rejected. Then will come a request to appoint solicitors in London as agents to receive service. This would reduce the initial costs in the litigation, but would also place the burden of proof on the media defendant if it makes a forum non conveniens argument.<sup>4</sup> So it is a request that the media will be well advised to turn down.

9. In this event, the claimant will apply to a master or judge in the High Court for an order to serve legal process on the defendants out of the jurisdiction. Regrettably, the grant of such an order has become a mere formality – no enquiry ever seems to be made as to whether it is fair for a foreign media defendant to be hauled into a London court to defend a publication which may have sold very few copies here or which may have no relation at all to matters in Britain. The master or judge in the Royal Courts of Justice acts as a mere rubber stamp for the claimants: they pay their money, they make their witness statement and in a formal and quick procedure they are given their order without any thought as to how it will impact on free speech. All they need to show is one single downloading or one single publication within the jurisdiction. In automatically granting such requests for "service out" on foreign media defendants, English law, and English judges, manifest their contempt for free speech. They automatically decide to drag foreign media into the expensive and pettifogging English libel world, without the slightest enquiry into the fairness of so doing.

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<sup>4</sup> See Schapira v Ahronson 1999 EMLR 735

10. Subsequently, it becomes possible for the media organisation, once it instructs solicitor and counsel (at the cost of about fifty thousand dollars), to come to court to make a forum non conveniens application before a high court judge. In this argument, that usually lasts a day, it contends that England is an inappropriate jurisdiction for trial of a libel e.g. where millions of copies have been distributed in the US by a US paper, and very few in the UK. IN the 1990s, there were some very sensible decisions which sent US libel tourists packing: see Wyatt v Forbes<sup>5</sup> and Chadha v Dow Jones<sup>6</sup>. These were American plaintiffs who could show only a tenuous connection with the UK, and were suing Forbes Magazine and the Wall Street Journal which were overwhelmingly published in the US. However, this pre-internet line of authority was severely weakened by the disastrous House of Lords decision, (by three judges to two) in Berezovsky v Forbes<sup>7</sup> which permitted the oligarch to sue Forbes Magazine in London over allegations that related to matters that took place only in Russia. This decision upheld the absurd early nineteenth century rule in the Duke of Brunswick's case, that every single publication is a separate libel, so just a few internet downloads in England gives jurisdiction to try a defamation claim here.) Despite Lord Hoffman's powerful and logical dissent, warning against the temptation to make England a global defamation policeman, this case has now made London the libel capital of the world. Interestingly, Berezovsky settled the case in a deal where Forbes apologised for its allegations that he had murdered rivals (it could not prove them) and he dropped his complaint about the numerous corruption allegations, which Forbes said in its pleadings that it could prove. No mention has been made of them ever since: in Britain a powerful and wealthy claimant of any nationality with a track record for bringing libel actions can successfully chill speech about himself.

11. The test for accepting jurisdiction – i.e. rejecting a forum application – is whether there has been a "real and substantial" tort in this country. England's libel judges, themselves former libel practitioners, naturally think that there has been a real and substantial tort, unless the defendant can prove that there were only a handful of

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<sup>5</sup> Unreported December 2<sup>nd</sup> 1997, Morland J

<sup>6</sup> 1999 EMLR 724, CA

<sup>7</sup> 2000 EMLR 643

internet downloads, or a few print copies circulated here. The paucity of copies can also be the basis of an abuse of process application, which is unlikely to succeed given the mindset of the present libel judges. One that did, before a sensible master, was *Mardas v New York Times*, where only 177 copies of the paper had been sold in London (mainly to New York tourists) and the story had been archived on an NYT internet site. The story itself was an obituary of the Maharishi, which had quoted from Paul McCartney's autobiography (published twenty years before and never sued) as having criticised Mardas for spreading a rumour, in India in 1968, that the guru had sexually harassed a nurse. The story of the Mardas rumour-mongering had been in circulation for many years in many authoritative books but he had never sued over it. The key witnesses – John Lennon and George Harrison and the Maharishi himself - were dead. The Master thought it an unjustifiable waste of court time and the litigants' money to stage a trial over the matter that could never be conclusively determined. However, Eady J overruled him and held that the sale of 177 copies was enough – the trial should go ahead, irrespective of the massive costs to the defence. He ordered the NYT to pay £65,000 immediately, the cost of winning before the Master one morning and losing before the Judge later at a one day hearing. The rights and wrongs of what happened in the Maharishi's commune forty years ago are obviously impossible to establish, but the English libel judges are determined that the time of their courts should be taken up with the attempt. Even if the New York Times wins in the long run, it will get back only 65% of its costs.

12. To foreign observers the English libel industry is most unusual. Its legal costs are by far the highest in Europe.<sup>8</sup> There are only two main libel chambers – 5 Raymond Buildings and 1 Brick Court – whose barristers do 90% of the defamation work. They have a monopoly and this drives the costs up. From these chambers all the libel judges are recruited – there are four of them at present, two from each Chambers, deciding disputes brought and defended by their old solicitors and argued by their old colleagues. It is quite extraordinary that whoever allocates High Court judges does not think that judges bred in any other discipline – e.g. public law, for example, which gives

<sup>8</sup> See *A Comparative Study of Costs in Defamation Proceedings Across Europe*; Centre for socio-legal studies, University of Oxford, December 2008.

some training in freedom of speech – are qualified in or capable of handling trials for libel. The result is that the only judges available in England for libel trials are steeped in the arcane world of common law libel, which has developed without much respect for rights of freedom of speech. This has a financial consequence for defendants: it means that in order to make the law fairer and more favourable to free speech, defendants cannot expect libel judges to have much sympathy. Their decisions must be appealed – not just to the Court of Appeal but to the House of Lords. The cost of this is exorbitant, and it is little wonder that UK newspapers and media organisations have no stomach for paying it. Forbes took the risk and lost by the narrowest of margins. The Wall Street Journal in *Jameel v Dow Jones* put up the money and won a major victory in refurbishing the Reynolds public interest defence. However, Dow Jones only received part of its costs. Nonetheless the case exposed how libel judges from libel chambers had been sabotaging the Reynolds public interest defence since 1998, when it was developed by the House of Lords. Is it not a matter of some embarrassment to UK legislators that freedom of speech in the UK is dependent on the long purse of foreign news organisations?

13. That long purse is no longer available. Several major US papers are now in receivership, and the drying up of the advertising market with consequent loss of journalistic jobs means there is little money available for improving media law in Britain. Leading US newspapers are actively considering abandoning the supply of the 200 odd copies they make available for sale in London – mainly to Americans who want full details of their local news and sport. They do not make profits out of these minimal and casual sales and they can no longer risk losing millions of dollars in a libel action which they would never face under US law. Does the UK really want to be seen as the only country in Europe – indeed in the world – where important US papers cannot be obtained in print form?

14. More important – certainly more damaging for free speech - is the Duke of Brunswick “multiple publication” rule, long abandoned in the US, whereby one internet downloading in a particular state amounts to publication in that state so as to found jurisdiction. One “hit” in England is enough for a multi-million pound libel action in London. All major foreign newspapers now have internet sites – they archive each publication as a matter of course for the historical record. They are usually prepared to hyperlink to

the article any letter or reply that corrects facts or disputes opinions, but they will not obey and they are not obliged to obey orders or injunctions from foreign courts. If claimants want injunctions, they must sue in the US, in the state of predominant publication. The same should apply when they want damages.

15. The consequences of making media organisations liable for putting articles – perfectly lawful by the law of their own domicile – on websites which are occasionally accessed in England should be obvious. The cost of fighting libel actions may lead internet publishers to build “fire walls” against access from the UK, in order to avoid such actions. This would damage British business and its communication and information services, and would draw international attention to the UK’s failure to protect free speech. It would underline the hypocrisy of the British government lecturing other countries on the subject, when the UK itself had become a black hole for internet censorship through its friendliness to foreign libel tourists.

16. What is the best solution to this admitted problem with the internet? Defamation is a means by which the law strikes a balance between the individual’s right to reputation and the public right to communicate and receive information. In the context of global dissemination of information by a technology which has no clear or close comparison with any other, a publication rule should not expose foreign publishers to liability in a jurisdiction like England, which has a different and more repressive law of libel, unless they actually solicit or encourage access by residents in the UK to their internet sites.

17. That would mean a rule which locates the act of publication in the place where the article was substantially prepared for uploading rather than in any place where it is downloaded by computer users – unless the publisher has, by its conduct in that place, instigated the downloading. Every media corporation has a “centre of operation” where journalistic material is edited and prepared for publication and where the publication is read by lawyers and insured against libel action. Usually this will be in the place where the article is written and uploaded on its server as well. The most satisfactory rule would locate the act of internet publication in the place where the article is substantially produced, rather than in any place where it happens to be downloaded by computer users, unless the publisher or author has instigated the downloading (e.g. by advertising

the article) and thus has waived the rule’s protection and provided the state in which the downloading occurred with a clear interest in assuming the power to adjudicate the claim.

18. The above is the kind of rule that one would expect in an international treaty, and Justice Eady is on record in *Mardas v NYT* as calling for an international treaty on the subject. However, it is unlikely that any treaty could be agreed for some years. There is no reason why Britain could not take the lead in this vexed area and provide a solution that is satisfactory to all except the most aggressive libel tourists. That solution, we urge, would be the following:

- Applications for service out of the jurisdiction on foreign media organisations in relation to any tort of defamation or privacy shall be notified to the said organisation three weeks in advance of the hearing of the proposed application.
- The master or judge shall only give leave if satisfied by the proposed claimant, and after giving the proposed defendant the opportunity to be heard (without submitting to the jurisdiction), that
  - In any case relating to publication of print copies, there are at least 750 such copies circulated by the defendant in England and Wales and that the actual number of copies circulated here exceeds 2% of the total circulation of the publication in the world.
  - In a case relating to publication on a foreign internet site, that the article in question has been advertised or promoted in England and Wales by or on behalf of the defendant.
  - If, at any stage after leave to bring the action has been given, it appears that 2a) or 2b) is not in fact satisfied, the defendant may apply for summary dismissal of the claim.
  - The Duke of Brunswick rule should be abolished, and the US single publication rule should be adopted.
  - In all actions for defamation, the normal rule in tort shall apply, namely that the burden of proof that the imputation was defamatory shall lie on the claimant.
  - The presumption of falsity and presumption of damage should both be abolished.
  - In any action that proceeds in England or Wales against a foreign publisher or a foreign website, in relation to a publication which is substantially distributed in the state in which the publisher is headquartered, the court shall apply to that publication the defamation law of that particular foreign state.

## European Court of Human Rights Declines to Apply Single Publication Rule to Newspaper's Online Archive

### *No Prejudice Under Facts of Case*

In a disappointing decision, the European Court of Human Rights declined the opportunity to apply the single publication rule to a newspaper's online archive. [\*Times Newspapers Ltd. \(Nos. 1 and 2\) v. United Kingdom\*](#), Nos. 3002/03, 23676/03 (March 10, 2009).

Although the history and application of the single publication was fully briefed to the Court, it issued a narrow decision focusing on the particular facts of the case. The Court found that the suit over the newspaper's archived articles had not prejudiced its defense and thus under the circumstances there was no violation of Article 10, the free expression provision of the European Convention on Human Rights.

In something of a consolation, the Court noted that it might have decided differently if the libel suit had been brought long after original publication. The Court also acknowledged that online news archives are a valuable public resource. The UK government had argued that online archives were "stale news" and therefore not of "central or weighty importance" as contributions to free expression.

#### **Background**

At issue in the appeal to the ECHR were two UK libel actions brought against *The Times* newspaper by Grigor Loutchansky. In September and October 1999, *The Times* published articles discussing Loutchansky's suspected ties to money laundering and weapons smuggling, describing him as a "suspected mafia boss." Loutchansky sued over the hard copy publication of both articles in December 1999. Then in October 2000 he filed a second libel suit over the archived online versions of the same articles.

The trial court refused to apply the single publication rule to the second suit, instead holding that the

archived articles were separately actionable under the common law rule set out in *Duke of Brunswick v. Harmer* [1849] 14 QB 201. The trial court also struck out the newspaper's qualified privilege defense, holding that there was "no duty" to publish the articles online when suit had already been brought against the hard copy versions.

The Court of Appeal affirmed, reasoning that the *Duke of Brunswick* rule did not impose a disproportionate restriction on freedom of expression. Moreover, the court was dismissive of online archives, calling them "a comparatively insignificant aspect of freedom of expression" since they consist of "stale news." The court suggested that the paper should have attached "an appropriate notice warning against treating [the articles] as truth." See also *MLRC MediaLawLetter* June 2001 at 45; December 2001 at 40; January 2002 at 15 and January 2003 at 23.

The House of Lords declined an appeal and *The Times* ultimately settled both libel cases.

#### ***ECHR Appeal***

In its application to the ECHR, *The Times* argued that Article 10 requires the adoption of the single publication rule. It also asked the Court to recognize the importance of online archives as historical records. The UK government argued that under the facts the newspaper was not prejudiced since both the libel suits were brought within one year, and thus the paper was not facing "ceaseless liability." The UK government also argued that since archives are "stale news" they are not of "central importance."

***The Decision***

The Court began by agreeing with *The Times'* submission on the value of online archives, however, it went on to find that “the margin of appreciation afforded to States in striking the balance between the competing rights is likely to be greater where news archives of past events, rather than news reporting of current affairs, are concerned.” *Times v. UK* at para. 45.

Moreover, the Court noted that the press bears a higher duty to ensure the accuracy of historical information because of “the absence of any urgency in publishing the material.” *Id.*

As to the single publication rule, the Court confined its analysis to the facts of the case. It agreed with the Court of Appeals that publishing an appropriate qualification that the article was in dispute was not an undue burden on the newspaper.

The Court therefore found it unnecessary to consider in detail the broader chilling effect created by the absence of the single publication rule. The Court found it significant that here the two libel actions were brought with 14 or 15 months after the initial publication of the articles and thus under the facts there was “no suggestion that the applicant was prejudiced in mounting its defense to the libel proceedings in respect of the Internet publication due to the passage of time. In these circumstances, the problems linked to ceaseless liability for libel do not arise.”

In conclusion, the Court suggested that some greater length of time between first publication and suit would create an Article 10 issue stating: “while an aggrieved applicant must be afforded a real opportunity to vindicate his right to reputation, libel proceedings brought against a newspaper after a significant lapse of time may well, in the absence of exceptional circumstances, give rise to a disproportionate interference with press freedom under Article 10.” *Id.* para. 48.

*The Times* was represented by Reynolds Porter Chamberlain in London.

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## House Subcommittee Convenes Hearing To Discuss Libel Tourism

### ***Panelists Encourage Representatives to Work Toward an Effective Legislative Remedy***

By Laurie A. Babinski

The House of Representatives kicked off the libel tourism debate in the 111th Congress with a February 12 hearing in the Subcommittee on Commercial and Administrative Law that established the need for a legislative remedy to combat libel tourism, which the problem created when foreigners sue Americans for defamation overseas (usually in London) to avoid the protections of the First Amendment.

Before Subcommittee Chairman Steve Cohen (D-Tenn.), who convened the hearing to set the stage for the reintroduction of his libel tourism bill in the 111th Congress, the panel, which included author Rachel Ehrenfeld, Washington, D.C. media lawyers Bruce Brown and Laura Handman, and New York University law professor Linda Silberman, testified about the differences between U.S. and U.K. law that allow libel tourists to circumvent U.S. free-speech protections and exploit plaintiff-friendly U.K. defamation law, the increasing frequency of libel tourism cases brought in English courts, and libel tourism's threat to the First Amendment.

Written testimony is available at [http://judiciary.house.gov/hearings/hear\\_090212.html](http://judiciary.house.gov/hearings/hear_090212.html).

The panelists also addressed how to craft an effective legislative remedy that truly deters libel tourists from suing in England based on flimsy connections to the forum while comporting with other constitutional requirements, such as due process, that limit the ability of U.S. courts to exercise jurisdiction over libel tourists who may have no connection to the U.S. other than filing suit against an American author overseas. "Countering the impact of libel tourism is not about second-guessing the British people for striking a different balance between freedom speech and reputation than we have," Bruce Brown told the subcommittee. "It is about making sure that foreign jurisdictions do not dictate to us how we should strike this balance for ourselves."

The discussion about how to draft a workable solution was based on the three bills – two in the House, one in the Senate – introduced last Congress in an attempt to combat the problem of libel tourism.

The first two bills, both dubbed the Free Speech Protection Act of 2008, were introduced by Rep. Peter King (R-N.Y.) (H.R. 5814) and Sen. Arlen Specter (R-Pa.) (S. 2977). See Kathleen Kirby and Shawn A. Bone, "Legislative Update: Libel Tourism

Visits Capitol Hill, While Media Ownership Gets Its Day in the Senate," *MLRC MediaLawLetter*, May 2008 at 5-6.

