

MULRC *Media Law Resource Center*
MEDIA LAW LETTER

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Reporting Criminal Investigations in the United Kingdom Just Got Riskier

Court of Appeals Rejects Reynolds Defense for Investigative Report

By Niri Shan and Lorna Caddy

On July 13, 2010, the UK Court of Appeal ruled that mere reporting of serious allegations without further investigation will not be covered by the defense of *Reynolds* qualified privilege. [Flood v. Times Newspapers Ltd.](#) [2010] EWCA Civ 804.

The Reynolds Defense

This particular strain of qualified privilege arises from a House of Lords case, *Reynolds v Times Newspapers Limited* [2001] 2 AC 127. It was formulated by the House of Lords in 2001 as a defense which will protect defendants in respect of damaging information which the defendant cannot justify (either because it is untrue or because he cannot amass the evidence needed to run a successful justification defence) provided always that the publisher/broadcaster had a duty to publish/broadcast defamatory allegations and that the public had a legitimate interest in receiving that information, true or not.

Lord Nicholls distilled this duty/interest test to the question “whether the public was entitled to know the particular information.” Lord Nicholls identified 10 criteria that courts should bear in mind when considering whether the public were entitled to know the information: (1) the severity of the allegation; (2) the nature of the information and the extent to which the subject-matter was a matter for public concern; (3) the source of the information; (4) the steps taken to verify the information; (5) the status of the information; (6) the urgency of the matter; (7) whether comment was sought from the claimant; (8) whether the article contained the gist of the claimant's side of the story; (9) the tone of the article; and (10) the circumstances of the publication, including its timing.

These criteria have become known as the Reynolds criteria. The criteria have since been interpreted narrowly such that few defendants have been able to rely on the defence successfully at trial.

Following the *Reynolds* case, *Jameel v Wall Street Journal Europe Sprl* [2007] was the next opportunity that the House of Lords had to consider the defence. The case was decided in favour of *Wall Street Journal*. It was held that the defence should be approached in the following way:

♦ Is the material of public interest? The judge should consider the article as a whole rather than the separate allegations contained within the article.

♦ If the article was in the public interest, the next question is whether it was justifiable to include the defamatory allegation. Allowance should be given to the professional judgment of an editor or journalist. The defense is still available if the judge “with the advantage of leisure and hindsight, might have made a different editorial decision.” Having said this, the inclusion of a defamatory statement should make a “real contribution to the public interest element in the article.” The graver the allegation, the more important the contribution should be.

♦ The Court must then look at “whether the defendant behaved fairly and responsibly in gathering and publishing the information.” The standard of care required is that which a responsible publisher/broadcaster would take to verify the information published. It is at this stage that the 10 Reynolds factors are of assistance. Lord Hoffman referred to the criteria as a “well known non-exhaustive list of 10 matters which should in suitable cases be taken into account. They are not tests which the publication has to pass.”

In giving her judgment in *Jameel*, Baroness Hale commented “we need more such serious journalism in [the UK] and defamation law should encourage rather than discourage it.” It was hoped that the *Jameel* case would have this effect, with the House of Lords recognising that latitude needed to be given to editorial and journalistic judgment when considering the public interest test and the *Reynolds* criteria.

The Flood Case

In the case of *Flood*, the article in question concerned a police investigation into an allegation that an officer in the extradition unit had been corrupted by a former police officer now working on behalf of very wealthy and controversial Russians living in England. The investigation eventually exonerated Flood after the Times’ publication of the Article.

In writing the article, the journalists went beyond a brief

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police press statement advising that the police were investigating allegations that a serving officer had made unauthorized disclosures of information to another in exchange for money. It also reported the nature of the allegations made to the police and named the officer in question. Without these additions, the article would not have been particularly newsworthy.

The Times was partially successful in relying on *Reynolds* qualified privilege before the trial judge, Mr. Justice Tugendhat. He held that reporting the allegations “was within the range of permissible editorial judgments which the court is required to respect. It is not the function of the court to express views on whether it was a good judgment or not, and I do not do so.” [*Flood v. Times Newspapers Limited*](#), [2009] EWHC 2375 (QB) at ¶ 217. He found that the *Reynolds* defense applied to the hard copy publication of the article, but not to the online version which remained uncorrected after the claimant was cleared of wrongdoing.

However, the Court of Appeal overturned his decision on applying *Reynolds*. The Court of Appeal was unimpressed with the journalists’ checks and found that they “do not seem to have done much to satisfy themselves that the allegations were true.”

Lord Neuberger MR held that the publication of the allegations was “no more than unsubstantiated unchecked accusations, from an unknown source, coupled with speculation.”

The Court of Appeal commented that the facts were not comparable with those in the *Jameel* case where the Wall Street Journal successfully relied on the defense of *Reynolds* qualified privilege. In that case, the journalist reported that the Saudi Arabian Monetary Authority was monitoring around 150 bank accounts of prominent businessmen to prevent them being used wittingly or unwittingly for funnelling terrorist funds and it identified some of the companies and individuals involved. The article did not contain any of the allegations or information on which the Authority had proceeded.

Lord Neuberger MR held that:

“it would be tipping the scales too far in favour of the media to hold that not only the name of the claimant, but the details of the allegations against him, can normally be published as part of a story free of any right in the claimant to sue

for defamation just because the general subject matter of the story is in the public interest. The fair balancing of Article 8 and Article 10 [of the European Convention on Human Rights] would normally require that such allegations should only be freely publishable if to do so is in the public interest and the journalist has taken reasonable steps to check their accuracy.”

In summary, the Court of Appeal expects the media to stick to fair and accurate reporting of police statements (and thereby rely on statutory qualified privilege) or, where they step outside statutory qualified privilege and report allegations that have been made to the police, journalists will need to make very real efforts to verify those allegations. In practice, this will often be difficult to achieve without mirroring the police investigation, with the result that the media will have to wait for the results of that investigation before a report can be made.

Reynolds qualified privilege has historically been very difficult to rely on and this decision is in keeping with that trend. In 2007, the *Jameel* case gave the media hope that the defense could give it the flexibility it needs to report on matters of public interest. However, it should not be forgotten that the House of Lords’ judgment in that case described the substantial lengths that the journalist went to in attempting to verify his story prior to publication. The success of the defense should be seen in that context. The standard of journalism seen in that case is likely to be expected of publishers/broadcasters who are to rely on *Reynolds* qualified privilege with success.

It is understood that Times Newspapers Limited is appealing to the Supreme Court. If the Times is unsuccessful, the media will be looking to the legislature for a solution. In his recent Private Member’s Defamation Bill, Lord Lester sought to codify the *Reynolds* defence as a defence of “Responsible publication on matters of public interest.” If the media want to be free to report investigations as they unfold rather than waiting for the end result, amendments may be needed to clause 1 of that Bill.

Niri Shan and Lorna Caddy are lawyers with Taylor Wessing LLP in London. The claimant was represented by barristers James Price Q.C. and William Bennett, instructed by Edwin Coe LLP. Times Newspapers was represented by barristers Richard Rampton Q.C. and Miss Kate Wilson, instructed by Times Newspapers Limited.

European Court of Justice Rules Data Protection Trumps EU Access Law

Names of Lobbyists and Officials Properly Withheld from Disclosure

In a complex case stemming from litigation over beer import regulations, the European Court of Justice (“EJC”) ruled that a company was not entitled to have access to the names of lobbyists and trade officials who had met to discuss the issue. Case C-28/08 P, *Commission v Bavarian Lager Co., Ltd.*, Judgment of June 29, 2010.

The EJC, the highest court on matters of EU law, ruled that data protection laws trumped the EU’s access to information regulations, and that the requester failed to show that it had a legitimate interest to obtain such “personal data” i.e., the names of the lobbyists and officials.

The decision has been criticized by advocates for access to information because of the application of stricter data protection requirements over principles of transparency.

Background

In 1993, Bavarian Lager, a company specialized in the importation of German beers for pubs in the United Kingdom, lodged a complaint with the European Commission regarding a United Kingdom regulation that effectively prevented most beers produced outside of the country from being sold to pubs tied by exclusive purchasing contracts.

The Commission instituted proceedings against the United Kingdom in 1995, and, in October 1996, representatives of the Commission’s Directorate-General “Internal Market and Financial Services” (DG IMFS) met with delegates from the UK Department of Trade and Industry (DTI) and a private beer industry group, the Confederation des Brasseurs du Marche Commun (CBMC). The Commission denied Bavarian Lager access to the meeting. After the DTI proposed to amend the contested regulation, the Commission informed Bavarian Lager in 1997 that it would not continue the proceedings against the UK government.

Bavarian Lager thereafter requested access to the submissions made by 11 organizations during the proceedings. The Commission denied this request. Bavarian Lager also sought to obtain the names of the delegates of the CBMC that had attended the October 1996 meeting and the

names of the companies and persons that had made submissions to the Commission relating to the procedure. The Commission supplied the names and addresses only of people who had given their consents to such disclosure.

In 2000, Bavarian Lager again requested access to both submissions and names, pursuant to Article 2 of Regulation 1049/2001 which provides that “[a]ny citizen of the Union, and any natural or legal person residing or having its registered office in a Member State, has a right of access to documents of the institutions, subject to the principles, conditions and limits defined in this regulation.” See Regulation 1049/2001, art. 2.

While Article 6(1) states that “[t]he applicant is not obliged to state reasons for the application,” Article 4(1)(b) provides that “[t]he institutions shall refuse access to a document where disclosure would undermine the protection of ... privacy and the integrity of the individual, in particular in accordance with Community legislation regarding the protection of personal data.”

The Commission provided Bavarian Lager with the minutes of the October 1996 meeting, but only after blanking out the names of participants who had either expressly refused that their identities be disclosed or could not be reached by the Commission. Bavarian Lager renewed its request for the full minutes of the meeting. The Commission denied this request on the ground that it did not meet the conditions for disclosing personal data that Regulation 45/2001 laid out.

Regulation 45/2001 governs “the protection of individuals with regard to the processing of personal data by the Community institutions and bodies and on the free movement of such data.” Regulation 45/2001, 2001 O.J. (L 8). Article 2 of the regulation defines “personal data” to “mean any information relating to an identified or identifiable natural person.” Article 8(b) further provides that personal data may be transferred to a third-party recipient only if the recipient “establishes that the data are necessary for the performance of a task carried out in the public interest or subject to the exercise of public authority” or “establishes the necessity of

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having the data transferred and if there is no reason to assume that the data subject's legitimate interests might be prejudiced."

Court of First Instance Decision

The Court of First Instance (CFI, now the General Court) reversed the Commission's decision, taking the view that:

where personal data are transferred in order to give effect to Article 2 of Regulation No 1049/2001, laying down the right of access to documents for all citizens of the Union, the situation falls within the application of that regulation and, therefore, the applicant does not need to prove the necessity of disclosure for the purposes of Article 8(b) of Regulation No 45/2001. Case T-194/04, & 107.

According to the CFI, to require applicants to prove the necessity of disclosure would directly undermine the very objective of Regulation 1049/2001, "namely the widest possible public access to documents held by the institutions." *Id.*

Moreover, the CFI considered that the exception to the right of access created by Article 4(1)(b) had to be interpreted restrictively, so that it would apply only to "personal data that were capable of actually and specifically undermining the protection of privacy and the integrity of the individual" as laid out by Article 8 of the European Convention on Human Rights and relevant case law.

Grand Chamber Decision

On appeal, the Grand Chamber of the Court approved the Commission's refusal to disclose the meeting minutes in their entirety. *Id.* ¶¶ 79–81

The Court agreed with the Commission that the CFI's interpretation of Regulation 1049/2001 rendered ineffective Article 8(b) of Regulation 45/2001. The Court thus went on to find that by releasing the minutes of the October 1996 meeting with the names of five participants removed, the Commission had sufficiently fulfilled its duty of openness under Regulation 1049/2001. Moreover, by requiring Bavarian Lager to establish the necessity for the transfer of

the personal data of the five persons who had not given their express content, the Commission complied with Article 8(b) of Regulation 45/2001.

The Court thus outlined the proper procedure for requesting the disclosure of personal data contained in documents held by a European institution. As a threshold matter, the applicant must provide "an express and legitimate justification," or at the very least "a convincing argument," to demonstrate the necessity of the disclosure. Once the applicant provides this justification, the institution must balance the interests of the applicant against those of the subjects of the personal data in deciding whether to grant the applicant's request.



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The Other Side of the Pond: Updates on UK Developments

Libel Law Reform, Jury Trials, Defamatory Meaning

By David Hooper

Going into the British General Election, both the Liberal Democrats and the Conservatives had committed themselves to libel reform. They are now in coalition and the coalition agreement includes “*the review of libel law to protect freedom of speech.*” The Conservatives had said that they would “*review and reform libel laws to protect freedom of speech, reduce costs and discourage libel tourism.*” The Liberal Democrats committed themselves to “*to protect free speech, investigative journalism and academic peer reviewed publications through the reform of English and Welsh libel law including requiring corporations to show damage to their reputation and to prove malice or recklessness and by providing a robust responsible journalism defense.*”

What has happened is that the Lord Lester of Herne Hill QC introduced to the House of Lords a [private members libel bill](#) which he had drawn up with the assistance of a former court of Appeal judge, Sir Brian Neill and the libel specialist, Heather Rogers QC. Such pieces of private legislation do not normally get far but this, it seems, will be different.

The bill is being supported by the coalition government and it is due for its second reading in the House of Lords on July 9th. Thereafter, it will be debated in the House of Commons where there is likely to be a majority for such reform. Lord Lester anticipates that libel reform could be enacted by the end of 2011. The key features of Lord Lester’s bill is that it will codify and strengthen a number of the changes which have been emerging in the last few years. The Reynolds – responsible journalism – defense will be codified as will the defense of truth and honest opinion (previously fair comment).

The defense of innocent dissemination, presently Section 1 Defamation Act 1996 will be strengthened in that publishers who were not responsible as primary publishers such as, for example, ISPs, will have a period of 14 days to remove the offending material. It will be a defense that will be of significant assistance to broadcasters and facilitators. Lester’s bill will also remove the presumption of jury trials in

libel actions.

Perhaps the most important changes in the Lester bill are the introduction of the single publication rule, the requirement that companies suing for libel must prove substantial financial loss and, in the case of libel tourism cases, a claimant would have to establish that he had suffered substantial harm in England as a result of the amount of publication in England taking into account the publication elsewhere. In other words, a claimant such as Boris Berezovsky seeking to sue Forbes magazine would have to establish a harmful event in the UK which is defined as having caused substantial harm to the claimant’s reputation in regard to the extent of publication elsewhere.

I suspect that the most controversial part of Lord Lester’s bill is the requirement under Section 12 that a court must strike out an action for defamation unless the claimant shows that the publication of the words has caused substantial harm to his reputation or that it is likely that such harm will be caused. That, I suspect, may be a reform too far and may be successfully opposed on the grounds that it has the potential for generating a large amount of satellite litigation in the majority of libel actions.