The identical bills would have created a cause of action to allow American authors to seek a declaratory judgment in a U.S. court as soon as a libel suit was filed against them overseas. They also would have allowed Americans to obtain substantial damages against foreign libel litigants, including treble damages if the author could prove by a preponderance of the evidence that foreign libel litigants "intentionally engaged in a scheme to suppress First Amendment rights." These preemptive mechanisms were made possible by an explicit grant of jurisdiction in U.S. courts over foreign libel litigants based only on the fact that the libel tourist sued an American citizen. Both bills remained stalled in committee at the end of the 110th Congress.

The third bill, H.R. 6146, sponsored by Rep. Cohen, affirmed that courts in the United States can decline to recognize foreign defamation judgments if they are inconsistent with the First Amendment. See "Another Bill Introduced to Limit Enforcement of Foreign Defamation Judgments," *MLRC MediaLawLetter*, May 2008 at 4. It provided that: "Notwithstanding any other provision of Federal or State law, a domestic court shall not recognize or enforce a foreign judgment concerning defamation unless the domestic court determines that the foreign judgment is consistent with the first amendment to the Constitution of the United States." The House passed the bill on suspension. See Bruce D. Brown and Laurie A. Babinski, "Legislative Update: House Passes Libel Tourism Bill; Chance of Senate Passage Slim," *MLRC MediaLawLetter*, Nov. 2008 at 20. It moved to the Senate calendar, where it remained when the session ended.

With past efforts as a guide, several of the panelists encouraged Chairman Cohen to consider adding more "teeth" to his legislation. While the Chairman's previous bill was "a strong measure effectively codifying on a federal level the two state courts decisions in *Bachachan* [*v. India Abroad Publications*] and *Telnikoff* [*v. Matusевич*]," Handman explained to the subcommittee, "there are a number of concerns that the legislation, as valuable as it is, leaves unaddressed."

The panelists specifically asked the subcommittee members to think beyond enforcement to a separate cause of action for declaratory judgment or damages or by simply adding an attorneys' fees provision that would allow the U.S.-based author or publisher to recover the fees they were forced to expend in defending an enforcement action. They also cautioned, however,



that any cause of action would have to be drafted within constitutional limitations to avoid creating what Silberman characterized as “much too aggressive an assertion of U.S. jurisdiction.”

Congressional attention to the issue came on the heels of the New York State legislature’s passage of the “Libel Terrorism Prevention Act” last year. See Jason P. Criss, “New York Enacts Libel Tourism Protection Act,” *MLRC MediaLawLetter*, May 2008 at 3-4. New York and Illinois are the only two states in the country that have passed anti-libel tourism laws that allow state courts to assert authority over foreign citizens based on a libel judgment they have obtained abroad against a resident of the state. See Samuel Fifer, “The Accidental Libel Tourist,” *MLRC MediaLawLetter*, Nov. 2008 at 21-22.

The New York law was passed in reaction to a lawsuit filed in the U.K. by Saudi Khalid bin Mahfouz against Ehrenfeld for statements in her book alleging that bin Mahfouz had ties to terrorism. Ehrenfeld took a default judgment in England and then

brought an action in New York seeking a declaratory judgment that the English judgment was unenforceable. The court declined, stating that it had no jurisdiction over bin Mahfouz since he had not tried to enforce the judgment in the United States. As Ehrenfeld told the subcommittee, “Until the new statute protected me . . . Mahfouz’s English judgment hung over my head like a sword of Damocles and kept me up at night.”

Only Sen. Specter has introduced libel tourism legislation in the 111th Congress. The bill, S. 449, which was introduced on February 13 and has been referred to the Senate Judiciary Committee, echoes his bill from the prior Congress. A bill sponsored by Rep. Cohen is expected to be introduced later this year.

*Laurie Babinski is an associate at Baker & Hostetler LLP in Washington, D.C.*

## UPCOMING EVENTS

MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY	SATURDAY	SUNDAY
1	2	3	4	5	6	
7	8	9	10	11	12	13
14	15	16	17	18	19	20
21	22	23	24	25	26	27
28	29	30	31			
notes:						

**Legal Frontiers in Digital Media**  
@ *Stanford University, Stanford, California*  
May 14 & 15, 2009

**MLRC London Conference**  
*International Developments in Libel, Privacy*  
*Newsgathering and New Media Law*  
October 1-2, 2009

**MLRC Annual Dinner**  
November 11, 2009

**First Amendment Speakers Bureau**  
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Feel free to e-mail us with any questions regarding  
MLRC’s upcoming events @ [MediaLaw@MediaLaw.org](mailto:MediaLaw@MediaLaw.org)

## International Criminal Tribunal Backs Reporter's Privilege

### ***Special Court for Sierra Leone Rules Journalist Cannot Be Compelled to Identify Military Personnel Who Facilitated His Reporting***

By Erik Bierbauer and Rebecca Jenkin

On March 6, 2009, a trial chamber of the Special Court for Sierra Leone ("the SCSL") issued a decision that recognizes a privilege for a journalist to refuse to testify as to the identity of a person who facilitated the journalist's reporting under a promise of confidentiality. [\*Prosecutor v. Taylor\*](#), Decision on the Defence Motion for the Disclosure of the Identity of a Confidential 'Source' Raised During Cross-Examination of TF1-355, SCSL-03-1-T (Mar. 6, 2009).

The decision is noteworthy for its holding that the journalist was privileged not to reveal a facilitator's identity even though the person was not a "source" in the traditional sense of someone who provides information, and for its reasoning that the reporter's privilege is especially crucial for journalists working in conflict zones.

#### ***Factual Background***

The SCSL was established pursuant to an agreement in 2002 between the Government of Sierra Leone and the United Nations to try those who bear the greatest responsibility for serious violations of international humanitarian law and Sierra Leonean law committed in Sierra Leone since November 30, 1996. The SCSL was created as a result of the civil war in Sierra Leone from 1991 to 2002 that is estimated to have caused tens of thousands of civilian deaths and the displacement of more than two million people. The SCSL sits in Freetown, Sierra Leone and in The Hague, the Netherlands and includes both judges appointed by the government of Sierra Leone and by the Secretary-General of the United Nations.

In a trial that has garnered extensive international media attention, the SCSL is trying Charles Taylor, the former President of Liberia, on charges of crimes against humanity, war crimes and other serious violations of international humanitarian law. The charges arise out of Taylor's alleged backing of rebels who committed atrocities during the Sierra Leonean civil war.

In January of this year, the prosecution called Liberian journalist Hassan Bility to testify about a trip he took in 1997, while he was the managing editor of a Liberian newspaper, from Liberia to Sierra Leone to investigate ties between Taylor and Sierra Leonean rebels, the Revolutionary United Front. On cross-examination, Bility testified that members of a multilateral West African military force, who, Bility believed, are currently serving in the military of Nigeria, had "facilitated" his trip by helping him to enter Sierra Leone. Taylor's defense counsel asked Bility the names of those who helped him. Bility declined to provide them, testifying that he had made a promise as a journalist to those who assisted him that he would keep their confidences. *Prosecutor v. Taylor*, SCSL-03-1-T, Transcript, 22504-5 (Jan. 14, 2009).

Taylor's defense counsel moved for an order compelling Bility to disclose the names of his facilitators and the prosecution opposed the motion. The trial chamber instructed both sides (Bility did not have his own representation) to submit written arguments on the issue of whether a testimonial reporter's privilege protected Bility from being ordered to disclose the names.

#### ***Legal Background***

In 2002, the Appeals Chamber of International Criminal Tribunal for the Former Yugoslavia ("the ICTY") handed down the watershed *Brdjanin* decision. This was the first decision of an international criminal tribunal holding that war correspondents could not be compelled to testify unless certain conditions were met. *Prosecutor v. Brdjanin*, Decision on Interlocutory Appeal, IT-99-36-AR73.9 (Dec. 11, 2002).

At issue in *Brdjanin* were statements attributed to defendant Radoslav Brdjanin in an interview with a *Washington Post* correspondent, Jonathan Randal, about the expulsion of non-Serbs from regions of Bosnia Herzegovina. Brdjanin was accused, among other things, of crimes against humanity relating to deportation and forcible transfer. The

prosecution subpoenaed Randal to testify as to the accuracy of the statements.

The Appeals Chamber in *Brdjanin* held that a war correspondent could be subpoenaed only if a two-prong test was satisfied. First, the evidence sought must be of “direct and important value in determining a core issue in the case”. *Id.* at ¶ 50. Second, the evidence sought must not be reasonably obtainable elsewhere. *Id.*

In Bility’s case, the central issue was whether this qualified privilege extended not just to persons who provide information to journalists, but also to those who facilitate their investigations.

### ***The SCSL Decision***

The SCSL held that a facilitator is a source and therefore comes within the scope of what it described as the “journalistic privilege.” *Prosecutor v. Taylor* at ¶ 27. The court’s reasoning exhibited a strong concern that journalists’ ability to do their job in conflict zones not be undermined.

Taylor’s defense counsel had argued that “a fundamental distinction must be drawn between *information* given to a journalist by a ‘source’ and an *act* by a person facilitating the movement of another in and out of a country.” *Id.* at ¶ 4. The SCSL rejected the defense’s argument, concluding that no principled distinction could be drawn between a “source” and a “facilitator.” Both, it held, “assist journalists in producing information which might otherwise remain uncovered”. *Id.* at ¶ 25. The court recognized that both facilitators and traditional sources might risk harm by assisting journalists, particularly in conflict situations. Likewise, if journalists in conflict zones are forced to testify about those that assist them, they may be put at risk. *Id.*

After finding that information about the identity of “facilitators” fell within the privilege, the court determined that the defense had not satisfied the two-pronged *Brdjanin* test for compulsion. The court held that the information sought was not of direct and important value to a core issue in the case. *Id.* at ¶¶ 30-32. It noted that “obliging the Witness to divulge his sources without a compelling reason to do so would set an uncomfortable precedent and could threaten the ability of

journalists, especially those working in conflict zones, to carry out their newsgathering role.” *Id.* at ¶ 33. Because the SCSL held that the first *Brdjanin* prong was not satisfied, it did not need to address the second prong of whether the information sought could not reasonably be obtained elsewhere.

The SCSL also rejected the defense’s alternative request that it elicit Bility’s testimony on the identity of his facilitators in closed session. *Id.* at ¶ 35. It held that it did not matter that these measures might ameliorate the potential danger posed to the facilitators by Bility naming them in open court:

“the underlying rationale behind the journalistic privilege is to ensure freedom of expression and the public interest in the free flow of information ... [and] the anonymity of the Witness’s sources is essential to ensure that the newsgathering function of journalists, especially in situations of conflict, is not threatened.” *Id.*

### ***Conclusion***

The SCSL’s decision represents an important extension of the qualified privilege of journalists before international criminal tribunals. While not binding upon other international tribunals and courts, the decision will carry persuasive weight before those bodies. In addition, the reasoning of the court, in particular its holding that a “facilitator” should be protected by the reporter’s privilege and its recognition of the need to protect the important role journalists play in reporting from conflict zones, will likely be drawn upon in future cases testing the scope and application of the privilege.

*Erik Bierbauer is counsel and Rebecca Jenkin is an associate at Debevoise & Plimpton LLP in New York City. The prosecution in the Taylor case is represented by Brenda J. Hollis and Nicholas Koumjian, among others. The Defense is represented by Courtenay Griffiths, Q.C., Terry Munyard, Andrew Cayley and Morris Anyah.*

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***... the central issue was whether this qualified privilege extended not just to persons who provide information to journalists, but also to those who facilitate their investigations.***

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## Maryland Court of Appeals Adopts Rigorous Test For Unmasking Anonymous Internet Posters

By Mark I. Bailen and Laurie A. Babinski

In a case of first impression in Maryland that pitted a libel plaintiff's ability to unmask unnamed defendants against First Amendment rights to anonymous speech, the Maryland Court of Appeals last month quashed a subpoena issued to Independent Newspapers, Inc. for the identity of posters who allegedly made defamatory comments on the newspaper company's "[www.Newszip.com](http://www.Newszip.com)" message board forum for Centreville, Maryland. *Independent Newspapers, Inc. v. Brodie*, No. 63 (Md. Feb. 27, 2009).

The Court – one of only two state high court decisions so far on this subject – adopted a five-prong test based on New Jersey's "*Dendrite*" standard that must be satisfied before forcing a publisher to comply with a subpoena for the identities of anonymous posters.

### Background

Zebulon Brodie, the owner of a Dunkin Donuts franchise, among other businesses in Queen Anne's County, Maryland, filed a two-count complaint for defamation and conspiracy to defame on May 26, 2006 against Independent Newspapers, Inc. and three John Doe defendants – anonymous message board posters who used the screen names "CorsicaRiver," "Born & Raised Here" and "chatdusoliel." Brodie alleged that postings on the message board by the John Doe defendants falsely accused him of "maintaining 'dirty and unsanitary-looking food-service places' and allowing trash from those establishments to 'waft' into the nearby waterway." Brodie further alleged that he was defamed by postings purportedly accusing him of burning down an historic home and having no "sense of decency."

Independent Newspapers filed a motion to dismiss arguing immunity under Section 230 of the Communications Decency Act, non-actionable opinion, and that the statements regarding the historic home were not "of and concerning" Brodie because they actually referenced a developer who bought the house from Brodie, as was evident from the posted comments. The circuit court dismissed Independent Newspapers from the case on Section 230 grounds on November 21, 2006.

Brodie also subpoenaed Independent Newspapers for any identifying information for "CorsicaRiver," "Born & Raised Here" and "chatdusoliel." Independent Newspapers moved for a protective order to prevent disclosure, but the trial court denied the motion in its November 21, 2006 order. On reconsideration, the circuit court granted the motion in part on March 12, 2007, holding that "the piety of the First Amendment requires ensuring that Plaintiff has stated a valid claim for defamation." The circuit court dismissed the cause of action premised on the statements regarding the burning of Brodie's former home, but ordered Independent Newspapers to comply with the subpoena relating to the commentary on the Dunkin Donuts.

Thereafter, Brodie served a second subpoena purportedly seeking identifying information for the posters making the comments regarding the Dunkin Donuts but it included the three John Does named in the complaint as well as two additional posters, "RockyRacoonMD" and "Suze," neither of whom were named in the complaint. Independent Newspapers filed another motion to quash the subpoena and for a protective order, arguing that the identities of "CorsicaRiver," "Born & Raised Here" and "chatdusoliel" were no longer relevant to the case because the claim based on statements they allegedly made had been dismissed, and that Brodie had not named and could not name, based on Maryland's one-year statute of limitations, "RockyRacoonMD" and "Suze" as defendants. On February 19, 2008, the circuit court denied Independent Newspapers' motion and ordered disclosure of the identifying information for all five posters.

Independent Newspapers appealed the circuit court's order to the Court of Special Appeals, Maryland's intermediate appellate court. After Independent Newspapers and two groups of *amici curiae* supporting the newspaper company submitted opening briefs, the Maryland Court of Appeals – the state's highest court – granted *certiorari* on its own initiative.

### Maryland Court of Appeals Decision

In a 44-page opinion issued on February 27, 2009, the Court of Appeals held that the circuit court abused its discretion when it denied Independent Newspapers' motion for a protective order because Brodie had not pleaded a valid defamation claim

against any of the posters whose identities he sought. The circuit court already determined that “CorsicaRiver,” “Born & Raised Here” and “chatdusoliel” made comments that were not actionable because they were not concerning Brodie. The two posters who made statements that were allegedly defamatory, “RockyRacoonMD” and “Suze,” according to plaintiff’s counsel, were not initially named as defendants in the action and could not be added because of Maryland’s one-year statute of limitations on defamation claims. With no viable cause of action against any defendant, the Court of Appeals held that the identities of the posters could not be compelled.

The Court of Appeals noted, however, that it “did not take this issue just to sort out the record but to give guidance to trial courts addressing similar matters.” Recognizing that it was “presented with a confrontation between defamation law and the use of the World Wide Web,” the Court reviewed the various methods of communication on the Internet, including email (both “email client” and “web-based email”), instant messaging, blogs, chatrooms, and discussion forums. It also reviewed the First Amendment protection of anonymous Internet speech, noting that since the early 1990s, “anonymity and pseudonymity has been a part of the Internet culture” and that both the United States Supreme Court and the Maryland Court of Appeals have acknowledged the “magnitude of the protection of anonymous speech under the First Amendment.”

Against this backdrop, the Court laid out the standard that trial courts in Maryland should employ when “balancing an individual’s First Amendment right to speak anonymously on the Internet against a plaintiff’s right to seek judicial redress for defamation.” As the Court noted, “[o]n the one hand, posters have a First Amendment right to retain their anonymity and not be subject to frivolous suits for defamation brought solely to unmask their identity. ... On the other, viable causes for defamation should not be barred in the Internet context.”

After thorough discussion of the line of the cases that have adopted similar standards, including *Doe v. Cahill*, 884 A.2d 451 (Del. 2005) and *Dendrite Int’l v. Doe*, 775 A.2d 756 (N.J. Super. Ct. App. Div. 2001), the Court held that “a test requiring notice and an opportunity to be heard, coupled with a showing of a prima facie case and the application of a balancing test – such as the standard set forth in *Dendrite*, 775 A.2d at 760-61 – most appropriately balances a speaker’s constitutional right to anonymous Internet speech with a plaintiff’s right to seek judicial redress from defamatory remarks.” Specifically, the decision requires a trial

court confronted with a defamation action in which the plaintiff seeks the identity of an anonymous speaker to:

- “(1) require the plaintiff to undertake efforts to notify the anonymous posters that they are the subject of a subpoena or application for an order of disclosure, including posting a message of notification of the identity discovery request on the message board;
- (2) withhold action to afford the anonymous posters a reasonable opportunity to file and serve opposition to the application;
- (3) require the plaintiff to identify and set forth the exact statements purportedly made by each anonymous poster, alleged to constitute actionable speech;
- (4) determine whether the complaint has set forth a prima facie defamation per se or per quod action against the anonymous posters; and
- (5), if all else is satisfied, balance the anonymous poster’s First Amendment right of free speech against the *strength* of the *prima facie* case of defamation presented by the plaintiff and the necessity for disclosure of the anonymous defendant’s identity, prior to ordering disclosure.”

While the decision to quash the subpoena was unanimous, three of the seven judges filed a concurrence that questioned the requisite evidence to establish a *prima facie* case, arguing that the majority opinion was not clear on whether a complaint alone, as opposed to affidavits and other evidence, would be sufficient. The concurrence also rejected the balancing test out of “fear that the majority decision invites the lower courts to apply, on an *ad hoc* basis, a ‘superlaw’ of Internet defamation that can trump the well-established defamation law” and “become an obstacle to pursuit of legitimate causes of action.”

*Mark Bailen and Laurie Babinski, of Baker & Hostetler LLP in Washington, D.C. represented Independent Newspapers, Inc. in this matter along with their partner Bruce W. Sanford. Paul Levy and Adina Rosenbaum of Public Citizen Litigation Group joined as co-counsel to Independent Newspapers, Inc. on the appeal. E. Sean Poltrack of Foster, Braden, & Thompson LLP of Stevensville, Maryland, represented plaintiff Zebulon Brodie*

# Landmark Settlement in Authors Guild et al v. Google Class Action

## *Authors, Publishers, and Google Reshape Digital Publishing and Online Access to Books*

By Jan F. Constantine and Isabel Howe

On October 28, 2008, the parties to the class action copyright infringement litigation, *Authors Guild et al. v. Google*, issued a press release announcing a groundbreaking settlement agreement. The U.S. District Court (S.D.N.Y.) granted the parties' motion for preliminary settlement approval, the first step in the long process of requirements including class notification, claims registration, opt-outs, objections and fairness hearing, now scheduled for June 11<sup>th</sup>, 2009. (The Honorable John E. Sprizzo signed the order granting the motion on November 14<sup>th</sup>, 2008. Judge Sprizzo passed away on December 16, 2008: the case has been reassigned to Hon. Dennis Chin.)

### **Background**

The settlement resolves two separate lawsuits filed by a group of authors (who filed the class action) and McGraw Hill, Simon & Schuster, Pearson, Putnam and John Wiley (who filed a lawsuit under the auspices of the American Association of Publishers ("AAP")) in the fall of 2005, alleging copyright infringement by Google in its scanning of millions of books (in copyright as well as public domain) from partner libraries in order to provide user access to small portions of text or "snippets" as part of the Google Book Search program.

Google's legal position was that its actions in copying entire books but displaying snippets constituted "fair use" under Section 107 of the Copyright Act. The two lawsuits were coordinated by the Court and lengthy settlement discussions ensued parallel with discovery.

If approved, the settlement agreement would enhance the ability of authors and publishers to distribute their content in digital form and benefit the public by expanding online access to works through Google Book Search. The agreement also acknowledges the rights and interests of copyright owners, provides the means for them to control how their intellectual property is accessed online and enables them to receive compensation for online access to their works.

### ***What the Settlement Does and Does Not Do***

The settlement does not resolve the underlying legal issue of whether Google's use of "snippets" violates the copyright law or constitutes "fair use." The settlement will not be operative for uses outside the United States, nor will it cover public domain books or books published and/or registered with the U.S. Copyright Office after January 5, 2009. Newspapers, journals, most pictorial material and sheet music are also specifically excluded from the settlement.

Through the class action mechanism, however, the settlement creates digital access to, and new markets for, in-copyright, out-of-print books, including so-called "Orphan Works," by granting licenses to Google and participating libraries.

### ***Settlement Agreement Terms***

The comprehensive 323-page settlement agreement with attachments is available at the official settlement website, <http://googlebooksettlement.com>. There are several key provisions which will be addressed here.

Under the settlement, Google will pay a minimum of \$45 million to rights-holders of books and inserts already scanned through May 5, 2009. (Inserts are text [e.g., forwards, poems, short stories, song lyrics] or tables, charts, graphs, children's chapter book illustrations that are contained within a book, the copyright holder of which is not the rights holder).

As discussed above, if approved, the settlement promises to create new markets for out-of-print books, while vastly improving reader access to those books. It will accomplish this by establishing a new not-for-profit organization initially funded by Google but jointly controlled by authors and publishers, the Book Rights Registry, which will collect and distribute revenues from Google and maintain a database on rights-holders. The board will be composed of an equal number of author and publisher representatives, initially appointed by the Authors Guild and the AAP. Google will provide start-up funds for the registry; ongoing funding will come from an administrative fee the Registry will draw from overall rights-holders' revenues.

The Google Book Search "library" will be composed of both out-of-print and in-print books. Out-of-print books scanned by

Google from academic libraries are included in the database by default, although authors or publishers may request that specific books be removed. In-print books work in the opposite fashion: they are not included without the approval of the author and publisher. One of the first tasks Google will have under the settlement is to help determine what is in-print and what is out-of-print, by ascertaining which books are commercially available.

Out-of-print books are the central focus of the database. The goal was not to displace traditional markets for in-print books, but to create new markets for out-of-print books. Many books that were unavailable to the general public, and thus earned nothing for their authors, will get a second chance for monetization as a result of the settlement.

Authors (or their agents on their behalf) and publishers can easily opt out of the settlement by following procedures as part of the class action. At any time rights-holders can choose to exclude (or to include) their books from some or all of the display uses (i.e., preview, institutional subscriptions, online book purchases, and public access) by notifying the Registry. Until April 5, 2011, they can also irrevocably remove any of their titles from the database entirely.

All licensing revenues will go initially to Google, which keeps its 37% share and forwards the remaining 63% to the Book Rights Registry. The Registry then pays the appropriate amount to rights-holders, after deducting an administrative fee. Google also passes on usage data to the Registry, which will determine how the payments are distributed.

The revenue split between authors and publishers will vary, depending on the status and publication date of the book: For out-of-print books, there are three possibilities:

- If the rights have reverted to the author, he or she gets 100% of the rights-holder income (minus the Registry's fee).
- If the rights have not reverted, and the book was published in or after 1987, there is a 50–50 split between the author and publisher.
- If the book was published before 1987, the revenue split is 65–35 between the author and the publisher, the majority going to the author.

Revenues for out-of-print books will be paid directly to authors and publishers.

For in-print books, the author-publisher split will depend

on the terms of the book contract, with royalties paid by the Registry to the publisher for distribution of appropriate royalties to the author (or author's agent where applicable).

Under the settlement, there are four initial sources of revenue: institutional licensing, purchase of individual online editions, advertising, and fees from printing at public access terminals available at public libraries and higher educational institutions. It is anticipated that institutional licensing will be the most significant economically. Google will license unlimited access to the database to colleges and universities for a flat fee based on the number of full-time students and faculty.

The second source of revenue is from individual online use, which allows individuals to set up accounts with Google Book Search and pay to access specific books. Google will establish initial prices on books ranging from \$1.99 to \$29.99, but these can be overridden by authors or publishers, who can set the price for their own books. These online editions will not be downloadable by users; instead, account holders will log in to a Google account in order to view books they have purchased.

Unless rights-holders have directed Google not to place ads on their books, the same 37–63 split will apply to the third source of income, advertisements. When readers use Google Book Search individually, not through a university license, they will see ads—plain text only, with no pop-ups, audio or motion permitted—on various pages. Google will receive the income from ads displayed on most of the pages, such as those that list search results, but income from ads that show up when a reader is looking at a full page of text from a specific book will be split between Google and the rights-holders.

The fourth source of revenue is from printouts from public access viewings of books if libraries have printing capability.

### **Conclusion**

The settlement has been described as a “win-win-win” for authors and publishers, Google and libraries, all of whom were involved in the lengthy negotiations leading to the document which admittedly contains many compromises needed to resolve the litigation. The reality, recognized by all parties, is that even a clear win by either side could not have achieved the many benefits that the negotiated settlement agreement brings to all the parties to the litigation, not to mention the reading public.

*Jan Constantine is General Counsel and Assistant Director of the Authors Guild; Isabel Howe is Assistant Editor of the Authors Guild Bulletin.*

## Update: French Plaintiffs Denied Summary Judgment in Copyright Enforcement Action

### *Fair Use Issues Under American Law Require Trial*

In the latest round in the ongoing battle over the enforceability of a French copyright judgment, a New York district court held that online photographs of plaintiffs' fashion designs could be protected under American fair use law and that a trial is necessary to resolve factual disputes on the issue. *Sarl Louis Feraud Intern. v. Viewfinder, Inc.* Nos. 04 Civ. 9760, 04 Civ. 9761, 2008 WL 5272770 (S.D.N.Y. Dec 19, 2008) (Ly nch, J.). (*Feraud III*).

Whether the defendant's photographs could be a fair use under American law is the first of two questions the Second Circuit directed the district court to answer before ruling on whether the French judgment is repugnant to the First Amendment and unenforceable under American law. See *Sarl Louis Feraud Intern. v. Viewfinder, Inc.*, 489 F.3d 474 (2d Cir. 2007) (Pooler, Raggi, Sand, JJ.) (*Feraud II*). The second question, yet to be determined, is whether French law provides comparable fair use protections.

#### **Background**

The plaintiffs, two French fashion design companies, are seeking to enforce a default judgment issued by a French court against Viewfinder, the publisher of an online subscription magazine called firstView, which features photographs from high end fashion shows. The president and vice president of Viewfinder are accredited fashion photographers who took pictures of plaintiffs' designs exhibited at fashion runway shows in France.

In January 2001, the plaintiffs sued Viewfinder in France for unauthorized use of intellectual property and unfair competition. Viewfinder was served in the U.S. but did not respond to the complaint. A French court issued a default judgment, finding that the publication of photographs from plaintiffs' shows violated French intellectual property law and constituted "parasitism" because it had "taken advantage of plaintiff's reputation and commercial efforts creating confusion between the two companies."

In 2004, a French appellate court affirmed a 1,000,000 franc (approximately \$195,500) judgment against Viewfinder. In December 2004, plaintiffs brought suit in federal court in New York to collect the judgment under New York's Uniform Foreign Money Judgment Recognition Act.

The district court declined to enforce the judgment, finding that the fashion shows at issue were public events and Viewfinder had a First Amendment right to publish the photographs at issue. See 406 F.Supp.2d 274, 285 (S.D.N.Y.2005) (*Feraud I*) ("the First Amendment simply does not permit plaintiffs to stage public events in which the general public has a considerable interest, and then control the way in which information about those events is disseminated in the mass media."). The district court also stated that to the extent plaintiffs' designs were protected by copyright, "the copyright law similarly provides, as a matter of First Amendment necessity, a 'fair use' exception for the publication of newsworthy matters." *Feraud I* at 284.

The Second Circuit reversed holding that the district court failed to perform a full analysis of the fair use issues under American and French law.

The district court's decision appears to rest on the assumption that if Viewfinder is a news magazine reporting on a public event, then it has an absolute First Amendment defense to any attempt to sanction such conduct. The First Amendment does not provide such categorical protection. Intellectual property laws co-exist with the First Amendment in this country, and the fact that an entity is a news publication engaging in speech activity does not, standing alone, relieve such entities of their obligation to obey intellectual property laws. *Feraud II* at 480.

Instead, the district court should have first determined whether defendants were protected by American fair use law; and, secondly, whether French intellectual property law provides comparable protections. Both parties had asked the Second Circuit to resolve the fair use issues, but the court found the record insufficient to make the determination and remanded.



***District Court Decision on Remand***

On remand the parties engaged in additional discovery on the fair use issue. Plaintiffs then moved for summary judgment arguing that defendants' fair use defense failed as a matter of law under American copyright law.

The district court reviewed the issue under the traditional four factor test and considered 1) the purpose and character of the use; 2) the nature of the copyrighted work; 3) the amount of the copyrighted work used; and 4) the effect on the market for the copyrighted work.

The first factor clearly weighed in defendants' favor because its use was "highly transformative" and provided the public with news about "the front lines of the fashion world." As to the second factor, the plaintiffs claimed their designs were "unpublished" works entitled to stronger copyright protection. The court found the matter to be in factual dispute, particularly where plaintiffs designs were publicly displayed at "commercial exhibitions to which the international media has been invited." The district court also repeated its view from *Feraud I* that the "First Amendment simply does not permit plaintiffs to stage public events in which the general public has considerable interest, and then control the way in which information

about those events is disseminated in the mass media." Citing 406 F. Supp.2d at 285.

As to the extent of copying under the third factor, the court noted that even extensive use could be found reasonable in light of the transformative nature of the use. Finally, under the fourth factor, the court dismissed plaintiffs' argument that the photographs compete with the demand for the original works. Moreover, the idea that defendants undermined a market for photographs that

plaintiffs could exploit was described by the court as far fetched. "A reasonable fact-finder could thus easily conclude that the fashion industry, at least as it is currently constituted, needs the media as much as the

media needs it," the court concluded.

Considered together the court found that "it cannot be said as a matter of law that no reasonable fact-finder could conclude that the fair use factors weigh in favor of Viewfinder's use."

*Viewfinder, Inc.*, was represented by Steven J. Hyman and Paul H. Levinson of McLaughlin & Stern, L.L.P., in New York. *Sarl Louis Feraud International* and *S.A. Pierre Balmain* were represented by James P. Duffy, III of Berg and Duffy, L.L.P., in New York.



## Federal Judge Reaffirms “Hot News” Misappropriation AP’s Claim Against Aggregator Survives Motion to Dismiss

By Dave Tomlin

Copyright law still cannot preempt a “hot news” misappropriation claim in New York, a federal judge has ruled in refusing to dismiss a “hot news” claim filed by The Associated Press against the online news aggregator All Headline News Corp. [\*The Associated Press v. All Headline News Corp. et al.\*](#), No. 08 Civ. 323 (S.D.N.Y. Feb. 17, 2009).

“A cause of action for misappropriation of hot news remains viable under New York law, and the Second Circuit has unambiguously held that it is not preempted by federal law,” wrote U.S. District Judge P. Kevin Castel in his February 17 ruling, referring to the Second Circuit’s opinion in *National Basketball Association v. Motorola*, 105 F.2d 841 (2d Cir. 1997).

That opinion held that a hot news claim survives preemption when it meets a five-factor test establishing that the plaintiff produced a service based on time-sensitive information which the defendant used to produce a competing service in a manner that threatened to remove the incentive to gather the information in the first place.

### Background

AP claimed that All Headline News copied AP stories from licensed websites, stripped off AP’s name and logo, and put the copy up on its own website for use by other news distributors.

Judge Castel rejected AHN arguments that the claim should be governed by the law of Florida where the hot news claim is not recognized, and that federal copyright law preempts a hot news claim. “The defendants have set forth no persuasive reason why the Second Circuit’s preemption analysis in *NBA* should be rejected or overruled by this Court,” Judge Castel wrote.

AP’s outside counsel described the decision as an important victory for AP and other news organizations in the Internet Age because with only a few keystrokes and without incurring the cost of investing in real journalism, free riders can easily copy news stories from the web and resell those stories in direct competition with AP and publishers. “The Southern District’s decision sends the message that even in the Internet age, the law will still protect the interests of news organizations, their licensees, and the public against unfair competition,” AP’s counsel said after the decision.

Judge Castel also refused to dismiss AP’s claim under the Digital Millennium Copyright Act that All Headline News had removed or altered copyright management information from AP reports, rejecting the defendant’s arguments that the DMCA provision was intended to apply only to automated technological protection, not to branding. “The defendants have cited no textual support for limiting the DMCA’s application to ‘the technological measures of automated systems’ – a phrase that appears nowhere in the statute,” the judge wrote.

Judge Castel granted dismissal of two other claims, one alleging trademark infringement and the other unfair competition.