Trial by Judge Ordered in Jacko Libel Action

Under the Lester bill, the normal presumption will be in favour of trial by judge alone. As things stand at present however, under Section 69 Senior Courts Act 1981 a libel action “*shall be tried with a jury unless the court is of the opinion that the trial requires any prolonged examination of documents*” and even then it has a discretion to order trial by jury. In the case of *Fiddes –v- Channel Four*, Mr Justice Tugendhat’s decision that the case should be heard by judge alone was upheld by the Court of Appeal. [Fiddes –v- Channel Four Television](#), [2010] EWCA Civ 730 (Court of Appeal June 10, 2010).

Tugendhat J’s view was largely influenced by costs.

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There were due to be 40 witnesses. The case could have taken 4-6 weeks and the judge's view was that having a judge alone would shorten matters by two weeks as well as generally reducing the level of costs. The defense QC Adrienne Page made an application for trial by judge alone just before the trial was due to start in mid-June. The judge took a broad view of his powers under Section 69 making the point that the court would have to look at many hours of film footage as well as a lot of documents. He also made the point that since one of the issues was what was and was not acceptable journalistic practice, it would be as well to have a reasoned judgment which could, if need be, be reviewed by the Court of Appeal. The case involved the Jackson family – Tito Jackson primarily the improbably named brother of Michael, house-hunting in Devon and the programme was called *The Jacksons Are Coming*. By the time matters had reached court, costs, which included a conditional fee agreement, exceeded a total on both sides of £3 million.

The case had been ratcheted up by allegations that the television company had fabricated film footage. When the Court of Appeal upheld Tugendhat J's ruling the Claimant's counsel, Ronald Thwaites QC, who had been hired for his skills as a jury advocate – threw the towel in. There was a face-saving formula whereby Channel 4 accepted that Fiddes did not betray the Jackson family by selling stories about them and, for his part, he acknowledged that the programme was not faked.

Each side bore their own costs which, in the case of Channel 4, were reported to be £1.7 million. However, the tendency of courts to allow trial by judge alone was clearly an important principle for defendants to establish. On the whole, claimants do better in front of juries and defendants tend only to fight cases where they have a high degree of confidence in their prospects and defendants will tend to feel that they have a better prospect and a greater degree of certainty if the case is heard by a judge who will then give a reasoned judgment in

support of his or her decision. The real losers here were the claimant's lawyers who had hoped for a bonanza under their conditional fee agreement and perhaps not many tears are being shed about that.

Single Meaning Rule Not Extended to Malicious Falsehood

[*Ajinomoto Sweeteners Europe –v- Asda Stores \[2010\] EWCA 609.*](#)

Ajinomoto, maker of an artificial sweetener called Aspartame, sued supermarket chain Asda over its "Good for You Food" promotion which said its food had "no hidden nasties" – no artificial colours or flavours, no Aspartame and no hydrogenated fat. Ajinomoto sued Asda for malicious falsehood and sought, under the single meaning rule, a ruling that this meant that Aspartame was an especially harmful or unhealthy sweetener which families would do well to avoid.

Mr Justice Tugendhat took the view that this was not an appropriate case for a single meaning rule and that views differed on this sweetener and that it should be open to the defendants to argue that there was a risk that aspartame was harmful and unhealthy, albeit that others took a different view. He took the view that one should not necessarily choose one defamatory meaning when there were other meanings available.

Media Organisations Intervene on Fair Comment

Three news organizations, Associated Newspapers, Guardian Media Group and Times Newspapers are intervening in the rejection of a fair comment defense by Mr Justice Eady which was upheld by the Court of Appeal in the case of [*Jason Spiller –v- Craig Joseph*](#). This case is due to be heard in July.

Mr Justice Eady [ruled](#) that the comment must expressly or

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Perhaps the most important changes in the Lester bill are the introduction of the single publication rule, the requirement that companies suing for libel must prove substantial financial loss and, in the case of libel tourism cases, a claimant would have to establish substantial harm in England as a result of the amount of publication in England taking into account the publication elsewhere.

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by implication, indicate in general the nature of the comment, what the facts are on which the comment is based and the reader should from the article be in a position to decide if the comment is well-founded. The interveners seek a more simplified test for fair comment and seek to revert to the point made by Lord Denning in *Slim –v- Daily Telegraph* [1968] 2QB 157 that the defense of fair comment must not be whittled down by legal refinement. In other words, the argument is that matters of comment should be looked at in the round and without a detailed analysis of the comment to see whether the ingredients upon which the comment is formulated are sufficiently spelled out. I will report on this case later but such amicus briefs are relatively rare in the UK.

Struck Out Claims – Jameel Grows Teeth

It has been noticeable that an number of claims have been struck out applying the principle in *Jameel –v- Dow Jones & Co Inc* [2005] QB 946 on the basis that to allow such insubstantial claims to continue would be an abuse of process or disproportionate. This is a significant change as hitherto the libel judges had been reluctant to avail themselves of this weapon. One such decision was that of Mr Justice Tugendhat in *Hays plc –v- Hartley* [2010] EWHC 1068.

This was a claim against a publicity agent who had passed a story to the Sunday Mirror. The Sunday Mirror had not been sued and the company's claim against the employees, who suggested that Hays plc was an institutionally racist company, had been settled. The claim was struck out as an abuse of process, as there was nothing of value which could be achieved by the litigation and the claimant had already received a vindication by a public statement which had in fact been published on the newspaper's website that the allegations were unfounded.

The judge also noted that the company did not claim to have suffered any financial loss. It seems that the reason the newspaper had not been sued was that there was potentially a Reynolds defense. The court found it unattractive that a potentially valid Reynolds defense could be circumvented by suing someone who was not a journalist. This is an important case from the perspective of analysing the objectives of a libel action against the cost and likely outcome and the judge struck a balance in favour of the defendants.

In *Budu –v- BBC* [2010] EWHC 616 Mrs Justice Sharp struck out a libel action based on three articles in the BBC online archive. The first of these had been published in 2004 and the claim was brought in 2009. In the absence of a single publication rule the claimant was, on the face of it, entitled to sue in respect of such publication as there had been in the 12 months preceding the commencement of proceedings. The judge was, however, persuaded that to allow such a claim to continue would have been disproportionate and she took the view that the action had no real prospect of success. She also took account of what was termed a "Loutchansky notice" where the nature of the claimant's complaint about the articles had been put at the foot of the offending articles. This is a step which defendants are wise to take in this jurisdiction. It give some form of right of reply to a claimant and balance to the article complained of. Furthermore, it is something that is easily accommodated in and suitable for a website.

In *Khader –v- Aziz and Davenport Lyons* [2010] EWCA 716 an order that a claim brought against the former wife of the Sultan of Brunei and the well-known media law firm, Davenport Lyons, regarding the report of the disappearance of a bracelet was struck out. The solicitors were covered by qualified privilege and the judge's decision that the costs of the claim was disproportionate to the issues and should be struck out was upheld. It was insufficient merely to contend that there were issues of fact which should go for trial.

To similar effect was the decision of Mr Justice Eady in *Kaschke –v- Osler* [2010] EWHC 1075. this claim brought a political activist against a blogger referring to her "Baader-Meinhof link" (a reference to a 1970s German terrorist group). In fact although she had spent three months in prison, she had been exonerated and compensated. Eady J decided, however, to apply the Jameel abuse of process argument. She had been given a right of reply and on analysis he considered that the article did not directly suggest that she was linked to terrorism. Furthermore, there had been an 11 month delay in bringing proceedings. One was dealing only with a very small publication. She could only sue in respect of hits within the 12 months preceding the commencement of proceedings. Damages would be so small as to be dwarfed by the legal costs and the view of the judge was that a two-week trial would be out of all proportion to the issues at stake.

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These decisions show that the Jameel abuse of process defense has at last grown teeth.

A Higher Threshold for the Definition of Libel?

In [*Thornton –v- Telegraph Media Group Limited*](#) [2010] EWHC 1414, Mr Justice Tugendhat analysed the latest consideration of the definition of the meaning of defamatory words given by Sir Anthony Clarke, Master of the Rolls, in [*Jeynes –v- News Magazines Limited*](#) [2008] EWCA civ 130. The litigation arose out of a rather spirited review by Lynn Barber of Thornton’s Book *Seven Days in the Art World* which referred, amongst other things, to the author’s “*seemingly limitless capacity to write pompous nonsense.*” The First Amendment principles of Brian Rogers and others may perhaps also be tested by the fact that Lynn Barber had sneered at the author as “*a decorative Canadian.*”

The question which arose was how one should approach damage to reputation when it was not directed at the author’s moral character but rather at the quality of her work and profession.

The argument for the defense was that there should be a threshold of seriousness and that if the remarks did not involve a reflection upon the author’s personal character or the official professional or trading reputation of the claimant, they were not defamatory.

An analogy was drawn with sportsmen where criticism of the way they had played in a game was essentially a value judgement which might dent someone’s pride rather than their personal reputation. In every race someone has to come last, losing in sport was, the defense submitted, an occupational hazard rather different from shaky hands for a surgeon or endangering the lives of your dental patients through an unproven anaesthetic.

Criticism of an author was closer to the sporting rather than the medical analogy. Tugendhat J took the view that a threshold of seriousness must be crossed and the bar must be set high enough to discourage frivolous claims. The judge concluded that the definition of defamation should be that the publication of which the claimant complains is defamatory of him because it substantially affects in an adverse manner the attitude of other people towards him or has a tendency to do so.

The judge referred back to the judgment of Lord Atkin in [*Sim –v- Stretch*](#) [1936] TLR 669 where Lord Atkin “expressly

envisaged a threshold of seriousness. The judge gave summary judgment to the defendant newspaper. He may also have taken a significant step towards raising the bar for libel claim and discouraging trivial complaints which could be of considerable significance if Lord Lester’s requirement of substantial harm does not survive the legislative process.

Beware of Over-pleaded Meanings

Only I suppose in England would a fund manager sue a newspaper for unkind comments about her decision to invest an embarrassingly large part of her hedge fund with the unlamented Bernie Madoff. This was what had happened in [*Horlick –v- Associated Newspapers*](#) [2010] EWHC 2010. Mr Justice Eady in dealing with what appeared to be a distinctly over-pleaded meaning, pointed out that one was looking for the natural and ordinary meaning the article would have conveyed to the ordinary reader who is neither naïve or unduly suspicious but capable of reading between the lines.

Eady J rejected the suggestion that the article imputed deception or that she was a charlatan. He noted that the article simply said that questions had been raised as to the extent of her due diligence.

The article was strong stuff and was headlined “*Final showdown for failing superwoman – Nicola Horlick faces her reputation in ruins as shareholders seek to oust board and put fund in liquidation.*” The real issue was whether what was written was capable of being fair comment and/or justified. Aggressive claimant lawyers do themselves no favours by over-larding the alleged meanings and substituting concepts of deception and charlatans when at heart the issue is one of due diligence and what was or was not said to the investors in question.

Case of the Month

This accolade must undoubtedly belong to a media solicitor, Mark Lewis, who is suing the Press Complaints Commission and the head of the PCC Baroness Peta Buscombe over criticisms of evidence to a Parliamentary Select Committee given in another media saga, namely the extent to which a discredited News Group journalist authorised the hacking into the mobile telephones of target celebrities. It all seems a little bizarre, but it will, I suppose, provide a lot of employment for many media lawyers and of harmless mirth for the media.

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

Supreme Court of Canada Upholds Mandatory Bans on Bail Hearings

By Dan Burnett

American reporters would find it bizarre to be permitted to attend a Court hearing but be prohibited from reporting. That is exactly what happens in many Canadian pretrial hearings such as bail hearings. The ban on bail hearings (Criminal Code s. 517) is mandatory when the defense requests it. The judge has no discretion. It covers all of the evidence, representations and reasons, and cannot be tailored by the judge or revisited later. It even applies where the charge does not permit a jury trial. Yet the Supreme Court of Canada rejected a constitutional challenge and upheld the ban in a decision released June 10, 2010. [*Toronto Star v Canada*](#), 2010 SCC 21.

Supreme Court of Canada Decision

The Supreme Court of Canada has a strong history on open courts, at least compared to the pre-Charter of Rights era when bans were easy to obtain. In the 1990's the Court issued several decisions placing a heavy onus upon those seeking discretionary bans, essentially requiring evidence that the ban was needed to avert a serious threat to the administration of justice, and even then only permitting a minimally infringing ban. The statutory ban on bail hearings would never meet that test, as it applies broadly to all sorts of non-prejudicial information, at a time usually a year or more before any jury would hear the case, without any need for justification.

The broad coalition of media organizations who challenged the bail hearing ban had high hopes for having it struck down and permitting bans on bail hearings only where the prosecutors or defense can meet the onus to justify a discretionary ban. However, the Supreme Court of Canada upheld the ban in its entirety. Only one judge, Justice Abella, dissented. She would have struck down the mandatory element of the ban, converting it into a discretionary ban.

One of the key distinctions between this case and the earlier strong anti-ban jurisprudence was that this was a mandatory ban enacted by Parliament, as opposed to a discretionary ban. The majority cited the objectives of the legislation as being to "safeguard the right to a fair trial" and to "ensure expeditious bail hearings." The court noted that evidence Crown may call at a bail hearing is not subject to the same evidentiary filtering as trial, and often includes bad

character information, hearsay, untested similar facts and prior convictions and charges, all of which could prejudice a potential jury.

The majority held that the ban, though broad, was within the range of minimally-intrusive solutions chosen by Parliament, given the time sensitivity of bail and the difficult position of an accused. They rejected various other options such as a discretionary ban as unduly prolonging the bail process and incarceration of newly arrested individuals. They noted that the ban does not prevent reporting of the charges, the outcome of the bail hearing including bail conditions, and that the ban expires when there is a discharge or verdict.

Of course, this downplays the fact that it may be years before the ban expires, and in the meantime it means the media cannot even report on the reasons for releasing a person on bail, resulting in an inability to report the reasons for the release, amid the public outcry when a person charged with serious crime is released.

Considering the positives and negatives of the mandatory ban, the majority said that mandatory nature of the ban "limits the deprivation of liberty," "means that accused persons can focus their energy and resources on their liberty interests," "ensures the public will not be influenced by untested one-sided and stigmatizing information," and avoids "additional issues and adjournments."

The majority did acknowledge that: "The ban prevents full public access to, and full scrutiny of, the criminal justice process. Moreover, the bail hearing may attract considerable media attention and its outcome may not be fully understood by the public."

In the end, the majority ruled that "in the context of the bail process, the deleterious effects of the limits on the publication of information are outweighed by the need to ensure certainty and timeliness, to conserve resources, and to avert the disclosure of untested prejudicial information; in other words, to guarantee as much as possible trial fairness and fair access to bail. Although not a perfect outcome, the mandatory ban represents a reasonable compromise."