*Dave Tomlin is Associate General Counsel of The Associated Press. Andrew L. Deutsch of DLA Piper in New York represents AP in this matter. AHN is represented by Brian D. Caplan, Caplan & Ross, LLP, NY.*

## Copyright Claim Over the Movie “Robots” Dismissed

By Catherine Robb

A California federal district court dismissed on a 12(b)(6) motion plaintiffs’, Hans Rosenfeld and Tools Theater Investment Co.’, suit against Twentieth Century Fox Film Corporation, Twentieth Century Fox Home Entertainment, LLC, and Blue Sky Studios based on defendants’ release of their film, *Robots*. *Rosenfeld v. Twentieth Century*, No. 07-7040 (C.D. Cal. Jan. 28, 2009) (Matz, J.).

After giving plaintiffs ample opportunity to plead their claims for copyright infringement, trademark infringement, violations of the Lanham Act and Texas state law claims, the court found that plaintiffs had failed to state any claims and dismissed the federal claims with prejudice.

### Background

Plaintiffs’ claims were premised on their idea for (and drawings and outlines for) a live action Las Vegas stage show called TOOLS, which plaintiffs alleged was infringed by defendants’ film *Robots*. In addition to arguing that plaintiffs had not adequately pled any claims under law and that there was nothing similar about the works, defendants also maintained throughout that they had never even heard of plaintiffs or TOOLS until plaintiffs filed the lawsuit. Defendants were also able to get discovery stayed until after defendants’ Motions to Dismiss were decided, arguing that plaintiffs were not entitled to what would be costly and burdensome discovery until after they had adequately pled a claim that could sustain a motion to dismiss. (Plaintiffs also sued an entity named Soundelux Showworks, Inc., with whom they did apparently have previous contact, but Soundelux was never served and was eventually dismissed).



Hans Rosenfeld and Tools Theater Corp. originally filed a lawsuit in the Eastern District of Texas (Marshall Division), which has a reputation for being friendly to plaintiffs. The complaint alleged copyright infringement, trademark infringement, and Lanham Act violations, alleging that defendants’ film, *Robots*, about an all-robot society, infringed upon plaintiffs’ copyrighted and trademarked live action, interactive Las Vegas show about humans and their interaction with robots.

In addition to the trademark and copyright claims, plaintiffs also alleged a slew of state law claims, including misappropriation/theft of confidential information, unfair competition, deceptive trade practices and fraud. Plaintiffs also sought a declaratory judgment.

Because plaintiffs were based in El Paso, Texas and defendants were based in Los Angeles and New York City, and there was no discernible connection to the Eastern District of Texas, defendants filed a Motion to Transfer Venue to the Central District of California - Los Angeles, which the court granted. After arriving in the Central District of California, upon Defendants’ motion, the case was transferred (again) from the Judge’s court in which it had originally been lodged to another Central District Judge who already had familiarity with the film.

Although Plaintiffs had filed a lawsuit alleging copyright infringement, plaintiffs did not attach any of the copyrights and/or any of the allegedly infringed work to their lawsuit, thus providing no information about the substance of their claim. Plaintiffs also provided little information in the complaint about the substance or basis for any of their claims. Thus, in addition to their answer, and prior to transfer of the case, defendants filed a Motion to Dismiss for Lack of Subject Matter Jurisdiction and a Motion for More Definite Statement. But, no court ruled on those motions due to the numerous court

transfers in the case. Nevertheless, throughout the course of the lawsuit, defendants repeatedly requested that plaintiffs amend their complaint to more completely plead their claims, but plaintiffs failed to do so.

In an effort to prove that there was no infringement and to obtain early dismissal of the claims, defendants themselves obtained the allegedly infringed material – collectively referred to by plaintiffs as the TOOLS works – from the United States Copyright Office and attached plaintiffs’ copyright registrations to a subsequently filed Motion for Judgment on the Pleadings pursuant to Rule 12(c). In reviewing plaintiffs’ copyright registrations, defendants discovered that plaintiffs had registered a format for a live, interactive musical fantasy adventure show that was to be performed in a specially designed venue on the Las Vegas strip and that consisted of humans (or humanoids), other creatures, and generic robots. Defendants’ work, *Robots*, was (and is) an animated feature motion picture that was exhibited in movie theaters and on DVD throughout the world.

In their Motion to Dismiss, defendants alleged that plaintiffs had not properly alleged any causes of action and could not recover on any claims as they were currently pled (or at all). The court agreed and on September 25, 2008, granted defendants’ Motion to Dismiss, but allowed plaintiffs an opportunity to amend their complaint. In its order, the court found that plaintiffs had failed to allege a valid and protectable trademark either through a valid registration or common law priority of use and, at most, had alleged that they had invested time and money in developing and promoting an “idea” of the Tools show.

Similarly, the court found plaintiffs had also not sufficiently alleged the elements of a claim for dilution. Regarding the copyright claims, the court found that there was uncertainty about whether the court could engage in an analysis of substantial similarity due to plaintiffs’ failure to provide sufficient notice for the basis of their claims. Despite the fact that defendants had engaged in their own discovery and provided the copyright registrations to the court, the court was unable to determine whether the copyrighted work and the alleged infringement were both before the court, due to plaintiff’s vague allegations and failure to attach the allegedly infringed materials and to articulate the basis for their claims. Thus, the court allowed Plaintiffs an opportunity to amend their

Complaint, but advised that if plaintiffs did replead, defendants would be allowed an opportunity to file a 12(b)(6) Motion to Dismiss.

Plaintiffs filed an Amended Complaint, but did not substantively amend their complaint. Instead, plaintiffs simply attached the same copyright registrations that had previously been submitted by defendants and added a few nonsubstantive sentences to their complaint. But, as defendants pointed out in their Motion to Dismiss, plaintiffs did not cure the many defects from the original pleading. In particular, plaintiffs still did not adequately plead “use in commerce” or a protectable trademark, instead continuing to simply allege marketing and promotion efforts of the Tools concept.

Plaintiffs other Lanham Act claims were similarly unconvincing to the court. Plaintiffs amended complaint also failed to address the deficiencies of the copyright claims in the original complaint, although plaintiffs did finally attach the copyright registrations that defendants had previously attached, thereby confirming which copyrighted (and allegedly infringed) works were at issue.

In their 12(b)(6) Motion to Dismiss, defendants argued that there was no showing of access and that the two works were not substantially similar. Although plaintiffs listed 28 elements that were purportedly similar between their TOOLS works (from 15 different registrations) and *Robots*, the alleged similarities as alleged on the face of the complaint were non-protectable, general, and vague concepts or ideas, (e.g., theme of “good v. evil with good eventually overcoming evil but with great difficulty;” both works have an “antagonist with evil empire plans”).

As defendants argued, even if the allegations of similarity were accepted as true, they failed on their face to satisfy the extrinsic test under *Kouf v. Walt Disney Pictures & Television*, 16 F.3d 1042 (9th Cir. 1994), which uses an objective comparison of elements of the two works (e.g., looking at specific expressive elements focusing on articulable similarities between plot, themes, dialogue, mood, setting, pace, characters, and sequence of events in the two works).

On January 28, 2009, the court again dismissed plaintiffs’ complaint for failure to state a claim. The court again found that plaintiffs had failed to allege use in interstate commerce, instead alleging simply that they had undertaken an

unsuccessful effort to promote and market the concept of the Tools show. On the copyright claims, the court found that “no reasonable jury” could find that the two works were substantially similar using the objective criteria of the extrinsic test articulated under *Kouf*.

The court noted that Tools story concerned human factory workers who were threatened by the factory boss and his evil plot to replace them with robots. In the Tools story, a factory worker fights back, destroying the robots and saving mankind. According to its creator, the Tools main theme is “the relationship between man and robot in modern times.” As the court noted, *Robots*, on the other hand, has no human characters; it is inhabited only by robots with differing, individualized physical and personality traits.

The *Robots* theme – “You can shine no matter what you are made of” – plays out in a young, idealistic robot who moves to the big city to become an inventor, only to find that greed and profit have become the mantra of the formerly idealistic company. After a revolt, the young robot prevails and saves “all the humble ‘bots’” from the greedy forces.

In granting defendants’ motion, the court found that the plots, themes, and sequences of events in the two works were “substantially different.” As the court found, the alleged similar themes of good versus evil, young male heroes with blonde girlfriends, and diabolical villains, even if present in both works, were general ideas that are unprotectable. In addition, the court found that the alleged similarities in settings – industrial factories, ultra modern offices, monorails and other architectural features – were *scenes a faire*. Finally, the court noted that the pace, mood, and production value of the two works were substantially different because Tools was designed to be a live interactive show, while Robots was an animated film.

The court found that, from an objective standpoint, no reasonable jury could find that the works were substantially similar to support a conclusion that defendants copied plaintiffs’ works. Therefore, the court dismissed the copyright claims in addition to the Lanham Act claims and claim for declaratory judgment.

*Twentieth Century Fox Film Corporation, Twentieth Century Fox Home Entertainment, LLC and Blue Sky Studios. were*

*represented by Laura Lee Prather and Catherine Robb of Sedgwick, Detert, Moran & Arnold LLP.*

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## Sheppard Fairey Challenges AP AP Fights Back To Protect Photojournalism

By Nancy Wolf

The Audacity of Hope... Poster

Once Sheppard Fairey admitted that the source of his famed HOPE poster of Obama was a photograph found using Google images, New York gallery owner James Danziger's curiosity led him to discover Mannie Garcia's photograph. Garcia took the photograph of Obama in April 2006 at the National Press Club event headlined by George Clooney after his visit to Darfur. Garcia, then a staff photographer for the Associated Press capturing Obama looking off into the distance, with his head slightly angled to the left and his chin lifted against the backdrop of an American flag. This photograph, along with Fairey's poster based on that photograph can be still viewed on Danziger's online exhibit "Can & Did-Graphics, Art and Photography from the Obama Campaign" together with other Obama campaign art at [http://www.danzigerprojects.com/exhibitions/2009\\_1\\_can-and-did/](http://www.danzigerprojects.com/exhibitions/2009_1_can-and-did/). By the time Danziger began searching for the photographer, the Fairey poster and its various versions was ubiquitous and well associated with the Obama campaign, Los Angeles street artist Fairey was a household name and his posters were selling for thousands on eBay.

The story did not end there. In late January, the Associated Press (AP) contacted Fairey, to negotiate a license fee based on the derivative use Fairey made of the AP photograph. Fairey then contacted Stanford law professor Anthony Falzone, a fair use advocate from Stanford Law School's Center for Internet and Society. While discussions between AP and Falzone were underway, Fairey fired the first shot and on February 9, 2009, he and his corporation Obey Giant Art, Inc. filed a Complaint for a Declaratory Judgment in the Southern District of New York that his famed Obama "HOPE" poster was not infringing of the AP photograph and that his use was protected by the Fair Use Doctrine. The complaint seeks an injunction enjoining AP from asserting its copyrights against Fairey or his company.

Fairey admits using a Garcia photograph as reference for his poster, but contends it is not the one discovered by Danziger

but another one in which Obama is photographed with George Clooney and his head is at a slightly different angle. In his complaint, Fairey asserts that he transformed a portion of the Garcia photograph into an abstracted and idealized visual image that conveys a different message than the AP photograph and that he did not use the various Obama artworks for commercial gain. He further alleges that the Garcia Photograph was a factual and not a creative work, and his use of the Garcia photograph imposed no significant harm to the value of it or any derivatives, but rather enhanced the value of the Garcia photograph. Based on those alleged facts, Fairey and Obey Giant assert that they are entitled to a declaratory judgment that the use of the photograph in the creation of the various Obama posters is protected by the Fair Use Doctrine.

On March 11, 2009, AP, through its attorneys, Kirkland and Ellis, led by Dale Cendali, filed an Answer and Counterclaim asserting that Fairey and his various companies have done nothing but deliberately copy the AP photograph, relying on the underlying photograph's unique expression as the basis of the poster series and on other related merchandise. As a result of the copying, AP claims that Fairey and his entities have illegally profited off of merchandise that bears the image. Furthermore, AP asserts in the counterclaim that they made efforts to enter into a licensing agreement where proceeds received from Fairey's past use would be contributed by AP to the Associated Press' Emergency Relief Fund, a charitable fund which distributes grants to staff and their families who are victims of natural disasters and conflicts.



The AP's 61 page (with exhibits) answer and counterclaim is replete with examples of Fairey's commercialization of the Obama poster

series though his company's website store at [www.obeygiant/store](http://www.obeygiant/store) as well as his other acts of creating posters and merchandise based on artwork that was created by third parties, which AP believes to be without attribution or compensation. AP's counterclaim against Fairey describes his history of arrests for graffiti and vandalism and ironically his protection of his own intellectual property rights

in the form of trademark applications, his copyright notice and copyright restrictions on the Obama poster series and his use of cease and desist letters to prevent another artist from adapting his Obey image.

AP asserts that Fairey purposely chose the AP photograph out of the vast number of photographs taken of Obama because of the qualities of the photograph and that Fairey's changes were minimal and amounted to nothing more than a computerized "paint by numbers" retaining the defining expression contained in the AP photograph. The AP counterclaim defends news photography as an art form and describes the photographer's creative choices in making the Obama photograph including capturing the moment, the type of lens and the light and careful composition. The AP counterclaim asserts that AP licenses its photographs for both commercial and non-commercial uses and that Fairey's unauthorized use has caused substantial impairment to the potential market for the original.

The AP pits its long history as a not-for profit news agency against the tactics of a street artist who misappropriated the Obama photograph from Google Images without permission, in conflict with Google's copyright policy. In downloading the image Fairey allegedly stripped out AP's copyright management information from the IPTC fields that identified AP as the source of the photograph and Mannie Garcia as the photographer in contravention of 17 USC §1202 (c) –the Digital Millennium Copyright Act's provision that provides damages for the removal of copyright management information with the intent to facilitate infringement. Further, AP's counterclaim alleges that Fairey defrauded the Copyright Office in failing to state in his copyright registrations for the Obama poster series that the works were derivative works of the AP Obama photograph. Lastly, the AP counterclaim accuses Fairey of purposely misrepresenting the source of the Obama poster photograph as the one with both Clooney and Obama when the photograph discovered by Danziger is reportedly an exact match using image recognition technology. In countering Fairey's assertion that he created the Poster to support the Obama campaign and only sold them to create more posters in order to give them away, AP sites Fairey's merchandising and marketing enterprises

and his commercial exploitation of the Obama poster series. AP seeks damages, including statutory for direct willful infringement; and damages for contributory infringement and damages for violation of the DMCA removal of copyright management information.

What started out as a search for merely the source of a now infamous poster is now framed as a legal battle with an artist on one side supported by a law school institute looking for a noteworthy fair use battle and the other side a not for profit news organization defending the value of photo journalism in an effort to preserve licensing income and acknowledge the creativity of that is involved in the art of photo journalism.

The Poster clearly meets the definition of a derivative work under 17 USC § 101 as it is "based upon one or more preexisting works" and is "recast, transformed, or adapted". The issue will turn on the sufficient amount of change or commentary on the original work required to constitute transformation under the fair use doctrine.

Judge Hellerstein, who has been assigned to this case, may finally have an opportunity to define the line between a work of visual artwork that is transformed in the creation of a derivative work and requires permission from the copyright owner, and the "transformation" that is necessary for purposes of the first fair use factor and does not require permission. Judge Pierre Leval's seminal Harvard Law Review Article "Toward a Fair Use Standard," 103 Harv. L. Rev. 1111 (1990) was the first to describe "transformation" in connection with the first fair use factor

in that the use must be productive and must employ the quoted matter in a different manner or for a different purpose from the original. As the fair use defense favors works that are not commercial, with the exception of parodies, the parties will likely focus on whether Fairey's poster series was commercial in nature or not as the poster is clearly not a parody of the original. Both the [Declaratory Judgment](#) and the Answer and [Counterclaim](#) can be found online

*Nancy Wolf us a partner at Cowan, Debaets, Abrahams & Sheppard LLP in New York.*



This image was excerpted from Paragraph 54 of the AP's Answer and Countersuit. Please review this image in conjunction with the AP's filing. This image is for viewing purposes only.

## GIS Electronic Mapping Database Must Be Disclosed Under California Public Records Act

### *Court Rejects Homeland Security Regulations and Copyright as Reasons to Deny Disclosure*

By Rachel Matteo-Boehm and Matthew Jakska

In what appears to be a nationwide issue of first impression, the California Court of Appeal has ruled that local government officials may not use the federal Critical Infrastructure Information Act of 2002, 6 U.S.C. §§ 131-134, to shield their own records from disclosure under state open records laws. *County of Santa Clara v. Superior Court*, 170 Cal. App. 4th 1301 (Feb. 5, 2009).

In the same published decision, the court also held that copyright law did not allow county officials to restrict the use or disclosure of records subject to disclosure under the California Public Records Act (“PRA”). The case was the first published decision in California to address the applicability of copyright laws to government records subject to the PRA, and is only one of a handful of cases in the nation to have discussed the interaction between copyright and state open records laws.