The majority ruling upheld a mandatory ban that would never meet the ordinary test for bans, and as such was a great disappointment. As we enter an era of instant Twittering and social media, the enforceability of this ban, and the definition of what constitutes "publication" as opposed to a private communication will undoubtedly become hot topics.

Supreme Court of Canada Recognizes Limited Right to Access Government Documents

By Paul Schabas

The Supreme Court of Canada has recognized a limited constitutional right to access government documents. In [*Ontario \(Public Safety and Security\) v. Criminal Lawyers' Association*](#), released on June 17 after an extraordinary 18 months under reserve, the Court held that the scope of s. 2 (b) *Charter* (freedom of expression) includes a right to access government documents, but only where access is necessary to permit meaningful discussion. The Court did not elaborate on what would constitute “meaningful discussion”, and has left unanswered many other questions about when and how the constitutional right to access government information can be enforced.

Background

The case has a long history. In 1997, a judge of the Ontario Superior Court stayed murder charges arising from a mob “hit” in 1983, because of abusive conduct by police and prosecutors, issuing a scathing judgment critical of the police and Crown. The Ontario Provincial Police conducted a review of the investigation and subsequent prosecution. Nine months later, in a terse press release, the OPP declared it had found “no misconduct” on the part of state officials.

The stark contrast between the Court’s decision and the OPP press release prompted the Criminal Lawyers’ Association to request the OPP report and records underlying the OPP’s investigation, pursuant to the Ontario *Freedom of Information and Protection of Privacy Act (FIPPA)*.

The Ministry of the Solicitor General refused the request, stating that the records were exempt from disclosure under law enforcement and solicitor-client privilege exemptions in *FIPPA*. Although s. 23 of *FIPPA* contains a “public interest override” whereby exempt records may be disclosed if “a compelling public interest in the disclosure of the record clearly outweighs the purpose of the exemption,” the override does not apply to the law enforcement and solicitor-client privilege exemptions.

The Information and Privacy Commissioner of Ontario upheld the Ministry’s decision. The case went to the Ontario Divisional Court, where the CLA argued that the non-

disclosure infringed freedom of expression under section 2(b) of the *Charter*. The Divisional Court rejected the CLA’s arguments and upheld the non-disclosure, stating that there is no constitutional “right to know.”

The Ontario Court of Appeal overturned the Divisional Court decision. A majority of the Court held that s. 23 infringed s. 2(b) of the *Charter* and should extend the public interest override to records related to law enforcement and solicitor-client privilege. In a strong dissent, Juriansz J.A. stated that s. 2(b) does not create a right of access to information in the possession or under the control of a government.

Supreme Court Decision

The Supreme Court decision gives and takes. The Court has recognized that a right of access exists “only where access is necessary to permit meaningful discussion on a matter of public importance, subject to privileges and functional constraints.” On the other hand, the Court refused to recognize a “general right of access”, treating “access [as] a derivative right which may arise where it is a necessary precondition of meaningful expression on the functioning of government.”

It found that the limitations in s. 23 of *FIPPA* were constitutional, but seemed to do so on the basis that the public interest must be considered when considering the law enforcement and privilege exemptions under ss. 14 and 19, which are discretionary. As a result, the Court ruled that the matter should be reconsidered by the Information Commissioner, suggesting that at least some of the report and records should be released.

As the Court stated: “The absence of reasons and the failure of the Minister to order disclosure of any part of the voluminous documents sought at the very least raise concerns that should have been investigated by the Commissioner. We are satisfied that had the Commissioner conducted an appropriate review of the Minister’s decision, he might well have reached a different conclusion as to whether the Minister’s discretion under s. 14 was properly exercised.”

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Conclusion

The good news is that the Court has recognized a limited constitutional right of access to documents and information from government. And it's also encouraging that the court has made clear that the public interest must be considered by government when exercising discretion whether to release information. So it is an important, albeit, baby step towards putting more teeth into access to information laws. As well, the referral back to the Commission suggests that the Court felt that more should be released in this case.

On the other hand, the court has given little guidance on when the Charter interest will be engaged, and it is quite troubling that s. 2(b) will only apply to "meaningful discussion of matters of public interest" whatever that is. This raises concerns about the court narrowing the scope of s. 2(b) generally. The Court was clearly concerned that the access right not be so broad that it extends into traditionally secret areas, such as cabinet deliberations or the inner workings of courts, and this may have motivated the unusual step it took in carving out limits within s. 2(b) of the Charter rather than analyzing exceptions under the reasonable limits clause in s. 1.

It is also disappointing that the Court did not recognize a general right of access to information under the Charter. This is the trend in most democracies and in international law – all of which was presented to the court by the Intervener, the Canadian Newspaper Association. The court has previously emphasized that freedom of expression includes the right to receive information, and recognized, of course, that access to information is very important in a democracy.

The Court had a great opportunity to send that message here, and its failure to do so confirms, sadly, that Canada – once a leader in promoting a right to information – now may lag behind other countries. More cases will need to be brought to the Court in order to bring more clarity to the issue. For example, the SCC is going to hear another major case this fall dealing with whether the federal Access to Information Act applies to Minister's offices and their immediate political staff.

Paul Schabas and Ryder Gilliland were counsel for the Interveners, Canadian Newspaper Association, the Canadian Association of Journalists and the Canadian Media Lawyers' Association. Their colleagues at Blake, Cassels & Graydon LLP, Catherine Beagan Flood and Iris Fischer, acted for the Intervener the British Columbia Civil Liberties Association.



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Google Executives Convicted in Italy for Privacy Law Violation

Google Held Responsible for Uploaded Video

By Gabrielle Russell

The owner of the wall is not liable for the writing on the wall, but he may be liable for the economic profit arising from the writing. – Judge Oscar Magi

In late February, an Italian court found three Google executives criminally liable for violating Italy's data privacy law in connection with a mobile phone video that had been posted to Google Video, a predecessor of YouTube. The executives – chief legal officer David Drummond, global privacy counselor Peter Fleischer and former chief financial officer George Reyes – were given suspended sentences of six months in jail. Another executive, the former head of Google Video Europe Arvind Desikan, was acquitted after trial. Judge Oscar Magi explained his reasoning in a 111-page decision released to the public on April 12.

Background

The mobile phone recording, shot by a student in Turin, Italy, in 2006, depicted a number of boys physically abusing and taunting a disabled classmate. The assailants can be heard calling their classmate, who suffers from autism and hearing and sight impairments, “mongolo,” an Italian slur for people with Down Syndrome. At one point, they also refer to the “Associazione Vivi-Down,” an Italian advocacy group for people with Down Syndrome.

Google removed the video within hours of being notified of its offensive content by the Italian Postal Police, and cooperated with local authorities to help identify the students involved in its filming. However, during the two months it spent on the website before its deletion, the video was downloaded frequently enough to achieve top-ranking in the site's “video divertenti” (funny videos) category.

The case against the Google executives was initiated in 2008 after an investigation into a complaint filed by Vivi Down, and the father of the victim. Because Italian law

provides that company executives can be held responsible for the crimes of their company, Drummond, Fleischer, Reyes, and Desikan were charged with criminal defamation and privacy law violations despite having nothing to do with the posting of the video or its eventual removal. In fact, they had no knowledge of the video until after it was removed.

Application of Italian Law

The executives were charged with criminal defamation in violation of article 595 of the Italian Criminal Code. The victim in the video had withdrawn from the case, but prosecutors and the court allowed the prosecution to go forward on a group libel theory, i.e., that the members of “Associazione Vivi-Down” or anyone affected by Down syndrome was defamed by the video.

The Judge, however, acquitted the Google executives of this charge. Prosecutors had argued that Google had a legal obligation to control the videos that were uploaded to its website and that by failing to prevent the upload it was responsible for causing the defamation. The Judge rejected the claim that Google negligently allowed the defamation to occur, but largely followed this reasoning when addressing Google's responsibility under the privacy code.

Although Judge Magi's analysis of the applicability of Italian privacy law to the case was relatively brief, the issue was not clear-cut. One is only subject to the Italian Data Protection Code if the operation in question (in this case, the process by which Google facilitated the posting of the video to its website) was either “performed by an entity established in Italy” or “performed by an entity not established in the European Union using instruments that are located in Italy.” According to Judge Magi, the first condition was satisfied in this case because of the relationship between Google, Inc. and Google Italy, a subsidiary of Google, Inc. established in Milan.

Technically, at the time the mobile-phone video was

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uploaded to Google Video, all of the data processing for the site was handled by servers located in the United States. Additionally, any and all content control was being performed by an Irish subsidiary of Google in Ireland. And yet, Judge Magi believed Google Italy was responsible for “processing the data” contained in the offending video because it participated in Google Video’s general commercial scheme.

The Judge’s reasoning was as follows. Google’s AdWords system allows Google to customize its advertising according to the keywords entered into Google Video’s search engine. A user enters a particular keyword, and alongside the relevant video search results appear links to related advertisers. Customized advertising leads to a higher number of clicks on advertiser links by Google users, which in turn leads to increased ad revenue for the entire Google family. Since Google Italy used AdWords to match sponsored links with specific Italian keywords, in the Judge’s view it managed, indexed, and organized data in Google Video, and was thus responsible for “processing data.”

Google’s Profit Motive and Duty to Inform

Drummond, Fleischer, and Reyes were charged with the “illicit treatment of personal data,” a crime described in art. 167 of the Italian Data Protection code. The crime covers those who process personal data in breach of certain of the code’s provisions with the intent to either cause harm or obtain a benefit. Google Italy was found to have violated the provisions contained in articles 23 and 26, which state that sensitive data can only be processed after written consent is obtained from the data’s subject, and authorization is received from the Data Protection Authority. “Sensitive data” is defined to include data which reveals the health condition of the data subject. In sum, the Google executives were convicted of processing, for profit, a video which revealed the health condition of a disabled teen without obtaining his consent or the authorization of the Data Protection Authority.

Google obviously never asked for the consent of the teen

or his guardian, nor requested authorization from Italy’s Data Protection Authority, to process the video posted to its site. However, this is not the failure to which Judge Magi attached fault. The Judge reasoned that in the case of user-generated content, the provider need not seek consent, since to do so would be impossible. Judge Magi also did not fault Google for failing to obtain authorization from the Italian authorities. Instead, he proposed that the source of Google’s liability was its failure to take adequate measures to avoid privacy violations.

Accordingly, Google had an obligation to inform users of their obligations under Italian law, including notifying them of their responsibilities with regard to the handling of personal information like health data. “It is NOT enough to ‘bury’ information regarding the obligations resulting from privacy law in the midst of the ‘terms of service’,” he wrote, describing what he saw as Google’s inadequacy with regard to their duty to inform. “This duty arises not only from the law (article 13 of the Privacy Code) but also from common sense, in its particular application to the management of a computing system.” According to a number of critics, this interpretation of the privacy code is unique to Judge Magi, and quite controversial.

Google argued that it had no obligation to inform users about Italian law. According to Google, its legal obligations were met after it removed the offending video immediately upon notification by the authorities of its existence and illegal content.

Google had also argued that it was protected under the EU’s Electronic Commerce Directive as a host service provider and was thus immune from liability for user generated content. Judge Magi had a different view of the service provided by Google on its video website. It was not, in his opinion, a mere host provider. Rather, it was an “active hoster,” i.e. a content provider. His reasoning was similar to that offered in support of his conclusion that Google Italy was a data processor: Google indexed videos and linked them to advertising in order to turn a profit.

He also remarked that Google promoted the uploading of user-generated videos, and neglected to implement any

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Google had an obligation to inform users of their obligations under Italian law, including notifying them of their responsibilities with regard to the handling of personal information like health data.

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system of control over the content, as a method of outpacing the competition. Magi thus determined that Google was subject to the privacy law, and was then left to decide whether Google acted with the requisite motive.

The final link in Judge Magi's chain of reasoning was Google's awareness of Google Video's financial interest in user generated content. Magi noted that "Google stated in point 17 of the 'terms of service and agreement conditions: some of the services are financed by advertisement and may display advertisements. The object of these advertisements may be the contents of the information recorded in the services.'" This and similar disclosures, demonstrated "a clear and knowing acceptance of the actual risk that data be uploaded and disseminated, including and in particular sensitive data that should have been the object of heightened care, and, moreover, an acceptance of the economic interest relating to such and acceptance of the risk and clear awareness of it."

Implications and Aftermath

Matt Sucherman, Google's vice president and deputy general counsel for Europe, the Middle East, and Africa, reaffirmed on Google's blog the company's belief that it is simply a service provider, and as such is shielded from liability under the relevant notice and take down provisions of European law.

He warned that if websites like Blogger, YouTube, and other social networks become subject to liability for the content they host, "then the Web as we know it will cease to exist, and many of the economic, social, political and technological benefits it brings could disappear."

He described Judge Magi's verdict as "astonishing," explaining that it "attacks the very principles of freedom on which the internet is built." One of the convicted Google executives, Peter Fleischer, expressed concern that "[i]f company employees like me can be held criminally liable for any video on a hosting platform, when they had absolutely nothing to do with the video in question, then our liability is unlimited."

While the negative implications of the decision for web platforms is clear, another threat to the freedom of website

operators lurks in the decision's dicta. While Judge Magi found that Google had no duty to actively monitor the content uploaded to its site since to do so would be impossible given current technological limitations, he predicted a future when technological advancements would make such monitoring possible, and anticipated the emergence of a corresponding duty:

[I]t appears to this author that this criminal prosecution constitutes an important signal that the criminal liability of webmasters is approaching a critical zone: technical advances in this area occur at such dazzling speed that it will doubtless be possible, sooner or later, to "monitor" in a more and more stringent and careful manner the uploading of data on the part of the website operator, and more and more refined and preventative filters will hold those who operate with these data to a higher degree of responsibility. In this case, the construction of criminal liability by omission (regardless of guilt or fault) will be easier to achieve than it is at present.

In any event, this judge, as everyone else, remains in wait for a "good law" on the matter at case: the Internet has been and will continue to be a wonderful means of communication between people. Wherever there is freedom to communicate there is more freedom overall, insofar as communication is a vehicle for knowledge and culture, awareness and choice, but every exercise of the right related to freedom may not be absolute, or it degenerates into arbitrariness...."

Google has stated that it will "vigorously" appeal Magi's decision.

Gabrielle Russell is MLRC's 2009-2010 Legal Fellow. Sections of the Italian court decision were translated by MLRC Summer Intern Kahina Selmouni, Cornell University Law School and Université Paris I Sorbonne.

Case-by-Case Privilege for Confidential Sources, Supreme Court of Canada Rules

By Brian MacLeod Rogers

The Supreme Court of Canada has ruled against an appeal brought by the National Post newspaper and journalist Andrew McIntosh to set aside a search warrant and assistance order on the ground that a confidential source could be revealed. *R.v. National Post*, 2010 SCC 16.

This was the first time the Court has had to deal directly with protecting journalists' confidential sources. While the Court accepted that protecting such sources was an essential element of newsgathering that came within freedom of expression, it held the common law case-by-case privilege was sufficient and rejected any constitutional test – even when police are seeking evidence from the newsroom that could disclose a confidential source.

The good news is that common law protection against disclosing sources has been clarified and strengthened, with explicit recognition of the importance of confidential sources for investigative reporting. Recognizing that “transparency and accountability of government are issues of enormous public importance,” the Court made it clear that the public interest in protecting sources can outweigh other competing public interests, even criminal investigations. A clear line has also been drawn between obtaining physical evidence of crime and journalists seeking to protect sources while testifying in Court.

Facts of Case

The case stems from a search warrant obtained by the Royal Canadian Mounted Police in July 2002. It required the newspaper's editor to turn over an original envelope and document that had been provided to its reporter, McIntosh, in the midst of his coverage of an ongoing controversy. Known popularly as “Shawinigate,” the controversy centered on then

Prime Minister Jean Chretien and his efforts to secure financial backing for a business in his Quebec electoral district through the federal Business Development Bank of Canada (“BDBC”).

There was an allegation, never proven, that Chretien could indirectly benefit from such a loan because his family's company was owed money by the business. McIntosh had been the principal journalist exposing the controversy and received, anonymously, a brown envelope containing what appeared to be a BDBC document that listed a company linked to Chretien as a creditor of the business.

Both BDBC and Chretien challenged the document, saying it was a forgery, and a police investigation was launched. Shortly after receiving it, McIntosh learned the document had been provided by one of his reliable confidential sources, who asked him to destroy the envelope and document in case the police could learn his identity from them. Instead, McIntosh decided to keep them in a “safe place” outside the newsroom. That is what led to the search warrant and assistance order that were promptly challenged by the Post and McIntosh, backed by media interveners, The Globe & Mail and Canadian Broadcasting Corp., and evidence from 15 journalists

and editors on the importance of confidential sources.

The initial attack succeeded in achieving a precedent-setting ruling that protection for confidential sources came within freedom of expression under the *Canadian Charter of Rights and Freedoms*. However, the Ontario Court of Appeal reversed. While recognizing the importance of protecting confidential sources, the Court held the warrant involved actual evidence of an alleged crime – forgery and uttering a forged document – that was “grave and heinous” since it amounted to an attempt to undermine the authority of a sitting Prime Minister. The Post and McIntosh then appealed

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While the Court accepted that protecting confidential sources was an essential element of newsgathering that came within freedom of expression, it held the common law case-by-case privilege was sufficient and rejected any constitutional test – even when police are seeking evidence from the newsroom that could disclose a confidential source.

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to the Supreme Court of Canada.

SCC Ruling

Justice Ian Binnie for the Court ruled that the existing common law approach of a case-by-case privilege, after taking into account the importance of such sources to free expression, was sufficient to safeguard the interests and concerns involved when a journalist may be compelled to reveal a confidential source. “Journalistic privilege is very context specific,” the Court held, and a detailed inquiry into all of the circumstances is always necessary – with the onus on the journalist to overcome the presumption that disclosure is required. This makes it difficult, if not impossible, to predict at the time a commitment is made to a source whether privilege will ultimately be available.

There is no doubt that the particular circumstances of the case had a significant impact. As the Court noted, “this is not the usual case of journalists seeking to avoid testifying about their secret sources. This is a physical evidence case. It involves what is reasonably believed to be a forged document. Forgery is a serious crime.” (para. 3) The public interest in effective law enforcement was directly at issue. There is good reason to believe that the careful and respectful approach set out by the Ontario Court of Appeal in the Ken Peters case (*St. Elizabeth Home Society v. Hamilton* (2008) ONCA 182), which recognized the *Charter* value of free expression involved, will continue to apply where journalists face contempt of court for failing to identify a confidential source when testifying. It was specifically cited favourably by Binnie J. (para. 30)

This distinction could be important for another appeal to the Supreme Court of Canada brought by The Globe & Mail and Daniel Leblanc and still pending. (SCC no. 33114) It arose over attempts in a Quebec civil case brought by the Canadian government against the ad agency, Groupe Polygone, to compel Leblanc to reveal a key confidential source, nicknamed “Ma Chouette,” that he relied on for his coverage of the Sponsorship Scandal – another controversy involving the Chretien government. The appeal was argued October 21, 2009, and had been expected to be released at the same time as the National Post case.

Unfortunately, as with earlier search warrant cases involving the media (*CBC v. Lessard*, [1991] 3 S.C.R. 421; *CBC v. New Brunswick*, [1991] 3 S.C.R. 459), the Court has

failed to recognize that constitutional protection for free expression, which encompasses newsgathering, should have direct application when the state wishes to obtain evidence from the newsroom - even when confidential sources are at risk of being exposed. Nevertheless, there may be situations where “the public interest in protecting the secret source from disclosure outweighs other competing public interests – including criminal investigations”. (para. 34)

The Court did not accept the Crown’s argument that the existence of any crime should vitiate the privilege and recognized that, for example, the *Pentagon Papers* case represented an instance where publication, despite the fact that an offence had been committed, was in the greater public interest. Further:

When investigative reporting strikes at those in power, it would not be unexpected that those in power including the police may wish to strike back. There may be circumstances where the criminal investigation appears to be contrived to silence improperly the secret source, and in such cases the Court may decline to order protection, ... [citing the example of Ottawa Citizen reporter Juliet O’Neill, whose home was raided by RCMP under a search warrant that was successfully challenged]. (para. 62)

Importance of Journalists’ Sources

There are a number of observations of Justice Binnie that are most helpful and recognize the importance of sources for effective newsgathering and freedom of expression:

It is well established that freedom of expression protects readers and listeners as well as writers and speakers. It is in the context of the public right to knowledge about matters of public interest that the legal position of the confidential source or whistle-blower must be located. ... The public also has an interest of being informed about matters of importance that may only see the light of day through the co-operation of sources who will not speak except on condition of confidentiality. Benotto J. [the initial judge] accepted the evidence that many important controversies were unearthed only because of secret sources

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(often internal whistle-blowers) [referring to seven major Canadian controversies such as the tainted tuna scandal, secret commissions paid by Airbus Industrie and wrongdoing by members of the RCMP Security Service in 1977]. (para. 28)

The media perspective was forcefully put in a 2005 editorial in the *New York Times*:

In such [whistle-blowing] cases, press secretaries and public relationships people are paid not to give out the whole story. Instead, inside sources trust reporters to protect their identities so they can reveal more than the official line. Without that agreement and that trust between reporter and source, the real news simply dries up, and the whole truth steadily recedes behind a wall of image-mongering, denial and even outright lies. (para. 29)

In *Lessard* and *New Brunswick* the Court accepted that freedom to publish the news necessarily involved a freedom to gather the news. We should likewise recognize in this case the further step that an important element in the newsgathering function (especially in the area of investigative journalism) is the ability of the media to make use of confidential sources. The Appellants and their expert witnesses make a convincing case that unless the media can offer anonymity in situations where sources would otherwise dry-up, freedom of expression in debate on matters of public interest would be badly compromised. Important stories will be left untold and the transparency and accountability of our public institutions will be lessened to the public detriment. (para. 33)

Viewed in this light, the law should and does accept that in some situations the public interest in protecting the secret source from disclosure outweighs other competing public interests – including criminal investigations. In those circumstances the courts will recognize an immunity against disclosure of sources to whom confidentiality has been promised.(para. 34)

The role of investigative journalism has expanded over the years to help fill what has been described as a democratic deficit in the transparency and the accountability of our public institutions. The need to shine the light of public scrutiny on the dark corners of some private institutions as well is illustrated by Benotto J.'s reference to corporate delinquencies in the list reproduced above at para. 28. (para. 55)

Case-by-Case Privilege

In keeping with other common law courts, the Court rejected any “class privilege” for journalists’ confidential sources, quoting from *Branzburg v. Hayes*, 408 U.S. 665 (1972), and citing four reasons. In particular, “the immense variety and degrees of professionalism” of those claiming to be journalists meant each such claim had to be evaluated on its own terms. As well, it was not clear whether the privilege belonged to the journalist or the source or in what circumstances any immunity might be lost. As a result, the Court pointed to shield legislation in other jurisdictions, such as U.S. states, England, Australia and New Zealand, as offering the best avenue for introducing any broader privilege. This will give further impetus to introducing such legislation in Canada.

The Court therefore rejected any “constitutional immunity” against disclosure of confidential sources and instead favoured a case-by-case privilege based on an analysis of “Wigmore criteria” (named after U.S. law professor, John Henry Wigmore) that are generally applied to claims for confidentiality at common law. The person seeking the privilege has the onus of proving that all four criteria have been met, and this means that journalists can

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never be sure when they make a commitment to source just what might be ordered disclosed.

The first two require an explicit commitment of confidentiality that is essential to the relationship involved (journalist/source). The third criterion requires that the relationship is one deserving society's protection and encouragement. Here the Court made a distinction between a "blogger" and someone who is clearly a professional journalist: "In general the relationship between professional journalists and their secret sources is a relationship that ought to be "sedulously" fostered." (para. 57)

The fourth Wigmore criterion is the critical one, requiring a court to balance and weigh the different rights and interests involved, including the seriousness of the offence and probative value of the evidence involved. Here, the Court rejected the media's position that the onus should shift to the Crown on this issue once the first three criteria have been established. Instead, the onus remains on the journalist to overcome the law's general presumption that all evidence is compellable and admissible.

In summary, at the fourth stage, the court will weigh up the evidence on both sides (supplemented by judicial notice, common sense, good judgment and appropriate regard for the "special position of the media"). The public interest in free expression will *always* weigh heavily in the balance. While confidential sources are not constitutionally protected, their role is closely aligned with the role of "the freedom of the press and other media of communication", and will be valued accordingly but, to repeat, at the end of the analysis the risk of non-persuasion rests at all four steps on the claimant of the privilege. (para. 64)

Physical Evidence of Crime

The Court went on to point out "there is a significant difference between testimonial immunity against compelled disclosure of secret sources and the suppression by the media of relevant physical evidence." (para. 65) Journalists have "no blanket right to suppress physical evidence of a crime," and their acceptance of sources' claims of innocence won't

end the matter:

It is the Courts, however, and not individual journalists or media outlets, that must ultimately determine whether the public interest requires disclosure. Mr. McIntosh's belief in the good faith of his source cannot prevent the courts from reaching a different conclusion. (para. 77)

The bottom line is that no journalist can give a source a total assurance of confidentiality. All such arrangements necessarily carry an element of risk that the source's identity will eventually be revealed. In the end, the extent of the risk will only become apparent when all the circumstances in existence at the time of the claim for privilege is asserted are known and can be weighed up in the balance. What this means, amongst other things, is that a source who uses anonymity to put information into the public domain maliciously may not in the end avoid a measure of accountability. (para. 69)

This approach raises a question whether a journalist should preserve original documents or other evidence that could reveal a confidential source, particularly where a criminal investigation might ensue. In Canada, largely because of the importance of proving truth as a defence of defamation proceedings, the usual practice has been to retain everything that could assist in a future defence. The Court's ruling should at least generate serious debate over whether such an approach still has merit.

Notice of Applications for Warrants

The Court goes on to examine other conditions that are required for search warrants and the like issued against the media, even in the absence of any privilege. In keeping with its 1991 decisions in *CBC v. Lessard* and *CBC v. New Brunswick*, these must take into account the media's "special position" and be careful to avoid a disruption of its work. While not requiring prior notice of an application for a warrant to be provided to the media, the Court makes it clear

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that an issuing judge has discretion to require notice, suggesting that he/she “may well conclude that it is desirable to proceed on notice to the media organization rather than *ex parte*.” (para. 83) In any event, even where notice isn’t given, ample opportunity must be given to the media to challenge the validity of the warrant, as was done in the *National Post* case itself.

Dissent of Justice Abella

In her dissent, Justice Rosalie Abella held that such notice should presumptively be given unless the purpose of the warrant would be defeated and was joined by Justice Louis LeBel on that issue. She would have gone further and set aside the warrant against the *National Post* on the facts of the case. She accepted the same Wigmore test as Justice Binnie, but took a different view of both the importance of the source, on the one hand, and the lack of significance of the evidence, on the other. She also pointed to the RCMP’s failure to pursue alternative avenues before turning to the search warrant to obtain evidence about the alleged crime.

Conclusion

In the end, the particular facts of this case made it difficult for the Court to accept that journalists, rather than courts, should determine when sources should be protected and whether evidence was critical to a criminal investigation. Certainly, no one expected the Court to adopt anything but a case-by-case privilege. At least, it clearly acknowledged that confidential sources are important for free expression and that this will be an important element to consider when applying the Wigmore test.

This represents a “soft” approach of applying *Charter* values and certainly does not go as far as the media would have liked in establishing constitutional protection. Nonetheless, there is much good news in the decision that will be useful in future cases. We will have to wait for the “other shoe” to drop when the SCC’s decision in *Globe and Mail v. Canada* is released, which may be in a few months.

Brian MacLeod Rogers and Iain MacKinnon were counsel for the Media Coalition which intervened at the Supreme Court of Canada.

Appellants National Post and Andrew McIntosh were represented by Marlys Edwardh, John Norris and Jessica

Orkin. Peter Jacobsen and Tae Mee Park acted for intervener Bell Globe Media Inc. Daniel Henry acted for intervener Canadian Broadcasting Corp. Tim Dickson for the intervener B.C. Civil Liberties Association, and Jamie Cameron and Matthew Milne-Smith for intervener Canadian Civil Liberties Association. Robert Hubbard and Susan Magotiaux were counsel for the respondent Attorney General of Ontario.

Calendar of Events

MLRC Annual Dinner

November 10, 2010
Grand Hyatt
New York, NY

[For more, click here](#)

MLRC Forum

November 10, 2010
Grand Hyatt
New York, NY

[For more, click here](#)

DCS Annual Meeting

November 11, 2010
Proskauer Rose Conference Center
New York, NY

California Chapter Luncheon Meeting

December 15, 2010
Southwestern Law School
Los Angeles, CA

[For more, click here](#)

MLRC/Southwestern Entertainment Law Conference

January 20, 2011
Los Angeles, CA

MLRC/Stanford Digital Media Conference

May 19-20, 2011
Palo Alto, CA

London Conference

September 19-20, 2011
(In-house counsel breakfast Sep 21st)
London, England

Federal District Court Rules That DMCA “Safe Harbor” Protects YouTube

General Awareness of Infringement Does Not Deprive Service Provider of Defense

On June 23, 2010, a New York federal district court issued its long-awaited decision in the copyright infringement suit between Viacom and YouTube. See *Viacom Int'l Inc. v. YouTube, Inc.*, No. 07 Civ. 2103, 2010 WL 2532404 (S.D.N.Y. June 23, 2010). On cross motions for summary judgment, Judge Louis Stanton sided squarely with YouTube, holding that it was protected by the “Safe Harbor” provision of the Digital Millennium Copyright Act, codified at 17 U.S.C. Sec. 512 (c), against allegations of massive infringement of Viacom’s copyrighted works.