#### **Background**

At issue in the case was whether the County of Santa Clara was required to provide an electronic copy of its geographic information systems (“GIS”) basemap pursuant to the PRA. GIS is a multilayer mapping technology that allows for sophisticated analysis of geographic information. The foundational layer of GIS, known as the “basemap,” contains basic information such as parcel boundary lines, addresses, and ownership information. Using commercially available software, interested parties can layer other publicly available databases over the basemap data and perform complex computer assisted analyses of the layered information. The basemap data is thus of great value to the news media, public interest groups, and others in the private sector in analyzing an endless array of issues. Some of the many ways in which a GIS basemap can be used are as follows:

**Analysis by property owners of tax assessments/zoning decisions:** Used in conjunction with the assessor’s roll database, a property owner can use the basemap to locate other parcels with similar descriptive and so-called “locational” characteristics (e.g., same approximate size, same approximate distance to a park or school, same approximate distance from a freeway) to determine whether their taxes are higher or lower than those paid by others, or whether zoning decisions are equitable. To the extent disparities are discovered, they can be corrected, and the information can also be used to determine whether politically connected individuals are receiving favorable treatment.

**Use by public interest groups:** Using the Basemap Data together with other publicly available data, an organization can perform any number of studies that further the public interest. For example, advocates for low and moderate-income housing in Washington DC used similar data to analyze the dysfunctional concentration of such housing in poor, crime-ridden neighborhoods. In California, basemap data has been used to determine whether street repair services were being provided equitably to neighborhoods of varying economic level, and to help an environmental nonprofit group model alternative land use regulations, parcel by parcel.

**Investigations by the news media:** Basemap data plays a critical role in news reporting in the electronic age. Reporters have used GIS basemap data to help them pinpoint the cause of building collapses after Hurricane Andrew; to conduct a sophisticated analysis of ownership of property parcels in critical areas; to track building permits issued in fire-prone areas; to track the health effects of smog in urban areas; and to track geographic concentration of subprime loans.



Like many other California counties, Santa Clara County was making its basemap data available to the public upon request; unlike other counties, it was charging huge amounts for copies of the basemap – in some instances, more than \$100,000. However, the PRA requires that public agencies make copies of public records, including records maintained in electronic form, available for a fee that in most cases may not exceed the direct cost of reproduction.

Accordingly, in June 2006, the California First Amendment Coalition (“CFAC”), a nonprofit, non-partisan educational and advocacy organization focused on freedom of expression and open government issues, made a PRA request for the basemap. The county denied CFAC’s request, claiming the basemap was exempt from disclosure under several of the PRA’s exemptions to disclosure (including the PRA’s exemption for software and the so-called “catch-all” exemption found at Government Code 6255) and was also protected by copyright. Notably, however, the county did not even mention security as a concern warranting non-disclosure.

In October 2006, CFAC filed a petition for writ of mandate in the Santa Clara County Superior Court seeking to compel the county to release a copy of the basemap for direct cost of reproduction. Several months after CFAC initiated writ proceedings, the county submitted a copy of the basemap to the Department of Homeland Security (“DHS”) and argued that, having done so, the basemap – which the county claimed posed a security risk because it would purportedly reveal the exact location of underground water lines – was exempt from disclosure under the regulations promulgated by DHS under the Critical Infrastructure Information Act of 2002 (“CII Act”).

After multiple rounds of briefing and three court hearings, the Superior Court ruled in favor of CFAC in May 2007, issuing an unusually long 27-page decision and order rejecting the county’s claimed PRA exemptions and directing it to release the basemap for the cost of duplication. As to the county’s claimed security concern, the court rejected its arguments under the Critical Infrastructure Information Act and noted that if security were a truly a concern, one would think the county would not have disclosed it to anybody, even for a fee.

In June 2007, the county initiated a writ proceeding in the California Court of Appeal, focusing primarily on its belatedly-offered security argument. The court issued an order to show cause in March 2008, inviting full briefing by the parties. On appeal,

CFAC’s brief was supported by four different amicus briefs submitted on behalf of an impressive array of amici, including the National Security Archive, the Center for Democracy and Technology, the Electronic Frontier Foundation, the Reporters Committee for Freedom of the Press, the Real Estate Information Professionals Association, and one brief submitted on behalf of a local water company and 77 different GIS professionals.

After briefing by the parties and amici, the case came on for oral argument on January 15, 2009. On February 5, the Court of Appeal issued a 41-page opinion rejecting all of the county’s arguments for withholding the basemap, including its arguments that (1) homeland security regulations provided an exemption from disclosure, and (2) copyright law permitted the county to place restrictions on disclosure and allowed the county require recipients to sign an “end user agreement.”

#### ***Critical Infrastructure Information Act***

The CII Act was enacted to help protect the nation’s critical infrastructure from terrorist attack by providing for collaboration between DHS and those persons and entities that control critical infrastructure. At its core, the CII Act encourages private and public entities to voluntarily submit “critical infrastructure information” to DHS by ensuring that the information will be treated confidentially by DHS and those federal, state, and local government entities with which DHS later shares the information.

The final DHS regulations implementing the CII Act provide that once critical infrastructure information is submitted to DHS and DHS validates the information as “protected critical infrastructure information,” the information “shall be treated as exempt from disclosure under the Freedom of Information Act and any State or local law requiring disclosure of records or information.” 6 C.F.R. § 29.8(g). In the Santa Clara County action, the county contended that having obtained validation for its basemap from the DHS, the basemap was therefore exempt from disclosure.

The Court of Appeal disagreed, determining that the CII Act had no application to the basemap. The court explained that the Act’s “consistent and pervasive” regulatory language creates a distinction between those entities that **submit** critical infrastructure information to DHS and those agencies that **receive** the information (*i.e.*, DHS and those government entities with which DHS later

shares the information). While the CII Act prohibits a receiving entity from disclosing protected information pursuant to open records laws, nothing in the Act imposes such a rule on the entity that submitted the information to DHS in the first place.

While the Court of Appeal's analysis was a technical one grounded in the twists and turns of the statute and DHS regulations, the result is of huge practical importance in that it rejects a wide-ranging preemption of state and local law. Indeed, the position advocated by the county had the potential to eviscerate state and local open records laws by permitting governments to shield otherwise-public records from disclosure simply by submitting the records to DHS and convincing the agency to validate the records as protected critical infrastructure information. This goes beyond the Act's apparent purpose, which is not to prohibit holders of critical infrastructure information – many of which are private sector entities – from disclosing their own information, but rather to encourage voluntary submission of critical infrastructure information to DHS by ensuring that the information will not be publicly disclosed by DHS and other receiving entities.

### ***Copyright Protections For Public Records***

An additional argument advanced by the county was that, even if no specific exemption allowed the county to withhold the basemap, the county could impose restrictions on end users of the basemap based on copyright law. While copyright is primarily a creature of federal law, state law determines whether state and local governments may claim copyrights in public records they create.

Looking to the PRA for guidance, the court first determined that nothing in that Act provides explicit authority for the assertion of a copyright interest in a public record. It next examined whether end-user restrictions grounded in copyright might nonetheless be compatible with the purpose and operation of the PRA. Answering this question in the negative, the court concluded that the PRA's policy of unrestricted disclosure would be undercut by allowing the county to impose "extra-statutory restrictions" on the use of public records through the imposition of end user agreements. Accordingly, the court concluded that the basemap must be disclosed as provided by the PRA, without restriction or limitation.

The Court of Appeal considered two cases from other jurisdictions in reaching its conclusion. In *County of Suffolk v. First American Real Estate Solutions*, 261 F.3d 179, 189 (2d Cir. 2001),

the Second Circuit Court of Appeal examined New York's open records law and determined that, while the law required a county to make its tax maps available to the public for inspection and copying, it did not affect the agency's ability to impose end-user agreements restricting subsequent redistribution of those maps. On the other hand, the opinion of the Florida District Court of Appeals in *Microdecisions v. Skinner*, 889 So.2d 871 (Fla. Dist. Ct. App. 2004) reached the opposite conclusion, determining that Florida's open records law prevented a county appraiser from requiring persons who received electronic copies of GIS maps to sign a licensing agreement if the maps were used commercially.

The California Court of Appeal followed the result and reasoning of *Microdecisions*, noting that the Florida open records law construed in *Microdecisions* was similar to California's PRA in at least two important respects. First, California's open records law does not allow limitations on access based on the purpose for which the records are requested. Second, that law generally limits the fee that can be charged by an agency for production of a public record to the cost of reproduction.

What these cases ultimately suggest is that the issue of whether public officials may claim copyright protections in public records depends on an analysis of the particular open records law at issue. In the absence of an explicit statutory provision allowing for copyright protection, the issue will likely turn on whether the forum state's open records law leaves room for copyright restrictions on use of public records. In those instances where a state's open records law requires unrestricted disclosure without regard to the recipient's motive or intended use of the records, copyright restrictions would likely not be consistent with the law.

The county has until March 17 to seek review of the decision by the California Supreme Court.

*Petitioner California First Amendment Coalition is represented in this matter by Roger Myers, Rachel Matteo-Boehm, Kyle Schriener, and Matthew Jaksa, Holme Roberts & Owen LLP, San Francisco, CA. Ms. Matteo-Boehm argued the case before the California Court of Appeal. Respondent County of Santa Clara is represented by County Counsel Ann Miller Ravel and Deputy County Counsel Robert A. Nakamae.*

## Pennsylvania Supreme Court Holds That Autopsy Reports Are Public Records

By Michael Berry

The Pennsylvania Supreme Court held that autopsy reports are public records. See *Penn Jersey Advance, Inc. v. Grim*, 962 A.2d 632 (Pa. Jan. 22, 2009). Although the court's holding stands as a resounding victory for public access, its long-term implications are less clear, as the court expressly avoided deciding whether autopsy reports will remain accessible under the Commonwealth's new Right to Know Law, which went into effect just three weeks before the Supreme Court handed down its decision. And, without providing any specific guidance, the Court left open the possibility that courts can seal autopsy reports "based on privacy or privilege concerns."

### Background

Under the Pennsylvania Coroner's Act, every coroner throughout the state is required to "deposit all of his official records and papers for the preceding year" with the clerk of court "for the inspection of all persons interested therein." Citing this law, reporters for the *Easton Express-Times* and the *Allentown Morning Call* requested that the Lehigh County Coroner, Scott Grim, provide copies of the autopsy report he prepared following the shooting death of a local police officer.

The officer's death, which the coroner declared to be a homicide, had garnered substantial public interest, particularly because he was shot inside police headquarters. Nevertheless, Coroner Grim denied the newspapers' requests based on his view that the autopsy report was not an "official" record or paper under the Coroner's Act. The two newspapers filed mandamus actions in the local court of common pleas seeking to force Grim to deposit his autopsy report in the clerk's office. The court granted the newspapers' request and ordered the coroner to deliver the report to the clerk. Coroner Grim appealed to the Commonwealth Court, one of two intermediate appellate courts in Pennsylvania.

Grim's challenge was not the first time Pennsylvania's appellate courts had addressed the accessibility of autopsy reports. In 1996, the Superior Court, Pennsylvania's other intermediate appellate court, determined that autopsy reports are "official records of the coroner's office" and thus should be released under the Coroner's Act. See *In re Dillon*, 674 A.2d 735, 739 (Pa. Super. Ct. 1996). That determination was later

cited favorably by the state Supreme Court in a case addressing whether autopsy reports could be sealed to protect ongoing criminal investigations. See *In re Buchanan*, 880 A.2d 568, 576-77 (Pa. 2005). Several months before the Supreme Court issued its decision in *Buchanan*, the Commonwealth Court took the opposite position, holding that autopsy reports are not "official records" covered by the Act and that the statute only requires coroners to disclose documentation of the cause of death and whether the death resulted from foul play. See *Johnstown Tribune Publ'g Co. v. Ross*, 871 A.2d 324, 330-31 (Pa. Commw. Ct. 2005); see also *MLRC MediaLawLetter* April 2005 at 38.

In *Grim*, the Commonwealth Court was forced to address these conflicting rulings. Ultimately, it followed its prior decision and, consistent with that decision, concluded that Coroner Grim was not required to deposit the autopsy report with the clerk of courts. The newspapers petitioned the Supreme Court for review, contending that the Commonwealth Court erred by failing to follow the Superior Court's decision in *Dillon* and the Supreme Court's guidance in *Buchanan*.

### The Supreme Court's Decision

The Supreme Court reversed the Commonwealth Court's ruling and applied the plain meaning of the Coroner's Act, as foreshadowed by its *Buchanan* decision. Specifically, the Court held that because one of a coroner's "official duties" under the Act is conducting an autopsy, "[i]t follows logically that a coroner's resulting autopsy reports constitute 'official records and papers' within the meaning of [the Act]." Thus, coroners must deposit their autopsy reports with the clerk of court at the end of each year.

The Supreme Court recognized that under its decision the public would have access to "potentially privileged information related to the decedent's medical history and graphic photographs taken during the autopsy." The Court explained that trial courts could address this "legitimate" concern through their "inherent power" to "limit public access to autopsy reports (or portions thereof) based on privacy or privilege grounds where warranted." Although the Court did not discuss this point in detail, it said that "anyone seeking to protect an interest in such material, and having standing to do so, can seek appropriate relief from the trial court."

This concern prompted a dissent from Justice J. Michael Eakin, who discussed the privacy issues raised by the Court's decision at length. Justice Eakin criticized the effect of the Court's ruling as "abominable," stating his view that "matters having nothing to do with cause and manner of death should remain private and not be routinely disclosed."

### ***The New Right to Know Law***

In a footnote, the Supreme Court stated that it expressed no view "on the relationship between the Coroner's Act and the Right to Know Law," noting that the new open records law, which became effective on January 1, 2009, "has no application to the events underlying this case." While this question technically remains an open issue, it appears reasonably clear that the Court's decision in *Grim* should continue to control public access to autopsy reports. Although the new Right to Know Law provides that "autopsy record[s] of a coroner," copies of "autopsy report[s]," and photographs taken during an autopsy are exempt from disclosure, it also expressly states that

if its provisions "regarding access to records conflict with any other federal or state law, the provisions of this act shall not apply." In other words, under the Right to Know Law, the mandate of the Coroner's Act should continue to govern public access to autopsy reports. If the Supreme Court continues to follow the same plain meaning approach it employed in *Grim*, the public should continue to have access to autopsy reports under the new open records law.

*Michael Berry is an attorney in the Philadelphia office of Levine Sullivan Koch & Schulz, L.L.P. Penn Jersey Advance, Inc. was represented by Douglas J. Smillie of Fitzpatrick Lentz & Bubba, P.C. The Morning Call, Inc. and Joseph McDonald were represented by Malcolm J. Gross and Michael Alan Henry of Gross, McGinley, LaBarre & Eaton, L.L.P. Scott Grim was represented by Stuart Shmookler of the Lehigh County Department of Law. Teri L. Henning and Melissa Bevan Melewsky of the Pennsylvania Newspaper Association filed an amicus brief in support of the newspapers.*

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## Second Circuit Applies Expansive Privacy Exemption to Deny FOIA Requests

### *Denies Requests for Commutation Petition and Guantanamo Data*

By Dave Tomlin

Two recent Second Circuit decisions in Freedom of Information Act cases appear to increase the burden on plaintiffs trying to overcome agency denials of FOIA requests based on privacy exemptions. *Associated Press v. U.S. Dept. of Justice*, 549 F.3d 62 (2d Cir. Dec. 1, 2008) (Wesley, Hall, Oberdorfer, JJ.); *Associated Press v. U.S. Dept. of Defense*, No. 06-53532-cv, 2009 WL 18727 (2d Cir. Jan. 5, 2009) (Winter, Hall, Kravitz, JJ.).

#### **Background**

The Associated Press was the plaintiff at trial in both cases. In the first, AP asked the Second Circuit to reverse the district court's refusal to order release to AP of the commutation petition of John Walker Lindh, the "American Taliban."

In the second, the Department of Defense sought reversal of a district court ruling that AP was entitled to see names and other identifying information about Guantanamo detainees involved in cases of detainee abuse, either as perpetrators or victims, and to disclosure of information from certain detainees' correspondence with their families.

#### **Second Circuit Decisions**

In each instance, the Second Circuit panel found that the mere presence of personal information could bring a document within the scope of FOIA privacy protection and then dismissed AP's arguments that whatever privacy interest Lindh or the detainees might have was easily outweighed by the public interest in disclosure.

In the Lindh case, *AP v. DOJ*, the court's dismissal was especially striking. AP had argued among other things that contents of a commutation petition would clearly shed light on an agency's operation since it contained a petitioner's firsthand assessment of the fairness of the government's exercise of its clemency powers.

But in its very brief opinion, the court tersely

concluded that AP had offered nothing that overcame the government's declaration that Lindh had not based his commutation plea on any allegation of government misconduct.

The court in the detainee case, *AP v. DOD*, devoted more time to AP's public interest arguments but also concluded that revelations of government misconduct are central to any determination that a disclosure under FOIA serves the public interest.