In reaching his decision, Judge Stanton identified the critical question as whether the statutory phrases in the Safe Harbor provision – “actual knowledge that the material or an activity using the material on the system or network is infringing,” and “facts or circumstances from which infringing activity is apparent” – mean that a general awareness of infringements will deprive a service provider of the defense; or that actual or constructive knowledge of specific and identifiable infringements of individual items is required to lose the defense.

The evidence in the case showed that YouTube was well aware that users were wrongfully uploading copyrighted content and took no action based on such general knowledge of these infringements. On the other hand, YouTube promptly removed video clips from its site upon complaint.

Quoting at length from the DMCA and its legislative history (one-third of the 30 page decision consists of quotations from these sources), Judge Stanton concluded that mere knowledge of prevalence of infringement will not deprive a service provider of the Safe Harbor protection.

To let knowledge of a generalized practice of infringement in the industry, or of a proclivity of users to post infringing materials, impose responsibility on service providers to discover which of their users’ postings infringe a copyright would contravene the structure and operation of the DMCA.

2010 WL 2532404 at *15.

Citing to recent cases interpreting the Safe Harbor provision, Judge Stanton moreover concluded that “General knowledge that infringement is ‘ubiquitous’ does not impose a duty on the service provider to monitor or search its service for infringements.” *Id.* at *20 citing *Perfect 10 v. CCBill LLC*, 488 F.3d 1102 (9th Cir. 2007); *UMG Recordings, Inc., v. Veoh Networks, Inc.*, 665 F. Supp. 2d 1099 (C.D. Cal. 2009); *Corbis Corp. v. Amazon.com, Inc.*, 351 F. Supp. 2d 1090 (W.D. Wash. 2004); *Tiffany Inc. v. eBay Inc.*, 600 F.3d 93 (2d Cir. 2010).

Finally, Judge Stanton distinguished the Supreme Court’s decision in *Metro-Goldwyn-Mayer Studios Inc. v. Grokster, Ltd.*, 545 U.S. 913 (2005) and its progeny, categorizing these cases as involving peer-to-peer filing sharing networks designed to foster infringement – and not covered by the Safe Harbor provisions of the DMCA. The *Grokster* model, Judge Stanton concluded, has “little application here” because YouTube did not exist solely to provide the site and facility for copyright infringement.

Viacom v. Google: Federal District Court Grants Summary Judgment to Google

A Deeply Troubling Decision

By Cliff Sloan

[Viacom v. YouTube](#) is an important case about the protection of creative content in the online world. The district court's recent opinion granting summary judgment to YouTube and Google creates massive loopholes in copyright law for sites that embrace rampant copyright infringement. The decision should be deeply troubling for all content companies. The good news is that the case and the issues now are headed to the United States Court of Appeals for the Second Circuit for resolution.

Viacom alleges that YouTube built its business on a business model of copyright infringement. According to Viacom, YouTube's founders knowingly amassed a large audience through pervasive copyright infringement of popular videos. Even the district court, in finding for YouTube, held that a jury could find that YouTube "welcomed" copyright-infringing videos on its site.

Here are some striking examples of the evidence:

- ◆ One YouTube founder objected to the removal of "obviously copyright infringing stuff" by noting that 80% of YouTube's user traffic depended on infringing videos. He emphasized that "if you remove the potential copyright infringements . . . site traffic and virality will drop to maybe 20 % of what it is."
- ◆ The same YouTube founder responded to a concern about "steal[ing] . . . movies" by saying, "[W]e need to attract traffic. . . [T]he only reason why our traffic surged was due to a video of this type."
- ◆ Another YouTube founder exhorted his colleagues to "concentrate all of our efforts in building up our numbers as aggressively as we can through whatever tactics, *however evil*." (emphasis added)
- ◆ In response to the Supreme Court's *Grokster* decision (*Metro-Goldwyn-Mayer Studios Inc. v. Grokster, Ltd.*, 545 U.S. 913 (2005)), which reaffirmed liability for inducement of copyright infringement, YouTube's founders adopted a plan in which some infringing clips would be taken down, but many would not: "That way, the perception is that we are concerned about this type of material and we're actively monitoring it. [But the] actual removal of this content will be in varying degrees. That way . . . you can find truckloads of . . . copyrighted content . . . [if] you [are] actively searching for it."
- ◆ One YouTube founder noted that another founder was "blatantly stealing content from other sites and trying to get everyone to see it."
- ◆ A YouTube senior official e-mailed a colleague that "the truth of the matter is probably 75-80% of our views come from copyrighted material." The same senior official noted that "the fact that I started like 5 [YouTube] groups based on copyrighted material probably isn't so great."

Viacom sent YouTube specific notices about many infringing videos, and YouTube took down the videos listed in
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Viacom's notice. But it was a game of whack-a-mole. For every infringing video taken down, more infringing videos popped up.

YouTube maintained that, as long as it took down videos in response to specific notices, it was immune from liability under the Digital Millennium Copyright Act (or "DMCA"). Its position was that it had no further obligation with regard to the infringing content.

The district court agreed with YouTube. It drew a distinction between what it called "general knowledge" of copyright infringement, which it said does not give rise to copyright infringement, and knowledge of specific instances of copyright infringement. The court held that, in this case, since YouTube responded to notices of specific copyright infringements by taking the specified videos down, YouTube was immune from liability.

The district court's opinion rests on serious legal errors. I'll highlight three of the major errors, but there are other problems as well.

First, actual knowledge. The DMCA requires that, if an entity has "actual knowledge" of copyright infringement, it must take down the infringing content, or it loses immunity. 17 U.S.C. 512(c)(1)(A)(i). This is a separate and distinct requirement from the requirement to take down material enumerated in a specific notice, 17 U.S.C. 512(c)(1)(C). But the district court's opinion collapses these two separate requirements. The court's opinion holds that actual knowledge means "knowledge of specific and identifiable infringements of particular items," as in the required notice for a notice-and-takedown. It thus effectively eliminates actual knowledge as a separate requirement from the notice-and-takedown.

Second, "red flags" knowledge. In still another requirement, the DMCA mandates that, even if an entity does not have actual knowledge of infringement, but has what is called "red flags" knowledge, it must take down the infringing content. 17 U.S.C. 512(c)(1)(A)(ii). Under the statute, red flags knowledge is awareness of "facts or circumstances from which infringing activity is apparent." But, here too, as with actual knowledge, the district court's opinion collapses the provisions. The court again requires knowledge of specific instances, as in a formal takedown notice. It thus also effectively eliminates red flags knowledge as a meaningful separate requirement.

Third, the district court's decision is, at the very least, in serious tension with the Supreme Court's *Grokster* decision. In *Grokster*, the Supreme Court emphasized that inducement of copyright infringement gives rise to contributory liability. Under the district court's opinion, however, in the DMCA context, *Grokster* is completely eviscerated. Notice and takedown provide complete immunity, despite, for example, the abundant evidence of YouTube's explicit reliance on infringing content to attract an audience and build a business.

The district court's opinion thus conflicts with the language and the statutory architecture of the DMCA. But the district court's decision also conflicts with a primary purpose of the DMCA -- to provide effective tools to combat online piracy. The legislative history of the DMCA is replete with examples of Congressmen and Senators emphasizing the importance of this goal. Ironically, the district court's opinion converts the piracy-combatting legislation of the DMCA into a license for piracy as long as notice and takedown are complied with.

Viacom v. YouTube is a defining case about the future of digital media. As Justice Kennedy observed to *Grokster*'s counsel in the *Grokster* oral argument, "from an economic and a legal standpoint, [it] sounds wrong to me" to suggest "that unlawfully expropriated property can be used by the owner of the instrumentality as part of the startup capital for his product." But that is exactly what Viacom alleges happened here -- YouTube used infringing content as "the startup capital" to build its business, which it then promptly sold to Google for \$1.8 billion. Contrary to the district court's opinion, the DMCA does not provide immunity for such conduct simply because a specific notice-and-takedown procedure is followed.

Viacom has strong grounds for its appeal.

Cliff Sloan is a partner in intellectual property and litigation at Skadden, Arps, Slate, Meagher & Flom. He filed an amicus brief in support of Viacom on behalf of a coalition of content owners and public interest organizations.

Use of 7-Second Historic TV Clip in Broadway Show Deemed “Fair Use”

Federal Judge Grants Jersey Boys’ Motion for Summary Judgment in Copyright Action

By Itai Maytal and David S. Korzenik

A Broadway production’s display of seven seconds of historic footage during its reenactment of a famous rock-and-roll group’s television debut is fair use, a California federal district court judge ruled last week.

In the copyright infringement case, [Sofa Entertainment Inc. v. Dodger Productions, Inc.](#) No. Civ. 08-2616 (C.D. Cal July 12, 2010), Judge Dolly M. Gee granted summary judgment in favor of the defendant producer of the musical, *Jersey Boys*, finding its use of an introduction by the late television variety show host, *Ed Sullivan*, was fair use. Judge Gee explained that the use of the seven-second television clip in the stage-version introduction of the band, *Frankie Valli and The Four Seasons*, was “decidedly transformative,” was not “the heart” of the copyrighted work at issue, and could not reasonably usurp an “existing or potential market” for the plaintiff-copyright owner.

The 7-Second Clip Controversy

Jersey Boys is a dramatic work of biographical and cultural history that has been staged in multiple cities including New York, Chicago, Las Vegas, London and Los Angeles. The two-and-a half hour production tells the story of *Frankie Valli and The Four Seasons* and their impact on popular culture in the early 1960s. It traces how the group was formed and how its members struggled out of the Jersey swamps to make their way to success. For example, the musical recounts the band members’ youthful criminal indiscretions as they brushed with both the law and the mob, illustrates the genesis of some of their major hits, and how the band found their way through the daunting maze of the record business in the 1960’s.

The show also covers many of the band members’ personal problems involving their marriages, their financial difficulties, and the death of Valli’s daughter. In addition, the musical illustrates their setbacks from the U.S. arrival of *The Beatles* and other British performers during the “British

invasion,” their comeback, and their later break-up.

This lawsuit arose from the musical’s unauthorized use of a 7-second copyrighted video clip of host *Ed Sullivan* introducing *The Four Seasons* on the January 2, 1966 episode of *The Ed Sullivan Show* (“the Clip”). The Clip is displayed on a large screen at the end of the musical’s first act. Immediately before the Clip is played, an actor portraying *The Four Seasons’* member Bob Gaudio addresses the *Jersey Boys* audience and says:

“Around this time there was a little dust-up called The British Invasion. Britannia is ruling the air waves, so we start our own American Revolution. The battle begins on Sunday night at eight o’clock and the whole world is watching.”

As these lines are spoken, the actors portraying *The Four Seasons* are seen preparing themselves to perform on *The Ed Sullivan Show*. Old-style CBS cameras bearing the CBS logo roll across the stage. The audience is led to feel they are backstage with the band-performers, setting up their instruments, facing the back of the stage as if the *Sullivan* audience is in front of them.

Then, just as the actor playing Gaudio completes his line “...the whole world is watching,” the Clip is played in the middle of three video screens above the stage—which display stills and video images from the 1960s throughout the show. In the Clip, a black-and-white head-shot of *Ed Sullivan* appears and says: “Now, Ladies and Gentlemen, for all the youngsters in the country, The Four Seasons.” Mr. Sullivan then waves his left hand toward where *The Four Seasons* are to perform, at which point the Clip ends and the actors in *Jersey Boys* perform a song on stage.

There is no further use of the Clip and no other segments from *The Ed Sullivan Show* appear in the musical. Moreover, the Clip has no music nor does it

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display any images of the original *Four Seasons* or performances of any kind. It is simply a pedestrian headshot video depiction of Mr. Sullivan providing these ordinary words of introduction.

In 2008, Plaintiff Sofa Entertainment, owner of *The Ed Sullivan Show* library, filed a complaint in district court in the Central District Court of California, asserting a single copyright infringement claim against Defendant Dodger Productions for its use of the Clip in the *Jersey Boys* musical. Upon receipt of the claim, it was decided not to remove the Clip from the show. The parties then filed cross motions for summary judgment.

Fair Use Granted

On July 12, 2010, Judge Gee granted Dodger Productions' motion for summary judgment and denied Plaintiff's partial summary judgment, finding the Defendant's use of the Clip was fair. In so ruling, the Court considered each of the four statutory factors for fair use. 17 U.S.C. §107.

(1) Purpose and Character of the Use

Judge Gee found that the first factor weighed in favor of the Defendant, noting the use of the Clip was "decidedly transformative." Judge Gee cited to *Campbell v. Acuff-Rose Music, Inc.*, 510 U.S. 569 (1994) and held that "the more transformative the use of a copyrighted work, the more likely it is that the use will come within the protection of the fair use defense."

Specifically, Judge Gee found that the use of the Clip was transformative as it "served as a historical reference point in *The Four Seasons*' career, which use the Ninth Circuit has contrasted with uses that 'serve the same intrinsic entertainment value that is protected' by the copyright in the copied work" quoting *Elvis Presley*

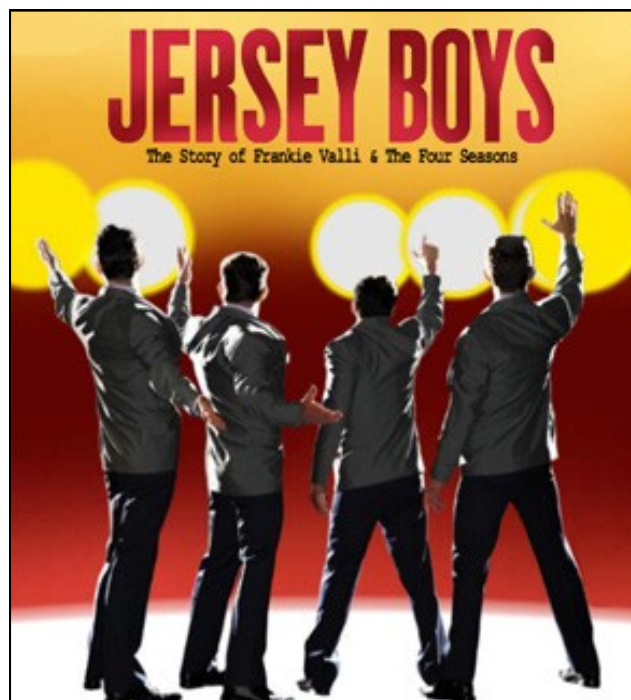
Enterprises, Inc v. Passport Video, 349 F.3d 622, 629 (9th Cir. 2003). She rejected Plaintiff's argument that the Clip was merely a re-broadcasting of a portion of a copyrighted episode of *The Ed Sullivan Show*, noting that the lines spoken by the actor portraying *The Four Seasons*' member Bob Gaudio prior to the Clip's appearance had served to "frame the transformative use" of the Clip in the musical. She also rejected Plaintiff's argument that Ninth Circuit case law required a voice-over or other explicit "introductions" to render a use transformative.

While Judge Gee observed that *Jersey Boys*' use, a "dramatic production intended to entertain," was not among the examples of fair use set forth in the preamble of §107 (works reproduced "for purposes such as criticism, comment, news reporting teaching..., scholarship, or research"), Judge Gee recognized that the list was not exhaustive.

Against the urging of the Plaintiff, the Judge refused to distinguish between documentaries and dramatizations of historical events for the purposes of fair use. Though Judge Gee saw a commercial dimension to *Jersey Boys* which could weigh against fair use, she did not accord this aspect of the first factor great weight as the Defendants sought "to profit in very small measure by the inherent entertainment value of *Ed Sullivan*'s [short] introduction of *The Four Seasons*."

(2) Nature of the Copyrighted Work

Judge Gee found that the second factor weighed only slightly in favor of fair use. She explained that the fact the Clip at issue had already been broadcast weighed in favor of Defendant, given that unauthorized use of a previously published work is more likely to constitute a fair use than an unpublished work.



Judge Gee's decision confirmed that there was no basis for Plaintiff's claim that the use of a seven-second historic clip in the context of a two-and-one-half hour biographical and historical play was in any way improper.

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(3) *Amount and Substantiality of the Portion Used*

As to the third factor, Judge Gee found this favored fair use, not only because the Clip represented quantitatively a small portion of the episode at issue, (1/400th or 0.0023 percent of the 45 to 50 minute episode (excluding advertisements), by Defendant's calculation), but because it was not the heart of Plaintiff's copyrighted work. Judge Gee held that "the actual performances by featured talent were, and are, the heart of *The Ed Sullivan Show* generally, and that is true of the episode on which *The Four Seasons* performed."

She ruled that the introduction by *Ed Sullivan* at most could be an "artery to the heart of the episode." Finally, even if the Clip were to be the "heart" of the recording of Plaintiff's full episode, Judge Gee concluded that there was no evidence in the record that would lead a reasonable jury to conclude the Clip is "the heart" of the *Jersey Boys*. (It certainly occupied an infinitesimal amount of the musical itself, accounting for nothing more than 1/100th or 0.0009 percent of its 130 minute runtime.)

(4) *Effect on the Market*

Finally, Judge Gee found the effect upon the potential market, weighed in Defendant's favor. She recognized that the "marketability of *Jersey Boys* cannot reasonably be said to be primarily dependent on Defendant's transformative use of the Clip." Judge Gee ruled that the extent to which the Defendant profited from the use of the Clip itself was minimal and they used none of it to market the Show. She further noted that Plaintiff introduced no evidence that it currently licensed or planned to license the Clip in support of its argument that Defendant's use was depriving it of income from licensing fees.

Judge Gee agreed with Defendant that the notion any such market existed for the introductions of *Ed Sullivan* was "speculative at best." Further, Judge Gee noted that to the extent that "any existing or potential derivative market [for the Plaintiff] is, in fact, one for similarly transformative uses [like the Defendant's], this factor is less likely to weigh in Plaintiff's favor." This is because "the market for potential derivatives uses includes only those that creators of the original works would in general develop or license others to develop." quoting *Campbell*, 510 U.S. at 592. The loss of revenues from the transformative market cannot count for market impact

under the fourth factor.

In short, Judge Gee found all four fair use factors favored a ruling that the Defendant's use of the Clip was fair. The fact that (1) the use of the Clip was decidedly transformative in nature, (2) the short Clip was published and (3) not the heart of Plaintiff's work, and (4) the use of the Clip had no credible effect on the value of the original copyrighted work, led Judge Gee to reject Plaintiff's copyright claims on fair use grounds.

Conclusion

At least for the Plaintiff, this decision was foreshadowed by a ruling in one of its previous copyright cases. In the Ninth Circuit's decision, *Elvis Presley Enterprises, Inc v. Passport Video*, 349 F.3d 622 (9th Cir. 2003), the court made a "close call" against a fair use defense where some 30 minutes of Elvis TV performances were used by a defendant. But, it also ruled that a use of a "small number of clips to reference an event for biographical purposes seems fair" and that it would be "permissible" to use Elvis clips from television shows "to note their historical value." Here, only one 7-second clip of historic import was used by the Defendant. Unlike the *Elvis Presley* case, this was not a close call at all.

Indeed, Judge Gee's decision confirmed that there was no basis for Plaintiff's claim that the use of a 7-second historic clip in the context of a two-and-one-half hour biographical and historical play was in any way improper. Plainly, the use of the Clip played a transformative role in the *Jersey Boys* telling of the cultural history and life stories of the band members. The limited use of the Clip, a single, fractional excerpt of Plaintiff's copyrighted work, helped transport the audience back to the cultural and historic setting of the 1960s so that their understanding of the events presented in the musical was meaningful; and it did so without any significant economic consequence to the Plaintiff.

David S. Korzenik of Miller Korzenik Sommers LLP and Walter R. Sadler of Leopold, Petrich & Smith represented the Defendant. Mr. Korzenik was supported by his firm associates Mona Houck and Itai Maytal. Mr. Sadler was supported by his firm associate Nicholas Morgan. Plaintiff was represented by Jeffery McFarland, George Hedges and Noah Helpen of Quinn Emanuel Urquhart Oliver & Hedges, LLP. and by Jaime Marquart of Baker Marquart Crone & Hawxhurt.

Second Circuit Alters Copyright Injunction Standard: Circuit Finds ‘Catcher in the Rye’ Sequel to be ‘A Phoney’

By Toby Butterfield and Lisa Digernes

The Second Circuit in the *Salinger* case vacated and remanded the District Court’s (J. Batts) decision to grant the plaintiffs a preliminary injunction based on alleged copyright infringement. [Salinger v. Colting](#), No. 09-2878-cv (April 30, 2010).

The Second Circuit found that the District Court failed to comply with the equitable standard test set forth by the Supreme Court in the patent case [Ebay, Inc. v. MercExchange, L.L.C.](#), 547 U.S. 388 (2006) and that this test is also applicable to equitable relief sought in copyright infringement cases.

Background

J.D. Salinger (individually and as a trustee through the Salinger Literary Trust), sued the Swedish author Fredrik Colting, the publisher Windupbird Publishing and the distributors Nicotext A.B. and ABP, Inc. in the Southern District of New York for copyright infringement and common law unfair competition.

Plaintiffs claim that Colting’s novel “60 Years Later: Coming Through the Rye” (“60 Years”) is an unauthorized derivative work of Salinger’s novel “The Catcher in the Rye” (“The Catcher”) and that Colting’s character “Mr. C” infringes on Salinger’s character Holden Caulfield. Colting had already published “60Years” in Sweden and in England, but Salinger filed the case in the Southern District prior to publication of the book in the US. J.D. Salinger died pending the appeal.

Colting’s novel “60 Years” tells the story of Holden Caulfield (referred to as Mr. C) as a 76-year old. Defendants had originally marketed “60 Years” as a sequel to “The Catcher,” although during the lawsuit Colting contended that the novel did not intend to be a sequel, but an examination of Holden, the relationship between Salinger and his work and the life of Salinger. In “60 Years,” Salinger appears in the novel.

The District Court found that Salinger holds a valid copyright to the novel and that the character Holden Caulfield is sufficiently delineated to merit a separate copyright, and that there is substantial similarity between his work and Colting’s “60 Years” and the character Mr. C so that they constitute copyright infringement. The District Court further found that Colting’s fair use defense would likely fail, and issued the preliminary injunction. *See* 641 F.Supp.2d 250 (S.D.N.Y. 2009).

New Standard for Preliminary Injunction

The District Court applied the test that irreparable harm may be presumed when a plaintiff establishes a prima facie case of copyright infringement, noting only in a footnote that *Ebay* is not controlling in the “*absence of Second Circuit precedent applying it in the copyright context.*” The Second Circuit, however, noted that there is a split at the district courts level as to *eBay*’s reach, and that the Second Circuit had not directly addressed the scope of the Supreme Court’s decision. Slip Op. p. 14. The Second Circuit noted that the Supreme Court expressly relied on copyright cases in reaching its conclusion, and concluded that the decision “strongly indicates that the traditional principles of equity it employed are the presumptive standard for injunctions in any context.” *Id.* p. 5.

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According to the Second Circuit, after *eBay*, courts cannot presume irreparable harm. A plaintiff must therefore show, based on the facts, that failure to issue an injunction would actually cause irreparable harm. Even though there is a “historic tendency” to issue preliminary injunction in copyright cases, the Second Circuit noted that the courts must keep up with rapid changes in the technological area, and as a result, “legal damages” can be “sufficient to compensate for the infringement.” *Id.* p. 21 (quoting Justice Roberts in the *eBay* decision).

Analysis and Conclusion

The Second Circuit has therefore joined numerous other Circuits in deciding that the Supreme Court’s decision in *eBay* also applies to preliminary injunctions based on alleged copyright infringement. The Circuit’s ruling makes plain its view that on the facts of the instant case an injunction must issue, but that the record created by the lower court was inadequate to comply with the Supreme Court’s standard.

Specifically, “a District Court must undertake the following inquiry: the Court must actually consider the injury plaintiff will suffer if he or she loses on the preliminary injunction that ultimately prevails on the merits, paying particular attention to whether the ‘remedies available at law, such as monetary damages, are inadequate to compensate for that injury.’” In the context of irreparable harm, the Second Circuit referred specifically to Salinger’s well known withdrawal from public life, noting that “a copyright holder might also have a First Amendment interest in *not* speaking.” Ultimately, however, the Court simply concluded that “courts must not simply presume irreparable harm” and must perform the analysis described above.

The Second Circuit also considered the public interest, recited the considerable First Amendment protection for “the market place of ideas.” The Court noted that every injunction issued before a final adjudication risks enjoining protected free speech. Perhaps heralding that in this new standard for injunctions, courts must decide whether there is “a colorable fair use defense.” The Second Circuit ruled that where there is no such colorable defense, the First Amendment values are virtually non-existent, leaving the path open for a court to issue an injunction. The Second Circuit invites such a conclusion, relying upon the lower court’s conclusions about the credibility of the defendant to rule that “defendants are not likely to prevail in their fair use defense.”

The Court left open two issues: First, whether the fair use factor can favor a defendant “even when the defendant and his work lack a transformative *purpose*.” This is heartening: the Second Circuit has previously shown what is in this writer’s view an unhealthy willingness to simply accept the statements of an alleged infringer as to whether he intended to copy the underlying work or whether he intended to comment upon or remake the work. *See Blanch v. Koons*, 467 F.3d 244 (2d Cir. 2006), *affirming*, 396 F.Supp.2d 476 (S.D.N.Y. 2005).

Second, the Court also left undecided whether Salinger owns a valid copyright in the character Holden Caulfield. The Court had carefully repeated the lower court’s conclusion that the character is “sufficiently delineated so that a claim for infringement will lie.” Slip Op. p. 7 (quoting the district court’s conclusion that “Holden Caulfield is quite delineated by word. It is a portrait by words ...”). While Holden Caulfield and *The Catcher* are iconic, the character only appears in one book. The Second Circuit therefore has declined to take this chance to state whether they follow 9th Circuit precedent on when a character from one book may be sufficiently clearly delineated to constitute a separable copyrightable element

Toby Butterfield is a partner and Lisa Digernes an associate at Cowan, DeBaets, Abrahams & Sheppard LLP in New York. Plaintiffs-Appellees were represented by Marcia Beth Paul, Davis Wright Tremaine LLP. Defendants-Appellants were represented by Edward H. Rosenthal, Frankfurt Kurnit Klein & Selz P.C.

Fifth Circuit Affirms Defense Verdict in Keyword Advertising Trial

Jury Found No Likelihood of Confusion to Sustain Trademark Claim

The Fifth Circuit affirmed a jury verdict in favor of the defendant in a keyword advertising case. [*College Network, Inc. v. Moore Educ. Publishers, Inc.*](#), No. 09-50596, 2010 WL 1923763 (5th Cir. May 12, 2010) (King, Wiener, Dennis, JJ.) (per curiam). In what appears to be the first case to have gone to a jury on the issue of confusion, the jury found no infringement stemming from the search results triggered by plaintiffs mark.

The plaintiff, The College Network (TCN), and defendant, Moore Educational Publishers (MEP), are competitors who publish and sell study guides for nursing students. MEP purchased the phrase “The College Network” from Google and Yahoo as a search-engine keyword to trigger its own sponsored-links. TCN sued MEP for violation of the Lanham Act, alleging the advertising caused consumer confusion. MEP brought defamation and tortious interference counter-claims, alleging that plaintiff had told its sales staff to tell customers MEP was “going out of business.”

The case went to trial in January 2009. The jury rejected plaintiff’s trademark claim and found in favor of the defendant on its counterclaims. On post trial motions, TCN argued that it had established confusion as a matter of law; and MEP argued, apparently for the first time, that keyword advertising does not amount to “use in commerce” under the Lanham Act. The trial court agreed with MEP that there was no use in commerce.

The bulk of the Fifth Circuit’s decision involves review of the defamation judgment. The court affirmed a damage award to MEP and its principal of approximately \$700,000. The primary issue on appeal was whether the defamation claim was time barred.

The Texas statute of limitations for defamation is one year and MEP brought its counterclaims nearly two years after the statements were made. The trial court, however, ruled that

the discovery rule could apply and it allowed the jury to determine when the defamatory statement was reasonably discoverable. The Fifth Circuit affirmed that the defamation claim was not time barred; and that there was sufficient evidence to support the damage award for harm to reputation and lost business (though the court reduced an award of punitive damages).

The trademark issue received less analysis. The court noted that it did not have to review the trial court’s decision on “use in commerce” because there was sufficient evidence

to support the jury’s finding of no confusion under Fifth Circuit law. Likelihood of confusion in the Circuit is determined under a “nonexhaustive” list of factors, including: 1) the type of trademark; 2) mark similarity; 3) product similarity; 4) outlet and purchaser identity; 5) advertising media identity; 6)

defendant’s intent; 7) actual confusion; and 8) care exercised by potential purchasers. *See Xtreme Lashes, LLC v. Xtended Beauty, Inc.*, 576 F.3d 221, 227 (5th Cir. 2009).

The court specifically rejected plaintiff’s request that it apply the Ninth Circuit’s decision in *Perfumbay.com Inc. v. eBay, Inc.*, 506 F.3d 1165, 1173 (9th Cir. 2007) (looking at similarity of the marks, relatedness of the goods and services, and the parties’ simultaneous use of the internet as a marketing channel). The Fifth Circuit panel reasoned that the Circuit had never adopted this standard, and found that since TCN had failed to request an instruction based on the decision it had waived the right to ask for it to be applied on appeal.