AP had argued that detainee identities would include their religion and nationality and would also allow the public to evaluate other aspects of government treatment of detainees who had been involved in abuse allegations.

The court inferred that AP suspected such evaluation would uncover signs of unfair or improper treatment. It said such speculative public benefit could not outweigh the detainees' privacy interests, and also offered the following quote from *National Archives & Records Admin. v. Favish*, 541 U.S. 157 (2004), a FOIA case involving the Vincent Foster suicide investigation:

Where there is a privacy interest protected by Exemption 7(C) and the public interest being asserted is to show that responsible officials acted negligently ... the requester must establish more than a bare suspicion in order to obtain disclosure. Rather, the requester must produce evidence that would warrant a belief by a reasonable person that the alleged Government impropriety might have occurred. *Favish*, 541 U.S. at 174.

In a petition for rehearing in the Lindh case, AP argued that the court had changed the 2d Circuit's view of the FOIA privacy exemptions in a way that would make government less open. "The decision in this case significantly alters the statutory balance between privacy and disclosure in a manner that undermines FOIA's very purpose – to inform citizens about 'what their government is up to.'"

*Dave Tomlin, Associate General Counsel for Associated Press, represented the AP in these cases together with David Schulz and Adam J. Rappaport of Levine Sullivan Koch & Schulz L.L.P., New York, N.Y.*

## Second Circuit Reviews Patriot Act Rules on Disclosure of National Security Letters

### *Certain Nondisclosure Rules Violate the First Amendment*

By Theresa Chmara

The Second Circuit Court of Appeals recently reaffirmed that the government cannot unilaterally mandate gag orders in the context of National Security Letter (NSL) requests for information without affording recipients of such requests prior judicial review. *John Doe, Inc. et al, v. Mukasey, et al.*, 549 F.3d 861 (2nd Cir., Dec. 15, 2008) (Newman, Calabresis, Sotomayor, JJ.).

#### **Background**

In the aftermath of the 9/11 terrorist attacks, Congress expanded the reach of the government's access to communication records maintained by various providers of access including telephone companies, Internet Service providers, libraries and bookstores. Whereas previously the government could issue an NSL only upon a showing that its subject was a foreign power or foreign agent or had engaged in communications "under circumstances giving reason to believe that the communication concerned international terrorism," the NSL statute now requires only that the government state that the materials are sought "to protect against international terrorism or clandestine intelligence activities." 18 U.S.C. § 2709(b)(2006).

The government credits the statutory amendments with the increase in NSL requests from 8,500 in 2000 to 47,000 in 2005. *See Doe v. Gonzales*, 500 F. Supp. 2d 379, 390 (S.D.N.Y. 2007) ("Doe II") (citing Office of Inspector General, A Review of the FBI's Use of National Security Letters (March 2007)).

The recent appellate court ruling began with the delivery of a NSL to an Internet access firm. In February 2004, the FBI delivered a NSL to John Doe, Inc. The letter, redacted in the public court filings, directed John Doe "to provide the [FBI] the names, addresses, lengths of service and electronic communication transactional records, to include [other information] (not to include message content and/or subject fields) for [a specific] email address." The

letter also advised John Doe that the law "prohibit[ed] any officer, employee or agent" of the company from "disclosing to any person that the FBI has sought or obtained access to information or records." The letter also asked that John Doe provide the relevant information personally to a designated FBI office.

The owner of the firm sought the assistance of the American Civil Liberties Union to resist both the request itself and the gag order that prevented him from speaking about the request publicly. The initial complaint was filed in April 2004 in the Southern District Court of New York.

#### **Prior Proceedings**

On September 29, 2004, Judge Marrero granted the plaintiffs' motion for summary judgment, holding that the statute was unconstitutional because it did not include a process of judicial review and the permanent ban on disclosure operated as an unconstitutional prior restraint. *Doe v. Ashcroft*, 334 F. Supp. 2d 471, 475 (S.D.N.Y. 2004) ("Doe I"). Although John Doe had sought the assistance of the ACLU and filed a lawsuit, the Court held that the statute provided no means of judicial review and the procedures utilized by the FBI in serving the NSLs had the practical effect of intimidating recipients into not seeking judicial review.

The Court identified the following actions as coercive: (1) a personal phone call from an FBI agent prior to service of the NSL; (2) the NSL request framed in imposing language referring to terrorist activities and on FBI letterhead; and, (3) the order to provide disclosure in person and in complete secrecy. The district court concluded that the failure of the statute to provide an explicit mechanism for judicial review was unconstitutional.

The government appealed the case to the Second Circuit, which vacated and remanded the matter in light of Congressional amendments to the NSL statute. Those amendments provide that an NSL recipient may petition to

set aside the request or lift the gag order. The gag order may be lifted if “there is no reason to believe that disclosure may endanger the national security of the United States, interfere with a criminal, counterterrorism, or counterintelligence investigation, interfere with diplomatic relations or endanger the life or physical safety of any person.”

However, the government’s certification that disclosure “may endanger the national security of the United States, interfere with diplomatic relations or endanger the life or physical safety of any person” must be treated as “conclusive” by the reviewing court unless the court finds the certification was made in bad faith.

In November 2006 the government withdrew its request for information from John Doe but refused to lift the gag order. In September 2007, Judge Marrero held that the amended NSL statute is facially unconstitutional, finding that the government’s use of gag orders must be narrowly tailored for each particular case and may not be applied to every NSL issued without judicial review of its necessity. *Doe v. Gonzales*, 500 F. Supp. 2d 379 (S.D.N.Y. 2007) (“Doe II”). Moreover, the court held that gag orders must be subject to “meaningful judicial review” and Congress cannot supersede the authority of the court by imposing its own deferential standard and requiring a court to accept as “conclusive” a certification by the government.

### ***Second Circuit Decision***

On December 15, 2008, the Second Circuit affirmed in part and reversed in part the decision of the district court and remanded the matter to the lower court for further proceedings. Holding that the statute must be given a “common sense” interpretation, the Second Circuit also found that the statute must be read as permitting a reviewing court to set aside a gag order if it finds that “there is no good reason” to believe that a gag order is necessary, rather than “no reason” to believe that nondisclosure is needed by the government. The Second Circuit held:

Moreover, a reason will not qualify as “good” if it surmounts only a standard of frivolousness. We understand the statutory requirement of a finding that an enumerated harm “may result” to mean

more than a conceivable possibility. The upholding of nondisclosure does not require the certainty, or even the imminence of, an enumerated harm, but some reasonable likelihood must be shown.

Slip Opinion, at 30.

The Court also found that the burden of proof rests with the government to demonstrate to the reviewing court that a good reason exists to maintain the gag order, not on the recipient to demonstrate that the government does not have a good reason for its gag order request. The appellate court also found that the statute is unconstitutional to the extent that the government’s certification must be treated as “conclusive” by a reviewing court.

Additionally, recognizing that the First Amendment is implicated where a recipient is precluded from commenting publicly regarding government activity, the appellate court held that the statute is unconstitutional to the extent that it imposes a gag order requirement on NSL recipients without placing on the government the burden of initiating judicial review of such a requirement. Responding to the government’s argument that most recipients are not interested in challenging nondisclosure requests and it thus would be extremely burdensome to conduct judicial review proceedings for each NSL issued, the appellate court held that the government could minimize its burden by instituting a notice procedure to recipients.

Thus, the government could set up a procedure whereby a recipient would be required to inform the government within ten days of receipt that judicial review of the nondisclosure requirement was requested. The appellate court also suggested that the procedure for seeking judicial review should involve a specific amount of time within which the government must ask for judicial review. The case was remanded to the district court to provide the government with an opportunity to implement notice procedures consistent with the Second Circuit ruling.

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## City Officials' Itemized Cell Phone Records Not Public Under Pennsylvania Right To Know Act

### *Privacy Interest Bars Disclosure*

By Robert C. Clothier

The Pennsylvania Supreme Court held that itemized billing records for cell phones purchased by the City of Pittsburgh were not public records, finding that the public interest in the information was outweighed by the privacy, reputational and personal security interests of citizens who called, or were called by, Pittsburgh city council members. *Tribune Review Publishing Co. v. Bodack*, 961 A.2d 110 (Pa. Dec. 18, 2008).

#### **Background**

The Tribune-Review, a Pittsburgh, Pa. newspaper, and one of its reporters requested access to itemized billing records for cellular telephones purchased by the City of Pittsburgh and issued to several City Council members. The bills included the telephone numbers of both incoming and outgoing calls from each phone, the time of each call and the duration and cost of each call. The City denied the request.

The Allegheny Court of Common Pleas sustained the paper's appeal and ordered the information to be produced. The City appealed to Pennsylvania's Commonwealth Court, which reversed the trial court's decision, requiring redaction of the telephone numbers on the bills. The Commonwealth Court distinguished calls made by City Council members and calls made to City Council members, finding that individuals called by City Council members had a "reasonable expectation of privacy" in their numbers, and that disclosure of such calls "risks damage" to the individual's reputation. Moreover, disclosure of calls made by constituents exposed them "to possible harassment and retaliation" where, for example, a person called the public official "to report illegal activity of a neighbor."

#### **Supreme Court Decision**

The Supreme Court affirmed the Commonwealth Court's decision. First, it held that the telephone bills fell within the initial definition of public record under Pennsylvania's Right to Know Act, because the bills were an "account, voucher or contract dealing with the receipt or disbursement of funds." It noted that

"the fact that the [City of Pittsburgh] may have received reimbursement for expenses" from public officials for personal phone calls "did not change the fact that the [City] ... disbursed public funds for these expenses."

Turning to the Act's exceptions, however, the Court denied access on the largely same grounds given by the Commonwealth Court. The issue was "whether the records requested would potentially impair the reputation or personal security of another, and whether the potential impairment outweighs the public interest in the dissemination of the records at issue."

The newspaper contended that the City of Pittsburgh had failed to establish, "with specific evidence as to each piece of information or data," that the Act's "exception has been met." Rejecting this argument, the Court said that Pennsylvania decisions recognize that "there are certain types of information" – "private telephone numbers," for example – whose disclosure, by their very nature, would operate to the prejudice or impairment of a person's privacy, reputation or personal security."

Concluding that the Commonwealth Court properly balanced the various interests, the Supreme Court found that there was a "patently strong privacy interest in shielding the telephone numbers from disclosure" and a "weak, perhaps non-existent public interest in favor of disclosure of the telephone numbers."

This ruling is probably one of the last decisions of the Pennsylvania Supreme Court interpreting Pennsylvania's old Right to Know Act. On January 1, 2009, a completely re-written and much stronger Right to Know Act took effect. As the Court noted, however, the result likely would have been no different under the new Act, which specifically exempts from disclosure "home, cellular or personal telephone numbers."

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## New Jersey Governor's Emails to Girlfriend Protected by Executive Privilege

### ***Concerns Over Labor Negotiations Insufficient Reason to Overcome Privilege***

By Kathleen A. Hirce

A New Jersey Appellate panel has reversed a lower court order requiring an *in camera* review and the disclosure of certain e-mail communications between New Jersey Governor Jon Corzine and Carla Katz, the president of one of the state's largest employee unions, with whom the governor had a "close personal relationship" prior to his inauguration. ). *Wilson v. Brown*, Docket Nos. A-5854-07T1, A-5883-07T1 (N.J. App. Div. January 12, 2009).

The Appellate Division rejected disclosure of the e-mails at issue under both New Jersey's Open Public Records Act (OPRA) and the common law concluding that the e-mails were protected under the executive privilege, a privilege that the court defined in extremely broad terms based in part on the unique status of the New Jersey Governor, who is "widely considered one of the strongest chief executives in the nation by virtue of the powers assigned to the Office by the State Constitution."

Further, the court found that the plaintiff requesting access to the e-mails – Thomas Wilson, the Chairman of the New Jersey Republican State Committee – had not "articulate[ed] or identify[ied] a sufficient reason to overcome the privilege." Finally, and of great consequence to New Jersey's strong state policy in favor of open access, the Appellate Division took its decision a step further, holding that "the interest articulated by plaintiff was insufficient *to warrant even an in camera inspection* of the documents." (emphasis added).

#### ***Background***

Plaintiff Wilson's underlying request in this case sought copies of "any and all documents, correspondence, and/or email communications between the Governor and/or any member of the Governor's staff and ... Katz ... discussing or addressing official State business which were sent to the official State email addresses of the Governor and/or his staff [and] ... to a personal email address of the Governor or any member of his staff." The request coincided with the resolution of a collective negotiations agreement between the State and the CWA union, negotiations in which Katz was involved in a "supporting role" along with other Local presidents.

The Appellate Division noted that Katz "personally advocated" a number of positions during the course of the negotiations, which lasted five months. Importantly for the court, prior to the initiation of the collective negotiations, Governor Corzine "stated his commitment to achieve State employee pension and health benefit reforms through the collective negotiations process." The court also relied on the fact that Corzine requested that an Advisory Ethics Panel conduct a review of the personal contact between the Governor and Katz during the negotiations to determine whether an impermissible conflict of interest was present under the Governor's Code of Conduct. This panel found that there was no illegal conflict of interest or appearance of impropriety, though the "personal conversations and contacts concerning negotiations were inadvisable."

Plaintiff Wilson's OPRA request was opposed by William Brown, a defendant in this case as well as the Senior Associate Counsel to the Governor and the designated Custodian of Records for the Office of the Governor. (Katz would later intervene in this suit and is also a defendant). Brown's treatment of the request, as well as the lower court's issuance of the order that was reversed on appeal, was examined by the *MediaLawLetter* in June 2008, pages 37 through 38.

Brown surprisingly indicated that his search had not turned up any documents or correspondence responsive to the OPRA request, and he denied access to responsive e-mails he had found based upon a "long-recognized judicial protection afforded non-public communications between senior public officials and those with whom they communicate[.]" as well as a privacy exemption in the form of paragraph 2(c) of Executive Order No. 26, passed by former New Jersey Governor James McGreevey in 2002.

On appeal, a Superior Court, Law Division, judge held that the requested documents were "government records" under OPRA and that the existence of a privilege for Governor Corzine could not be determined absent an *in camera* review of the documents. The lower court ordered that Defendant Wilson submit an affidavit detailing his investigation regarding the OPRA request, prepare a privilege log, and submit all responsive documents for *in camera* review. Subsequently, the judge ordered that with the exception of a series of e-mails dealing with issues of

general statewide policy that were subject to the executive privilege, the communications should be disclosed pursuant to OPRA and the common law right to know.

### ***Appellate Division Decision***

Both Brown and Katz appealed the Law Division decision ordering disclosure, each arguing unsuccessfully that the documents at issue were not “government records.” While Katz argued that the e-mails were not government records because they involved collective bargaining negotiations, Brown argued that the e-mails were simply exempt from disclosure under OPRA because they were subject to the executive privilege. The court ultimately held that the requested documents were, indeed, “government records,” but that the executive privilege applied to protect them from disclosure.

The Court addressed the executive privilege at length, drawing from both *Nero v. Hyland*, 76 N.J. 213 (1978) and *United States v. Nixon*, 418 U.S. 683 (1974), and noting in particular the “vital public interest” in confidentiality for executives involved in a decision-making process, and the potential “chilling effect” that a revelation of communications relating to and describing investigations and decision-making processes might have. The Appellate Division cited additional federal and state cases in dismissing any notion that the privilege could not extend to communications with Katz, who was operating as an “adversary” during negotiations: “whether the advice is formal or informal or obtained from a person who may be considered an adversary is irrelevant. What is relevant is whether information provided to the executive may enable or enhance the executive’s ability to fulfill his constitutional obligations.”

Having so addressed the privilege, the Appellate Division balanced the interests of the parties involved, finding first that plaintiff Wilson had not met his burden in showing “a specific or focused need sufficient to overcome the executive privilege[]” to warrant an *in camera* review of documents, let alone to warrant disclosure of the documents. Wilson, the court held, had made his “ill-defined” and “speculative” request based only “on a general suspicion that something may be amiss.”

This was not enough to warrant disclosure under OPRA, especially where Governor Corzine had stated his goals for the collective negotiations before they began and where the public was aware of the result of the negotiations. Confusingly, the Appellate Panel also cited in support of the privilege the fact that Governor Corzine and Katz admitted to engaging in communications during

the negotiations, admitted that some of the communications included discussions of public issues other than the negotiations, but that the remaining discussions were regarding the negotiations and, finally, that both parties admitted “that they were counseled not to engage in any ‘back channel’ conversations but did so, and that at some point before the negotiations process ended, all communications ceased.” It would seem that these facts would actually cloud the public’s understanding of the effect of the communications, not constitute “almost everything necessary” to allow the public “to evaluate the actions of the Governor.”