The evidence on confusion was referenced only in a footnote. In that footnote, the court observed that the “jury was permitted to view the keyword search process and visually compare the companies’ websites;” that defendant provided “extensive documentary evidence” on the issue; and, finally, that TCN’s own expert testified as to lack of actual confusion.

The court observed that the “jury was permitted to view the keyword search process and visually compare the companies’ websites. . .”

U.S. Supreme Court Rejects Broad Constitutional Challenge to Washington's Public Records Act

By Eric M. Stahl and Bruce E.H. Johnson

In an 8-1 decision, the U.S. Supreme Court ruled that public disclosure of ballot referendum signatures does not, as a general matter, violate the First Amendment. *Doe v. Reed*, ___ S. Ct. ___, 2010 WL 2518466 (June 24, 2010).

For news organizations, the opinion is most significant for what it does not say: the court turned a deaf ear to the *Doe* plaintiffs' broad arguments that strict constitutional scrutiny is required whenever disclosure of individual identifying information is sought under a public records law. Although the decision allows for "as applied" constitutional challenges, that holding is limited to requests seeking the identity of referendum signers, and the burden on plaintiffs bringing such claims is high. The opinion seems unlikely to have any impact on other types of public records requests.

Doe concerned a Washington ballot referendum, R-71, that sought to overturn the state's domestic partnership ("everything but marriage") statute. Sponsors of the measure gathered voter signatures on a referendum petition, obtaining enough to qualify the measure for the November 2009 ballot.

State officials subsequently received multiple public records requests for the petitions, including from opponents of the referendum (*i.e.*, supporters of the domestic partnership law), whose stated intent is to publish the names of petition signers on the Internet in order to encourage difficult "conversations." As one R-71 opponent put it, "These conversations can be uncomfortable for both parties, but they are desperately needed to break down stereotypes and to help both sides realize how much they actually have in common."

The state determined that the petitions were subject to disclosure under Washington's Public Records Act ("PRA"). Before the records were released, however, the R-71 sponsors, and two of the 138,500 voters who signed the

petitions, brought suit in federal court, claiming that release of petition signers' identifying information would violate the First Amendment both facially and as applied.

Judge Benjamin Settle of the Western District of Washington granted a preliminary injunction. Applying strict scrutiny, he held that the plaintiffs were likely to succeed on their claim that, as to referendum petitions, the PRA regulates "anonymous political speech" in a manner that is not narrowly tailored to serve a compelling government interest. *See Doe v. Reed*, 661 F. Supp. 2d 1194 (W.D. Wash. 2009).

The Ninth Circuit reversed, and ordered the petitions be released as required by the PRA. 586 F. 3d 671 (9th Cir. 2009).

The appellate court held, first, that the referendum petition process is not "anonymous speech," given the public manner in which signatures are gathered and verified. The Ninth Circuit also held that even if disclosure of the signer's identity implicated "speech," the disclosure mandated by the PRA was no greater than necessary to further two "important" interests: preserving the integrity of elections by promoting government transparency and accountability, and providing Washington voters with information about who supports a ballot

referendum.

The Supreme Court affirmed. The Court rejected the plaintiff's facial challenge, which alleged that release of ballot referendum signature in any context violated the signer's First Amendment rights of association. But the Court held that disclosure might be unconstitutional in some circumstances.

Seven justices joined the lead opinion by Chief Justice Roberts, which holds that "disclosure of referendum petitions ... does not as a general matter violate the First Amendment." The Court found that the state's asserted interest in

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Although the decision allows for "as applied" constitutional challenges, that holding is limited to requests seeking the identity of referendum signers, and the burden on plaintiffs bringing such claims is high.

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“preserving the integrity of the electoral process by combating fraud, detecting invalid signatures, and fostering government transparency and accountability” sufficed to overcome the plaintiff’s argument that the PRA was facially unconstitutional. (The majority found it unnecessary to address the state’s other asserted interest in providing information to the electorate about who supports the petition.)

The majority opinion holds that disclosure of referendum signatures “is subject to review under the First Amendment” and may be unconstitutional if those resisting disclosure show “a reasonable probability that the compelled disclosure [of personal information] will subject them to threats, harassment, or reprisals from either Government officials or private parties.”

The as-applied challenge to disclosure of the R-71 signatures thus will continue, with the plaintiffs attempting to prove that such a “reasonable probability” of harassment exists.

The majority construed the issue before it narrowly. Most significantly, the ruling that an as-applied First Amendment challenge could proceed is rooted in concerns over protecting participation in the political process. Nothing in the decision suggests that such challenges would be allowed with respect to public records requests outside the electoral context.

Moreover, the Court did not address the *Doe* plaintiffs’ broader arguments regarding public disclosure of individual information. The plaintiffs had argued, for example, that strict constitutional scrutiny is required any time personal information is disclosed, and suggested that open government principles must be reconsidered because technology makes information too accessible.

The decision does not resolve the precise showing plaintiffs would need to make in order to block disclosure of signatures on First Amendment grounds, though a majority appears to believe that any such challenge would be difficult. Justice Roberts’ opinion suggests that nondisclosure should be the exception: “There is no reason to assume that any burdens imposed by disclosure of typical referendum petitions would be remotely like the burdens plaintiffs fear in this case.”

Justices Sotomayor, joined by Justices Ginsburg and Stevens, suggested that plaintiffs faced a “heavy burden,” and that evidence of any threats of harassment would have to be

direct and significant. On the other hand, Justice Alito (in a concurrence joined by no other justice) stated his belief that the R-71 plaintiffs have a “strong argument” that they would be subject to harassment if the petitions were disclosed.

Justice Scalia concurred separately, finding that the plaintiffs have no First Amendment claim whatsoever. In his view,

There are laws against threats and intimidation; and harsh criticism, short of unlawful action, is a price our people have traditionally been willing to pay for self governance. Requiring people to stand up in public for their political acts fosters civic courage, without which democracy is doomed. For my part, I do not look forward to a society which, thanks to the Supreme Court, campaigns anonymously (*McIntyre*) and even exercises the direct democracy of initiative and referendum hidden from public scrutiny and protected from the accountability of criticism. This does not resemble the Home of the Brave.

Justice Thomas cast the lone dissenting vote. He would have accepted the plaintiffs’ facial challenge.

As a result of the multiple *Doe* opinions, future public records requests for ballot measure petitions could result in litigation, and a case-by-case determination as to whether disclosure would subject signers to threats and harassment (except in California, where disclosure of ballot measure petitions is barred by statute). Outside this narrow context, however, *Doe* appears to pose no general threat to public records access.

Eric M. Stahl and Bruce E.H. Johnson are partners in the Seattle office of Davis Wright Tremaine, which submitted an amicus brief in Doe v. Reed on behalf of a coalition of news media organizations.

The petitioners in Doe v. Reed were represented by James Bopp of Terre Haute, Indiana. The respondent State of Washington was represented by its Attorney General, Rob McKenna. The other respondents were represented by Kevin Hamilton of Perkins Coie in Seattle.

Supreme Court Rejects Challenge to Enron Conviction Predicated Upon Pretrial Media Coverage

By Tom Curley

In a decision issued late last month, the Supreme Court rejected an appeal by former Enron executive Jeffrey Skilling to have his criminal convictions overturned because of intensive pretrial media coverage that Skilling contended poisoned the jury pool. *Skilling v. United States*, No. 08-1394, 2010 WL 2518587 (June 24, 2010).

In so holding, the Supreme Court reiterated that widespread media coverage can rarely (if ever) prejudice a criminal defendant's Sixth Amendment right to a fair trial. "Prominence does not necessarily produce prejudice, and jury *impartiality*, we have reiterated, does not require *ignorance*." *Id.* at *14. *See also id.* at *23 n.35 ("News coverage of civil and criminal trials of public interest conveys to society at large how our justice system operates. And it is a premise of that system that jurors will set aside their preconceptions when they enter the courtroom and decide cases based on the evidence presented.").

Skilling's appeal arose out of his prosecution following Enron's spectacular collapse in 2001. The Supreme Court granted certiorari on two discrete issues. The first concerned the constitutionality of Skilling's convictions under a federal anti-fraud statute. The Court agreed with Skilling that his convictions under this statute were improper and it remanded his case for a determination as to whether some or perhaps all of his convictions must be voided.

The second issue accepted for certiorari arose out the trial court's denial of Skilling's motions to transfer venue out of Houston. Given the shocking nature of Enron's collapse, there was intensive media coverage concerning the energy company, (not only in Houston where the company was based, but nationwide). Much of the local media coverage was factual in nature, but some of it was directed personally at Enron's top executives. In addition, and aside from the media coverage, Enron's collapse had a devastating financial impact on the lives of its employees and their families, an

impact which roiled the Houston area. Before the trial court, Skilling argued strenuously but unsuccessfully that the jury pool in Houston was so prejudiced against him that a transfer of venue was constitutionally mandated.

The precise question presented to the Supreme Court was as follows:

When a presumption of jury prejudice arises because of ... massive, inflammatory pretrial publicity, whether the government may rebut the presumption of prejudice, and, if so, whether the government must prove beyond a reasonable doubt that no juror was prejudiced.

While this question dealt specifically with a legal issue concerning the nature of the government's burden in demonstrating that a given jury is impartial, the resolution of the issue involved consideration of the impact of media coverage in high-profile cases, as well as the effectiveness of *voir dire* and other measures in eliminating prejudice.

How the justices addressed these issues could have significantly impacted media access in criminal proceedings. For example, if the Court were to take an expansive view of when juror prejudice should be presumed – and then conclude such a showing could not be rebutted – new pressures would be placed on judges to close pretrial proceedings, gag lawyers and restrict access to records in order to avoid a transfer of venue.

Media Amici File Brief

Accordingly, a coalition of publishers, broadcasters, and First Amendment organizations (listed below) filed an amicus brief in the *Skilling* case urging that "[a]ny standard for

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In the Supreme Court's first fair trial/free press ruling in almost two decades, the Justices reaffirmed that pre-trial publicity alone can rarely, if ever, make it impossible to seat an impartial jury, especially when the trial is held in a large metropolitan area like Houston.

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identifying when a presumption of prejudice to the jury pool exists must limit the presumption to the rare case where extraordinary factors beyond just the volume and tenor of pretrial press coverage raise specific and concrete concerns about the ability of jurors to reach a verdict based upon the evidence presented in court.”

The *amici* also argued that, even if the high threshold for the finding of a presumption of prejudice is met – such a presumption should be *rebuttable* given the effective remedial tools that are available to a trial court to address concerns that typically arise in a high profile criminal prosecution. Most notably, *voir dire* is an effective device for screening out potentially biased jurors and those who may have prejudged a defendant’s guilt or innocence. And other steps, such as calling a larger initial venire, allowing additional preemptory challenges, and strict instructions by the trial court can protect the defendant’s fair trial right in most all circumstances.

Concerns Overstated

While the *amici* took no position on whether Skilling’s conviction should be overturned, they noted that criminal defendants regularly object to all manner of publicity about their prosecutions, and defendants often (erroneously) point to extensive media coverage as sufficient grounds for restricting public access to criminal proceedings.

In the overwhelming number of cases, however, these concerns are overstated and are properly rejected by trial courts under the existing standards governing the constitutional access right. Indeed, as the *amici* demonstrated, an extensive record of fair and open trials conducted in the most intensely followed cases – resulting in both acquittals and convictions – confirms the ability of trial courts to ensure fair trials before unbiased juries, especially in a metropolitan area where the jury pool is large.

Amici’s Position Adopted

Justice Ginsburg authored the opinion of the Court, joined by Chief Justice Roberts, and Justices Scalia, Kennedy and Thomas. The Court’s opinion embraced the principles urged by *amici*; indeed the Court observed that the impact of media coverage on jurors – even in closely followed cases – tends to

be exaggerated.

Citing the amicus brief in a footnote, the majority noted that “[R]emarkably in the eyes of many,” “[c]ases such as those involving the Watergate defendants, the Abscam defendants, and ... John DeLorean, all characterized by massive pretrial media reportage and commentary, nevertheless proceeded to trial with juries which ... were satisfactorily disclosed to have been unaffected (indeed, in some instances blissfully unaware of or untouched) by that publicity.” *Id.* at *19 n.28 (citation omitted).

Denial of Transfer Challenged

At the heart of the case was the question whether it was possible for Skilling to receive a fair trial in the place of Enron’s home, Houston. The trial court rejected Skilling’s repeated motions to transfer venue, concluding that – with a potential jury pool of several million people – it could seat an unbiased jury. The court began the winnowing process with a 77-question, 14-page questionnaire sent to prospective jurors. The candidates who survived the questionnaire were then brought in for a *voir dire* lasting about five hours in which the trial court further questioned them.

Skilling’s trial went forward in 2006 and he was ultimately convicted after the jury deliberated for about five days following a four-month trial. Skilling was found guilty on 19 counts, but the jury acquitted him on nine other counts.

On appeal, the U.S. Court of Appeals for the Fifth Circuit affirmed Skilling’s convictions but expressed concern about the potential for prejudice in the jury pool. Indeed, the Fifth Circuit disagreed with the trial judge and held that Skilling should have been entitled to a presumption of prejudice under the circumstances. The trial court had concluded no such presumption arose. But the Fifth Circuit – emphasizing not just the media coverage but also the financial impact of Enron’s collapse on Houston and a guilty plea by a different Enron executive on the eve of Skilling’s trial – held a presumption of prejudice did indeed arise. Nevertheless, the Fifth Circuit held that the jury questionnaire and *voir dire* process employed by the trial court were sufficient to rebut that presumption.

In the Supreme Court, Skilling took direct aim at the Fifth Circuit’s holding that once a presumption of prejudice arises, it could be rebutted through *voir dire*. Skilling argued that

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the presumption could *not* be rebutted and a transfer of venue was constitutionally compelled. Alternatively, Skilling attacked the trial court's *voir dire* and questionnaire as thoroughly inadequate to root out juror bias.

Presumption Rarely Arises

Supreme Court precedent suggests that *voir dire* (and other remedial measures) always have a role to play in rebutting a presumption of prejudice in the jury pool. But, as Skilling emphasized, there have been a very few egregious cases in which the Court has indicated that even the most thorough *voir dire* would not have been enough to ensure that a criminal defendant received a fair trial in a particular venue.

The paradigmatic case in which the importance of *voir dire* recedes (or perhaps even becomes irrelevant, as Skilling contended) is one involving sensational media coverage of a heinous crime in a small community and/or one in which the trial proceedings themselves have been corrupted. See generally *Rideau v. Louisiana*, 373 U.S. 723 (1963); *Sheppard v. Maxwell*, 384 U.S. 333 (1966). The Justices distinguished those anomalous cases from Skilling's, noting that (1) Houston is a far larger community with a diverse population; (2) the news coverage in Houston contained no confession by Skilling or other similarly prejudicial information; (3) four years had passed between Enron's collapse and Skilling's trial; and (4) the jury did not convict Skilling on all counts with which he was charged. See *Skilling*, 2010 WL 2518587, at *15-16.