Finally, the Appellate Division also held that the executive privilege blocked access to the emails at issue under the common law right to know, as well. The court again noted that Wilson’s “generalized suspicion of corruption” was insufficient to warrant disclosure, and this time applied a three-part test to determine whether a “sufficiently compelling particularized need” existed. Not surprisingly given its OPRA analysis, the Appellate Division found that Wilson had not shown such a need. This time the court noted that while the exact emails were not available from other sources, the privilege log and Advisory Panel conclusions “shed considerable light” on their substance. Additionally, Wilson was unable to establish that he would suffer any harm if the emails remained sealed.

The public, the court held, can examine the extent of the influence of Governor Corzine’s relationship with Katz simply by looking at the Governor’s stated goals issued prior to the negotiations and the final result. Left unaddressed is the fact that Governor Corzine and Katz had a relationship that far pre-dated the issuance of his stated goals and the negotiations. This fact underscores any public questions of the effect of the relationship and potentially undermines the notion that public interest in the documents is negated by the equality of the Governor’s stated goals with the negotiation results.

Without review by the Supreme Court, this expansive treatment of the executive privilege and its clear decision to limit the use of *in camera* review, will undoubtedly narrow access in New Jersey in the years to come. However, Wilson has already announced that he would seek certification by the Supreme Court. This Appellate Panel is the same one that ruled in November that an initial pleading exception applies to the fair report privilege, a decision that the Supreme Court has stayed pending further review.

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## Legislative Update: DTV, Open Government, and Copyright Dominate Early Media Agenda on Capitol Hill

By Kathleen Kirby and Shawn Bone

Media issues figured prominently in the early days of the 111<sup>th</sup> Congress, as both Chambers scrambled to deal with problems surrounding the nation's transition to digital television and attempted to capitalize on President Obama's immediate promise of a more open and transparent government.

While it is anticipated that Democratic majorities in both Houses will create a more favorable climate for certain media initiatives, such expectations must be tempered by political reality. Congressional attention thus far this session necessarily has focused on the economy, and other high priority policy goals for the new President – health care, education reform, and renewable energy – will dominate the legislative agenda in the coming months. Still, several legislative proposals of interest to the media appear to have some momentum heading into the spring legislative cycle.

### *DTV Delay Act*

Earlier this month, Congress passed and the President signed S. 352, the "[DTV Delay Act](#)." The Act postponed the DTV transition, long-scheduled for February 17, until June 12. The February 17 date was selected by Congress in 2005, but recent concerns about funding for the converter box coupon program (which provided \$40 toward equipment necessary for those with analog TVs not hooked up to cable or satellite to continue watching TV) and consumer education prompted President Obama's team to push for a delay. In addition to postponing the transition, the bill permits broadcast stations to transition sooner if they comply with stringent new FCC rules. If the stations do make the early switch, that spectrum can immediately be allocated for public safety services. The House and Senate also included \$650 million in the stimulus bill for additional DTV converter box coupons to help relieve the backlog of applications.

### *Free Flow of Information Act of 2009*

Building off last year's momentum, supporters of a federal shield law have re-introduced that measure. The new bill, [H.R. 985](#) (introduced by Representative Rick Boucher (D-VA) with 38 bipartisan original co-sponsors, including the Chairman of the House Judiciary Committee, Representative John Conyers (D-MI)), is identical to the bill passed by the House last session. Senator Arlen Specter (R-PA) has introduced a Senate version, [S. 448](#), that is identical to his proposal from the last Congress as passed by the Senate Judiciary Committee.

The shield law proposals, of course, are designed to establish a qualified privilege for reporters under federal law. The bills contain a series of standards regarding when the government or a party to a criminal or civil case can compel a reporter to testify regarding his or her sources. They include a number of specific exceptions to the privilege, including: (1) prevention or investigation of acts of terrorism or other significant and articulable harm to national security; (2) furnishing eyewitness observations of a crime; and (3) obtaining information necessary to prevent death or significant bodily harm. The privilege extends both to the reporter and to communications service providers engaged in business transactions with such reporter.

The House and Senate bills are not identical. The House proposal includes language that would create an exception to the privilege in cases where confidential information held by a reporter would reveal the identity of someone who has unlawfully disclosed trade secrets, personally identifiable health information, or nonpublic personal.

The Senate bill contains a somewhat more expansive definition of "journalist" for purposes of applying the privilege (under the Senate bill, a person would not be required to conduct journalistic activities for a substantial portion of his or her livelihood or for substantial financial gain to invoke the privilege), along with an exception allowing a court to compel disclosure of sources and work product not covered by a specific promise of confidentiality.

The federal shield law died on the Senate floor last year when Senator Specter failed to gather 60 votes to invoke cloture.

With the support of both the White House and major Senate Republicans like John McCain, the bill may have a greater chance of passage this year. Expectations are for quick House action, followed by Senate consideration and the possibility of a Conference Committee to iron out the differences between the two bills.

### ***Reducing Over-Classification Act of 2009***

The House acted quickly to pass legislation to establish new rules for the Department of Homeland Security pertaining to its process of classifying information. On February 3, the House passed [H.R. 553](#), the “Reducing Over-Classification Act of 2009,” introduced by Representative Jane Harman (D-CA). The bill directs the Secretary of DHS to establish procedures within the Department to prevent the over-classification of information related to homeland security, the prevention of terrorist attacks, and weapons of mass destruction. Those rules must include a process whereby intelligence products produced by the Department are prepared in both a classified and unclassified form, if the product “would reasonably be expected to be of any benefit” to States, localities, law enforcement, or the private sector. DHS must also create auditing mechanisms to ensure that these rules are followed, track the classification activities of the Department’s employees, and conduct training on the proper classification of documents to prevent over-classification of information.

Supporters of the legislation expect that these new procedures will make DHS a model agency for the classification of sensitive information. During debate on the bill, Representative Bennie Thompson (D-MS), Chairman of the House Homeland Security Committee, commented that the procedures in the bill “would ensure that classification is limited to narrow cases, thereby promoting the creation of unclassified intelligence products from the outset.” Representative Harman seconded these thoughts, noting that “[p]rotecting sources and methods is the only valid reason to refuse to share information.” Passed in the House by unanimous consent, the bill now awaits action in the Senate.

### ***Performance Royalties***

Congress will again, this session, consider the question of royalty payments to music artists by terrestrial radio stations. Competing pieces of legislation have been introduced regarding whether such royalties should be imposed at all. Representatives

Gene Green (D-TX), Mike Conaway (R-TX) and 110 co-sponsors have introduced a resolution supporting “Local Radio Freedom” and opposing any attempt by Congress to impose “any new performance fee, tax, royalty, or other charge relating to the public performance of sound recordings on a local radio station for broadcasting sound recordings over-the-air, or on any business for such public performance of sound recordings.” Similarly, supporters of performance royalties have re-introduced their legislation, [S. 379](#) (Senator Patrick Leahy (D-VT)) and [H.R. 848](#) (Representative John Conyers (D-MI)).

The performance royalty bills in the House and Senate are largely the same as the bills passed by the Judiciary Committees in both Chambers last Congress. Representative Conyers, however, has included in his bill language that would codify a royalty distribution system that was agreed to by the artists and record companies earlier this decade. Under that language, artists would be paid their portion of the royalties (amounting to a total of 50% of the overall royalty payments) directly through SoundExchange.

The bill would also guarantee that the Copyright Royalty Board, in setting the royalty rates to be paid to performers, could not discount those rates by any amounts paid to songwriters (a recent CRB decision had made certain deductions to the fees paid by Internet radio to owners of musical works based on payments made to the performers). Quick action on these measures can be expected, although final passage of a performance royalty bill is not assured.

### ***SHVERA***

A significant new issue facing the House and the Senate this Congress with respect to broadcast media is the need to renew the Satellite Home Viewer Reauthorization Act (SHVERA). SHVERA, passed in 2004, reauthorized and revised the compulsory copyright license granted to DBS providers for local broadcast programming. SHVERA is set to expire on December 31, 2009, and must be renewed if Congress wants to prevent the need for DBS providers to negotiate program-by-program copyright licenses with program producers. SHVERA also establishes the rules for distant signal importation by DBS providers into unserved areas, and for local-into-local service for broadcast markets.

The SHVERA debate this Congress likely will center less on what changes, if any, should be made to the copyright

regime for broadcast content than questions of retransmission consent and DMA modification. Broadcasters have long argued that such issues are tangential to the core copyright questions regarding broadcast programming, but expectations are that both DBS and cable will try to use the SHVERA legislation as a vehicle to impose arbitration requirements on retransmission consent negotiations.

They may also use the bill as a means of adopting rules allowing multichannel video program distributors to carry programming from broadcasters in “adjacent markets” without a retransmission consent agreement, along the lines of a proposal introduced by Representative Mike Ross (D-AR) in 2007 (H.R. 2821, the “Television Freedom Act of 2007”). Broadcasters, in turn, may use the SHVERA debate to cut back on the ability of DBS providers to use distant signal importation and to impose mandatory local-into-local service obligations in those markets where DBS already does not provide such service.

The House Energy and Commerce Committee, House Judiciary Committee, and Senate Judiciary Committee all have hearings scheduled for late February on SHVERA and its renewal, and the Senate Commerce Committee is expected to follow with its own hearing in the near future. Although copyright is an issue traditionally within the jurisdiction of the Judiciary Committees, the Commerce Committees have long played a role in the SHVERA debate because of its relationship to the Communications Act. In the past, each Committee has developed its own draft of the renewal legislation, and the drafts are later combined into a compromise measure to be debated in the House and Senate, respectively. Indications are that the Committees will take a similar approach during this renewal cycle.

### ***FCC Nominations***

The second prominent issue on the horizon for the Senate is the naming of new FCC Commissioners. Although an official nomination has not been made by President Obama, speculation has centered on Julius Genachowski as the next Chairman. Genachowski, a classmate of Obama’s at Harvard law and former aide to FCC Chairman Reed Hunt, served as the President’s top technology advisor during the campaign.

In the interim, sitting Democrat Commissioner Michael Copps is serving as the Acting Chairman. The President also must name a Republican to fill the position vacated by Commissioner Deborah Tate at the end of the last Congress. Reports have also indicated that Democrat Commissioner Jonathan Adelstein may be named to another position in the Administration, leaving his seat open. Finally, Republican Commissioner Robert McDowell’s term expires in June of this year, and it will be up to the Administration whether to re-nominate him.

Each of these nominations will be given Senate Commerce Committee and full Senate consideration in due course. Expectations are that the Administration would like to package Genachowski’s nomination with the Republican nominee to replace Commissioner Tate, in order to avoid a protracted battle with Republicans in the Senate. President Obama also will need to appoint someone to replace Acting Assistant Secretary Meredith Baker at the National Telecommunications and Information Association, an agency with a key role in overseeing the DTV transition.

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## FTC Proposes Major Revisions To Guidelines on Endorsements and Testimonials

By Nancy J. Felsten

Almost four decades ago, in 1972, the FTC issued its *Guides Concerning the Use of Endorsements and Testimonials in Advertising* (the “Endorsement Guides” or “Guides”),<sup>1</sup> designed to provide a regulatory safe harbor for advertisers pitching their products and services with the help of glowing praise from satisfied third parties. Last revised in 1980, the Guides have provided a relatively simple framework for using testimonials and endorsements from “regular” consumers, experts or celebrities.<sup>2</sup> As discussed below, the FTC has now issued for public comment proposed revisions to the Guides, which if implemented could significantly affect advertising and marketing practices by:

Increasing the potential for advertisers to be held liable for statements by endorsers, and for endorsers to be held independently liable for such statements;

Eliminating the safe harbor pursuant to which advertising is permitted to include atypical consumer endorsements in conjunction with a “results not typical” disclaimer;

Setting forth an expansive view of the need for disclosure of material connections between advertisers and endorsers, including potentially requiring disclosure of advertiser/celebrity spokesperson relationships even outside of a traditional advertising context; and

Expanding disclosure requirements related to “emerging media” such as blogging, word of mouth and chat boards.

In reviewing advertisements, the question for the FTC is always whether “a particular advertisement conveyed a false or unsubstantiated message to consumers in violation of Section 5” of

<sup>1</sup> 16 C.F.R. Part 255.

<sup>2</sup> The terms “endorsement” and “testimonial” are used interchangeably, in keeping with FTC practice.

the FTC Act.<sup>3</sup> The Endorsement Guides are not law. Rather, they merely “set forth the general principles that the Commission will apply in examining endorsements within the confines of its traditional Section 5 authority; they do not provide an independent source of legal authority.”<sup>4</sup>

Nonetheless, the Guides are often thought of as law by advertisers who recognize that non-compliance may lead to regulatory action. Likewise, the Guides are given varying degrees of deference by courts, state Attorneys General, self-regulatory entities such as the National Advertising Division of the Better Business Bureau and industry associations such as the Electronic Realtors Association and the Direct Marketing Association. Accordingly, the proposed revisions of the Guides (the “Proposed Revisions”) are likely to have significant impact.

### *The Current Guides*

The current Guides define an endorsement or testimonial as any “advertising message that consumers are likely to believe reflects the opinions, beliefs, findings, or experience of a party other than the sponsoring advertiser.”<sup>4</sup> The Guides presume that consumers perceive testimonials as representative of what the consumer can expect in using the product or service -- hence the need for some type of disclosure if the testimonial, although truthful, is not representative.

The current Endorsement Guides set forth the following core principles:

<sup>3</sup> See, *16 C.F.R. Part 255: Guides Concerning the Use of Endorsements and Testimonials in Advertising: Notice of Proposed Changes to the Guides, and Request for Public Comments* (press release re approved Federal Notice dated November 21, 2008)(hereinafter, “2008 Request for Public Comments”) at p. 34, available at <http://www.ftc.gov/os/2008/11/P034520endorsementguides.pdf>.

<sup>4</sup> *Id.*

Testimonials must be truthful and unsolicited (i.e., given without expectation of any kind of remuneration);

Testimonials may not constitute claims substantiation. Thus, even if truthful with respect to the individual experience of the testifier, the advertiser still must have competent and reliable evidence to support that the product or service produces the touted results;

If a testimonial is not “typical” of the result that a consumer can reasonably expect to match, the advertising must either disclose that the results are not typical or disclose what the “generally expected performance” will be;

For expert endorsements, the expert “qualifications” must be relevant to the product (e.g., a doctor of veterinary medicine should not endorse children’s cold remedies);

Endorsements by organizations must reflect the collective view of the organization;

Connections between endorser and advertiser that could affect credibility should be disclosed, if not obvious to the consumer.

### ***FTC’s Review of Endorsement Guides***

In January of 2007, the FTC commenced the current review of the Endorsement Guides, requesting public comment on possible revisions, focusing in particular upon two consumer perception studies conducted at the FTC’s behest (the “Endorsement Studies”). The Studies looked at disclaimers associated with weight loss, dietary supplement and business opportunity testimonial advertising.

The FTC’s purpose in commissioning these studies was to determine (i) whether testimonials inherently communicate product efficacy or performance claims, (ii) whether testimonials communicate to consumers that the reported experiences reflect “typical” consumer experience, and (iii) whether atypicality-style disclaimers (e.g. “results not typical”) are sufficient to confine the touted experience to the individual endorser, rather than one properly projected to consumers generally.

The FTC’s notice and request for comment indicated particular concern with the so-called “typicality” safe harbor in the current Guides. This provision has for many years provided the regulatory lynchpin for the now standard “*Results Not Typical*” disclaimer. This phrase regularly appears in conjunction with advertising for all manner and types of consumer products and services, from weight loss to financial services to gasoline additives to beauty treatments to do-it-yourself building products. According to the FTC, the Endorsement Studies demonstrate that in spite of a variety of test disclaimers -- several featured far more prominently and with more explicit language than those under current general use by advertisers -- the typical consumer not only fails to perceive that the results depicted are not necessarily typical of the average consumer, but further believes he or she will achieve the depicted results.

The FTC accepted dozens of public comments with respect to possible revision to the Endorsement Guides and issued its proposed revisions (the “Proposed Revisions”) in November 2008. At that time, the FTC requested further public comment on the scope of the Proposed Revisions, as well as on a number of specific questions, all discussed further below. The FTC comment period, originally scheduled to close January 30, 2009, has at the request of certain marketing industry trade groups been thus far extended to March 2, 2009. Following receipt of the comments, the FTC will presumably make the Guides final, either as proposed or possibly with some degree of revision.

The key changes reflected in the Proposed Revisions are summarized and discussed below.

### ***Independent Advertiser/Endorser Liability***

The Commission has proposed a new Section 255.1(d)(part of the “General Considerations”). The new section would make explicit that not only may the advertiser be liable for the false or unsubstantiated statements made through an endorser, but endorsers also “may be liable for statements made in the course of their endorsements.” Although this is arguably simply a re-statement of current law, the FTC has rarely sought to hold third-party endorsers liable for their testimonial statements, with the exception of a few isolated cases largely involving celebrity and expert endorsers receiving undisclosed sales-based payment, so this element of the Proposed Revisions may reflect a shift in the FTC’s enforcement priorities.

Further underscoring the possibility of endorser liability, the examples in this section of the Proposed Revisions warn against spokespersons -- in particular expert or celebrity spokespersons -- turning a blind eye. The revisions make clear that an endorser will be subject to independent liability if he or she must have realized the claims incorporated in the testimonial are false. The examples provided (e.g. a dermatologist knowingly relying on faulty science for an acne product, and a celebrity demonstrating the cooking process during an infomercial, which falsely claims chickens “roast perfectly” every time in advertiser’s roasting bag), envision liability even for the expert or celebrity<sup>5</sup> reading the advertiser’s own script, as long as the script is written in such a way that consumers would likely believe the words reflect the endorser’s own experiences.

The Proposed Revisions also add an example illustrating potential advertiser liability for false product statements by “paid” bloggers, even where the statements are *not* directed by the advertiser. The examples also suggest potential liability for bloggers who promote products and services without disclosing payment by the advertiser. The Proposed Revisions place an obligation on advertisers to monitor the statements of bloggers, and emphasize that advertisers are liable for all statements made by “their endorsers” as well as for failure to disclose material connections between them, cross referencing to the “material connections” provisions at Section 255.5.

### ***Consumer Endorsements – Section 255.2***

Revisions to this section are likely to receive some of the greatest industry scrutiny and response. In effect, the Proposed Revisions replace one safe harbor with another less advertiser-friendly one. Rather than the now standard “results not typical” disclaimer, advertisers would generally be required to disclose affirmatively the product or service’s “generally expected results.”

<sup>5</sup> For independent endorser liability to attach, the public needs to view the statements as those of the endorser, and not merely those of the advertiser. A presumption exists that the public will generally view celebrity statements as reflecting their own views and experiences. Such is not necessarily the case for the unknown journeyman actor, clearly reading from a script.

The Proposed Revisions further make clear the FTC’s two-pronged view on efficacy and typicality in testimonial advertising.

First, proposed section 255.2(a) explains that consumers *will* view testimonials as statements of product efficacy, regardless of whether or not the testimonials actually reflect the typical consumer experience.

Second, proposed section 255.2(b) eliminates the safe harbor known as “disclaimers of typicality.” Instead, it provides that if the advertiser cannot substantiate that the experience described is “representative of what consumers will generally achieve, the advertiser should clearly and conspicuously disclose the generally expected performance in the depicted circumstances, and the advertiser must possess and rely on adequate substantiation for that representation.”

This new approach reflects the FTC’s determination that such explicit disclosure “is necessary to eliminate a deceptive message of typicality conveyed by the advertiser’s use of atypical consumer endorsements.”<sup>6</sup>

The Proposed Revisions also provide that the advertiser must substantiate its disclosure of typicality, presumably with some manner of empirical evidence demonstrating the average or typical consumer experience. Depending on the product or service, this substantiation may be very different from the substantiation required to support efficacy, and in fact may frequently be unavailable to many advertisers, whether because typicality is illusive, the product is too new, or for other reasons.

### ***What Is Generally Expected Performance?***

The bright spot for advertisers is that the Commission has specifically asked for comment on “whether there are product categories for which this [typicality disclosure] requirement would prevent advertisers from using endorsements even though the advertiser believes that the endorsers’ experiences *are or likely are* generally representative.”<sup>7</sup> As might be expected,

<sup>6</sup> See, *2008 Request for Public Comments*, p. 45.

<sup>7</sup> See, *2008 Proposed Guide Revisions*, pp. 28 fn.44, 49-50.



during the first round of comment, industry trade associations, major weight loss advertisers and many others objected to the requirement that typicality be disclosed -- and substantiated -- on a combination of practical and constitutional grounds. For some products there may be no “average” or “typical” consumer, and at least one commentator noted that the practical result “of such a requirement would be a *de facto* prohibition on use of testimonials.”<sup>8</sup> Others, such as the coalition of State Attorneys General, strongly pushed for typicality disclosure. Indeed some, including the State AGs, advocated that advertisers not be allowed to use atypical testimonials at all; but rather that only typical consumer experience be reflected in advertising.

The FTC did not go that far, but the proposed new disclosure and substantiation requirements discount the comments of those who believe that typical or average or expected performance may be elusive in many industries, including for legitimate purveyors of weight loss products or programs.<sup>9</sup> Its request for further comment, however, does leave open the possibility that the FTC may further concede that there are some areas where typicality disclosure are not appropriate.

### ***Possible Exceptions to Typicality Disclosure***

The FTC proposal acknowledges that not all testimonials will require disclosure of typical results. In some cases, the endorsements will presumably reflect typical consumer experience. Although there is no clear answer to what proportion of consumers must achieve similar results to achieve typicality, the FTC indicates that a number under 20 percent is insufficient to avoid further disclosure.<sup>10</sup> In other cases, the

<sup>8</sup> See Comments dated June 18, 2007, submitted by Kelley Drye Collier Shannon at p. 17, available at <http://www.ftc.gov/os/comments/endorsementguides/527492-00012.pdf>.

<sup>9</sup> Weight loss advertising is viewed by many as the driving force for the Commission’s decision to revise the Guides. Regardless, testimonial advertising is used by an ever-growing body of advertisers and the new requirements will reverberate across the spectrum of American products and services.

<sup>10</sup> The FTC’s notice states that its research shows that “consumers interpret testimonials to convey that about half of new consumers could expect the claimed results.” See, 2008

endorsements will obviously and of necessity be limited either to the endorser or to the particular circumstances described, obviating the need for further results disclosure.<sup>11</sup> The FTC also noted that purely subjective testimonials (e.g. taste, smell, perhaps softness or other sensory claims, for example), or clear opinions such as found in movie reviews, would not require typicality disclosure or typicality substantiation.<sup>12</sup>

The Commission considered and ruled out merely requiring stronger non-typicality disclosures. Nonetheless, the FTC has left open the door to stronger atypicality disclosures. It seeks comment on its proposal to add a footnote to 255.2(b), acknowledging the possibility that “use of a strong disclaimer of typicality could be effective in the context of a particular advertisement” and further noting that an advertiser would in any case avoid FTC action should it be able to present reliable, empirical data showing the “net impression of its advertisement with such a disclaimer is non-deceptive.” This, however, is

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Request for Public Comments at pp. 51 – 53. The FTC has chosen not to provide a benchmark for how many consumers must achieve like results in order to avoid further disclosure, however Example 2 to 255.2(c) indicates that fewer than 20 percent of consumers achieving endorser-like results is not sufficient, and would require an affirmative disclosure of generally expected results. The example provided concerns a heat pump product which will purportedly save on monthly utility bills.

<sup>11</sup> The Commission’s discussion of the Proposed Revisions cites a \$100,000 winner at a casino, noting that consumers will not in that context naturally expect the same result. Similarly, Example 4 to Section 255.2(c), references a weight loss ad where the endorser drank two WeightAway shakes, and “only ate raw vegetables, and exercised vigorously for six hours at the gym.” The example concludes that the “limited and truly exceptional circumstances” of this endorser’s experience were clearly stated, obviating the need for a typical results disclosure – assuming, however, substantiation for the general product performance claim, that is that the product “causes substantial weight loss.”

<sup>12</sup> Example 7 to Section 255.2(c) describes exiting moviegoers giving their opinion and clarifies that in at least some contexts, such opinion advertising doesn’t trigger an inquiry into “typical” consumer opinion. The example notes, however, that if the consumers were offered free tickets in advance to talk about their views afterward, these materials connections would have to be “clearly and conspicuously disclosed.”

may not provide much comfort to advertisers, who rarely have in hand consumer perception research on “net impression” (and the type of market research, such as focus group studies, that advertisers are more likely to have prior to a campaign launch, is unlikely to qualify as such empirical data).

The FTC’s request for additional comment is, however, a nod to two important concepts: first, that not all endorsements will require equivalent or even any typicality disclosure; and, second, that no advertising will be deceptive if the advertiser can show otherwise. These self-evident statements will not have much effect on the composition of the Guides, but they may be designed to assuage those who believe the new disclosure requirements run afoul of the First Amendment. However, they are likely to provide little comfort to advertisers confronted by the impracticalities and potential costs of compliance with the Proposed Revisions.

#### ***Disclosure of Material Connections/Independent Liability***

The intertwined concepts of material connections and independent liability have received significant attention from the FTC in the Proposed Revisions. Section 255.5 *Disclosure of material connections* (as to which the FTC has specifically requested comments), has been substantially revised, disentangling to a degree celebrities and experts and revising the examples, all to illustrate the following:

For expert endorsers, sales incentives or other financial interest in the advertiser’s product or company must be disclosed, to allow consumers to determine the credibility of the endorsement.

For celebrity endorsers, financial incentives will be presumed and need not be reflexively disclosed, at least in the context of “traditional” advertising.

During non-paid “commercial” time, e.g. during broadcast media or other interviews, celebrities generally must disclose that they are speaking as paid endorsers for the product/service they discuss (which discussion the Commission views as “advertising”). (However, no such disclosure is required if no actual mention is made of the product, for example wearing apparel with the company

insignia, but without mention, during the interview, of the product or the manufacturer.)

Advertiser funding of an “independent” research or other study need not be disclosed if “the design and conduct of the research project are controlled by the outside research organization.”

“Material connections” disclosures are required in connection with new forms of marketing, specifically blogs, on-line discussion or message boards and “street teams.”

Section 255.5 continues to require that advertisers disclose connections between themselves and endorsers if such connection is “not reasonably expected by the audience.” The Commission proposes to distinguish, however, between celebrity and expert endorsers. So, for example, a sales-based royalty paid to a celebrity endorser need not be generally disclosed (see, Example 2), but such disclosure might be relevant to consumers looking to assess what weight to give an expert endorsement. Accordingly, proposed Example 4 now states that disclosure of a financial interest in sales might be material to consumers evaluating a physician endorsement of an anti-snoring product. The FTC specifically has requested comment on the proposition that a financial interest in sales is likely to affect consumer assessment of the weight to give to the endorsement.<sup>13</sup>

Regarding celebrities, the FTC confirmed that advertising does not generally need to disclose they are paid for their endorsements. The FTC cautioned, however, that in certain non-traditional contexts disclosure may be necessary to ensure consumers recognize the financial connection between product and celebrity. The FTC has now added and is seeking further comment with respect to its Section 255.5 Ex. 3.<sup>14</sup> This example establishes the idea that during interviews “there is no reason for consumers to suspect that the endorsement is anything more than a spontaneous mention by a celebrity who has no apparent connection with the product’s marketer,” triggering a material connection disclosure. This could have

<sup>13</sup> See, *2008 Request for Public Comments* at p. 57 (“If consumers know that an expert has a significant financial interest in sales of the product...is this information likely to affect their assessments of the expert’s credibility?”).

<sup>14</sup> See, *2008 Request for Public Comments* at pp. 58 -60

significant repercussions for advertisers and celebrity brand “ambassadors,” as well potentially for product placements and embedded advertising (at least if the celebrity is being separately compensated by the advertiser). These are situations which heretofore the Commission has chosen not to specifically address.

Finally, and significantly, the Commission is also seeking further comment regarding consumer expectation related to its newly added examples 7 – 9, which require material connection disclosures for bloggers, word of mouth “street team” marketers and even non-advertiser affiliated discussion boards. These examples propose that these “endorsers” may bear liability independently from the advertiser, and that advertisers may bear liability for over-statements made by these third parties, even if not made at the company’s behest.

Although ostensibly added merely to demonstrate the “general principle that material connections between the endorser and the advertiser should be disclosed to [ ] new forms of marketing,”<sup>15</sup> the examples are broadly drawn and in some instances appear to expand (i) situations which require disclosure, (ii) the threat of liability to advertisers for unanticipated utterances by bloggers and others, and (iii) potential liability for these third-parties (many of whom may consider themselves to be providing independent editorial content, and not pure commercial speech), for statements that go beyond available proof of efficacy.

Indeed, Example 7 posits a situation which both advertisers and blogger/reviewers likely thought did not come within the testimonial guides at all. The example proposes a student blogger with a personal weblog discussing gaming experiences, frequented by readers who ask his opinions about products. The FTC states that given the value of a free game system, the blogger must disclose its provision by the advertiser, in conjunction with the blogger’s positive review which appears at the site. The example begs the questions of how “valuable” the merchandise must be to trigger disclosure, the advertiser’s obligations of disclosure (linking to or otherwise referencing the review), as well as how the student blogger is supposed to know that his or her independent

“review” is in any case subject to FTC scrutiny under the Guides.

Examples 8 and 9 refer variously to an employee of a manufacturer anonymously (and therefore improperly) posting positive comments regarding the employer’s products to a third-party chat site and to members of a hired “street team,” who must disclose they are being paid for making positive references to the advertiser’s product.

Taken together, the examples tend to confuse, rather than explicate, just when or by whom disclosures are needed and what measure of control the advertiser is required to exert over statements or content delivered by third-parties. The FTC admonishes that advertiser’s should train bloggers in claim substantiation and further “monitor bloggers *who are being paid* to promote its products and take steps necessary to halt the continued publication of deceptive representations when they are discovered (emphasis added).” This example perpetuates the difficulty in interpreting just what constitutes payment, whether all types of both monetary and non-monetary (e.g. free merchandise) “payment” trigger control obligations, and the practical and legal parameters of exerting control over third-party speech. Together, this creates an arguably untenable situation for advertisers and one that seems very likely to chill the exercise of non-deceptive commercial speech.

#### ***Additional Proposed Revisions***

The Proposed Revisions eliminate Section 255.2(c) of the Guides, which prohibits efficacy claims in consumer endorsements for drugs or devices without adequate underlying scientific support.

The FTC has not abandoned the requirements incorporated in Section 255.2(c), but indicated that the subsection is redundant with other provisions requiring that all performance claims (express and implied) be substantiated.

With respect to expert endorsements (Section 255.3), the FTC repeats the theme of potential independent endorser liability, present throughout the Proposed Revisions. The section cross-references Section 255.1(d), which as noted above makes the general statement that “[e]ndorsers also

<sup>15</sup> *Id.* at p. 61.

may be liable for statements made in the course of their endorsements.”

The Proposed Revisions to the examples in section 255.3 further confirm the obvious proposition that the FTC will require disclosure of all information it considers material.

The proposed language generally reworks the examples, largely to remove anachronisms and to provide examples of the importance to the FTC of the foregoing, including that qualifications match both the explicit and implicit qualifications of the endorser to the product. Proposed Example 2, for example, demonstrates that an endorser referred to as “doctor” in advertising for hearing aids, should be a medical doctor with experience in audiology, and not, to use the example, merely a person with a “doctorate in exercise physiology.”

Another example (newly numbered example 4), is revised slightly to emphasize the need for disclosure of the limits of the endorsement itself, and not just of the endorser’s expertise. The example refers to advertising stating that a hospital has chosen to use one OTC product over another. The advertising does not explain that convenient package sizing, available only to hospitals, drove the choice. According to the FTC, the endorsement would be deceptive not only because the packaging is unavailable and therefore irrelevant to consumers (as included the 1980 version of the Guides), but also because “the basis for the hospital’s decision is not disclosed to consumers.”

“Slice of Life” turned into testimonials?

Currently, the FTC, the television networks and regulators take the view that “slice of life” advertising, which mimics real-life situations to provide context and mood, does not fall within the Endorsement Guides if no full names or locations or other indicia of “real” people and events are used. Accordingly, slice of life scenarios ( “the Monroe’s at breakfast time in bucolic anywhere eating Cheerios”), presented in the advertiser’s own words, do not constitute endorsements under the Guides. This is significant, because such scenarios accordingly need not comport

with the Guides (i.e., they need not reflect real people or real experiences), in contrast to testimonials, which must meet the requirements of the Guides (i.e., they must constitute unsolicited reflection of the speaker’s actual views and experiences or disclose otherwise).

The Proposed Revisions state that an endorsement is any depiction that the consumer will perceive reflects the views of a third party – regardless of whether the statements are the endorser’s own or are in fact entirely scripted by the advertiser. On its face, the change appears relatively benign, since endorsements by definition must reflect the unsolicited views of the endorser. Query, however, whether this revision may affect interpretation of what constitutes non-testimonial slice of life commercials, triggering odd disclosure requirements of “paid endorsements” or otherwise still further impacting on the advertiser’s freedom to produce non-deceptive creative.

### ***Conclusion***

The Commission has traditionally focused on post-market enforcement of deceptive speech, rather than on attempting pre-market regulation of commercial speech. The proposed revisions are arguably a departure from this practice. It remains to be seen whether requiring disclosure of generally expected results or other “material connections,” among other components of the Proposed Revisions, will go beyond the means necessary to achieve the FTC’s interest in preventing deception.

That said, as noted above, the Guides do not themselves create law, but rather provide insight as to how the Commission interprets existing law. A final understanding as to how far reaching the Proposed Revisions may be awaits first their final implementation and ultimately their interpretation by the courts, should the FTC in its zeal enforce the “guidelines” beyond the limit of law or the constitution.

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