Whatever the continuing viability of an argument that *voir dire* cannot serve to rebut a presumption of juror prejudice in certain extreme circumstances, the Supreme Court concluded that Skilling's case did not give rise to such a presumption. *Id.* at *17.

"At the time of Skilling's trial, more than 4.5 million individuals eligible for jury duty resided in the Houston area. Given this large, diverse pool of potential jurors, the suggestion that 12 impartial individuals could not be empanelled is hard to sustain," the Court wrote. *Id.* at *15 (citations omitted).

Ultimately, the majority did not reach the question of whether a presumption of prejudice, once it has arisen, may be rebutted. Instead, the Supreme Court concluded that the Fifth Circuit had erred in concluding that such a presumption

was warranted in Skilling's case. Turning next to the question of "whether actual prejudice infected Skilling's jury," *id.* at *17, the Court proceeded to closely examine the jury questionnaires and the *voir dire* process to hold that, regardless of whether such a presumption arose, the jurors seated were not actually biased against Skilling.

The three dissenters on the pretrial publicity issue, in an opinion authored by Justice Sotomayor, were in accord with the majority that Skilling was not entitled to a presumption of prejudice. But in a lengthy opinion of their own – also closely parsing the questionnaires and the *voir dire* – the dissenters came to the conclusion that, "[w]hile the procedures employed by the District Court might have been adequate in the typical high-profile case, they did not suffice in the extraordinary circumstances of this case to safeguard Skilling's constitutional right to a fair trial before an impartial jury." *Id.* at *49. Accordingly, the dissenters would have reversed Skilling's convictions on this basis.

Conclusion

The Court's thorough and detailed analysis, and ultimate approval of, the means by which the trial court empanelled the jury in Skilling's case vindicates the principle that judges have at their disposal a panoply of measures – short of change of venue – to weed out tainted or prejudiced jurors, even in high-profile, so-called "Trials of the Century," that generate a tremendous volume of press coverage. In the Supreme Court's first fair trial/free press ruling in almost two decades, the Justices reaffirmed that pre-trial publicity alone can rarely, if ever, make it impossible to seat an impartial jury, especially when the trial is held in a large metropolitan area like Houston.

The amici were represented by David A. Schulz, Steven D. Zansberg, Thomas Curley and A. Zack Rosenblum of Levine Sullivan Koch & Schulz, L.L.P.

The amici were ABC, Inc., Advance Publications, Inc. The Associated Press, Bloomberg L.P., Cable News Network, LP, LLLP, The California Newspaper Publishers Association, Dow Jones & Company, Inc., The First Amendment Coalition, Gannett Co., Inc., The Hearst Corporation, The McClatchy Company, Media Law Resource Center, Inc., MediaNews Group, Inc., The New York Times Company, The Reporters Committee for Freedom of the Press, The Tribune Company and The Washington Post.

U.S. Supreme Court Allows Search of Employee's Text Messages

By Richard M. Goehler

In a unanimous 9-0 decision issued on June 17, 2010, the U.S. Supreme Court held that an audit by the City of Ontario of transcripts of an employee's text messages sent on a City-owned pager was a reasonable search under the Fourth Amendment. *City of Ontario v. Quon* (No. 08-1332).

The Court's ruling, however, was expressly on narrow grounds and closely tied to the facts in the case, with Justice Kennedy explaining for the Court,

"Prudence counsels caution before the facts in the instant case are used to establish far-reaching premises that define the existence, and extent, of privacy expectations enjoyed by employees when using employer-provided communications devices . . . The judiciary risks error by elaborating too fully on the Fourth Amendment implications of emerging technology before its role in society has become clear . . . At present, it is uncertain how workplace norms, and the law's treatment of them, will evolve."

Facts

The Ontario, California Police Department issued pagers to its SWAT Team members, allowing them to exchange text messages to coordinate responses to emergencies. SWAT Team Sergeant Jeff Quon used his department-issued text messaging pager to exchange hundreds of personal messages – many sexually explicit – with and among his wife, his girlfriend, and a fellow SWAT Team sergeant. Quon did so even though the City had a written policy that permitted employees only limited personal use of City-owned computers and associated equipment, including email systems, and warned them not to expect privacy in such use. Under the City's contract with its wireless provider, each pager had a monthly character limit. Any use above that monthly limit resulted in extra charges to the City. The supervising officer in charge of administration of the pagers had an informal verbal arrangement with his fellow officers whereby he would not audit pagers that had exceeded the monthly character limit if the individual officers agreed to

pay for any overages. Certain officers, including Quon, regularly exceeded the monthly character limit. Subsequently, the City's Chief of Police ordered a review of the pager transcripts for the two officers with the highest overages – one of whom was Sgt. Quon – to determine whether the City's monthly character limit was insufficient to cover business-related messages. The Department then obtained the pager transcripts from the City's wireless provider and found that many of Quon's text messages were inappropriate and sexually explicit in nature. Quon subsequently sued the City, alleging Fourth Amendment violations and claims for invasion of privacy.

Lower Court Proceedings

The federal district court ruled that Quon and the other plaintiffs had a reasonable expectation of privacy in their text messages, but held a trial on the issue of the employer's intent in conducting the search. After the jury found that the employer's intent was to determine whether the character limit was appropriate, the district court entered judgment in favor of the employer. Quon and the others then appealed to the Court of Appeals for the Ninth Circuit.

The United States Court of Appeals for the Ninth Circuit found in favor of Quon, agreeing with the district court and ruling that Quon had a reasonable expectation of privacy with respect to his text messages. This was the first decision from a federal court of appeals finding in favor of privacy rights of employees using electronic devices provided by their employers. Until the Ninth Circuit's ruling in *Quon*, most courts had ruled that employers who provided electronic devices for their employees were entitled to control how those devices were used. Most employers, including the City of Ontario, had formal policies that said employees do not have a privacy right when they are sending emails or other electronic messages. The Ninth Circuit found, however, that the police department's formal policy had been overridden by the "operational reality" of the supervisor's informal verbal policy which led officers, like Quon, to believe that they could use their pagers for personal use.

Following the Ninth Circuit's ruling, the City of Ontario appealed to the U.S. Supreme Court.

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Supreme Court's Decision

The Supreme Court held in its unanimous decision that the City of Ontario's review of Quon's text messages was a reasonable search under the Fourth Amendment. In reversing the Ninth Circuit Court of Appeals, the Court found that the City's review of Quon's text message transcripts was reasonable because the audit conducted by the City had a clear non-investigatory, work-related purpose from its inception, that is, to evaluate whether the monthly character limit was sufficient for the City's needs and to ensure that employees were not paying out of pocket for work-related expenses.

In tailoring its narrow decision, for the reasons described in Justice Kennedy's comment above, the Court assumed for purposes of its ruling that Quon had a reasonable expectation of privacy in the text messages and that the City's audit of the messages constituted a "search" within the meaning of the Fourth Amendment. Nevertheless, even with these assumptions, the Court concluded that the review of the text message transcripts was reasonable.

"This Court has repeatedly refused to declare that only the least intrusive search practicable can be reasonable under the Fourth Amendment," the Court stated. "That rationale could raise insuperable barriers to the exercise of virtually all search-and-seizure powers, because judges engaged in post hoc evaluations of government conduct can almost always imagine some alternative means by which the objectives of the government might have been accomplished." The Court noted that Quon's superiors had limited the scope of their audit – for example, by redacting messages sent and received while Quon was off duty.

Two Concurring Opinions

In one of the two concurring opinions, Justice Stevens, consistent with his questions to counsel during oral arguments on April 19, noted that Quon's position as a law enforcement officer limited his expectation of privacy. During the oral arguments, Justice Stevens pressed Quon's counsel and questioned whether SWAT team members like Quon might be treated differently from other government employees because their records are often subject to disclosure in lawsuits under California's open records law. In his concurring opinion, Justice Stevens noted, "It is clear that respondent Jeff Quon, as a law enforcement officer who served on a SWAT team, should have understood that all of

his work-related actions – including all of his communications on his official pager – were likely to be subject to public and legal scrutiny. He therefore had only a limited expectation of privacy in relation to this particular audit of his pager messages."

In a second concurring opinion, Justice Scalia opined that the proper threshold inquiry should not be whether the Fourth Amendment applies to messages on *public* employees' employer-issued pagers, but whether it applies *in general* to such messages on employer-issued pagers. Justice Scalia indicated his preference would have been for the Court to hold that government searches involving work-related materials or investigative violations of workplace rules – those that are reasonable and normal in the private sector – do not violate the Fourth Amendment.

Implications of the Decision and Recommendations for Employers

The Court's decision in *Quon* highlights the importance of clearly-drafted technology policies and legitimate, reasonable searches of employees' messages.

Even though the Court's opinion was issued on narrow grounds and tied specifically to the facts in the case, the *Quon* decision does provide important practice tips for employers, both public and private, who supply their employees with a means of e-communication.

First, it is critical that employers implement and distribute a clearly written technology policy that removes any privacy expectation employees may have when using employer-supplied equipment. Managers and supervisors should also be trained in the policy so as not to give employees the impression that their communications are, despite the policy's language, private. In addition, employers should consider the purpose and scope of their workplace searches. The Court approved the rationale behind the *Quon* search because the City had a legitimate interest in ensuring that their employees were not paying for work-related messages and that the City was not paying for extensive personal messaging. The Court noted that the scope of the search was appropriate. Significantly, the City only obtained a relatively small sample of Quon's messages and reviewed only messages sent during work hours. While private employers ultimately may not be held to the same legitimacy standards as the City in this case, such limited searches are more likely to be viewed favorably by courts in the future.

Richard M. Goehler is a partner at Frost Brown Todd LLC in Cincinnati, OH.

Federal Court Orders Documentarian to Turn Over All 600 Hours of Raw Footage from His Film “Crude: The Real Price of Oil”

By Maura J. Wogan and Jeremy S. Goldman

The conflict between a journalist’s right to safeguard his or her source materials from compelled disclosure and a litigant’s right to obtain discovery in aid of a foreign proceeding is at the core of *In re Chevron Corp.*, 10-1918 (2d Cir.), a case currently pending before the Second Circuit Court of Appeals.

Background

Joe Berlinger, an award-winning journalist and documentary filmmaker, has appealed from a lower court order requiring him to produce to Chevron Corporation more than 600 hours of unreleased raw footage produced in connection with a documentary film entitled *Crude: The Real Price of Oil*.

Crude depicts the events surrounding the “Lago Agrio Litigation” – a class action lawsuit brought in Ecuador against Chevron by approximately 30,000 inhabitants of the Amazon rainforest for alleged environmental damage caused by Chevron’s oil drilling operations in the 1960’s and 70’s and the company’s inadequate remediation following its exit from the country. For more than three years, Berlinger and his crew travelled through the rainforests of Ecuador to investigate, film and document the people, places and events involved in the Lago Agrio Litigation, including the legal representatives from both sides of the controversy.

Crude debuted in January 2009 at the Sundance Film Festival and was later shown at over 80 national and international film festivals and in theaters. The 104-minute documentary film received numerous awards and was well-regarded by reviewers, many of whom focused on the film’s even-handed and balanced treatment of the subject matter.

On April 9, 2010, Chevron and two Chevron employees filed applications in the Southern District of New York under 28 U.S.C. § 1782, seeking discovery in aid of a foreign proceeding. Among other restrictions, a person subject to a Section 1782 application “may not be compelled to give his testimony or statement or to produce a document or other thing in violation of any legally applicable privilege.”

The Chevron Parties’ applications sought permission to issue to Berlinger and his affiliated companies subpoenas requiring them to turn over more than 600 hours of raw footage that were collected during the filming of *Crude*, as well as to provide testimony authenticating the footage. According to the Chevron Parties, they were seeking the raw footage as evidence in three foreign proceedings: the Lago Agrio Litigation, an international arbitration related to the Lago Agrio Litigation, and a criminal action in Ecuador against the two Chevron employees.

Berlinger opposed the applications on the ground that the undisclosed footage is protected by the journalist’s privilege and that the applications did not satisfy the statutory requirements or discretionary factors under Section 1782. Counsel for the plaintiffs in the Lago Agrio Litigation also opposed the applications on similar grounds.

Berlinger argued that the raw footage he and his crew produced in connection with *Crude* – a film covering a newsworthy topic of considerable global importance – qualifies and indeed exemplifies the need for the protections of the journalist’s privilege. Berlinger explained that requiring him to turn over his privileged materials would threaten his incentive and ability to engage in the documentary film process by deterring potential subjects from speaking freely to him, burdening him with subpoena compliance and conscripting him as an investigative arm of private litigants like Chevron.

Berlinger argued that the Chevron Parties did not meet their burden to overcome the journalist’s privilege under the test enunciated by the Second Circuit in *Gonzales v. NBC*, 194 F.3d 29 (2d Cir. 1999), which held that both confidential and non-confidential materials are protected by the journalist’s privilege. *Id.* at 35. Under *Gonzales*, where the material sought is confidential, the movant must make “a clear and specific showing” that “the information is highly material and relevant, necessary or critical to the maintenance of the claim, and not obtainable from other available

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sources.” *Id.* at 33. Where the information is non-confidential, the movant must show that “the materials at issue are of likely relevance to a significant issue in the case, and are not reasonably obtainable from other available sources.” *Id.* at 36.

Berlinger contended that the more stringent standard for confidential materials should apply to his undisclosed footage because he had entered into agreements with several of his sources that he would not use certain footage in which they appeared. He also asserted that, either explicitly or implicitly, he had agreed with all of his subjects that he would not reveal any of the undisclosed outtakes to third parties other than as part of a documentary film he created. Finally, Berlinger argued that, even if the lower standard applicable to non-confidential materials applied, the Chevron Parties had not overcome their burden of showing the relevance of *all* 600 hours of outtakes to a significant issue in the foreign proceedings and that the materials were not obtainable elsewhere.

To support their claim that the outtakes were of likely relevance, the Chevron Parties highlighted three types of scenes in the released film: scenes showing interactions between counsel for the Lago Agrio Plaintiffs with an Ecuadorian judge, the newly-elected president Raphael Correa, and a Spanish scientist who was later commissioned to conduct a neutral focus group study of cancer rates in the region. They alleged that these scenes – amounting to under 10 minutes of footage – documented improper conduct by the Lago Agrio Plaintiffs, and they were therefore entitled to obtain all 600 hours of unused footage. Berlinger contested the significance of those scenes to the foreign proceedings and argued that, even if those isolated segments were relevant, the Chevron Parties’ claim that all of the remaining footage was likely relevant (including the footage completely unrelated to those three scenes) was pure speculation and a classic fishing expedition.

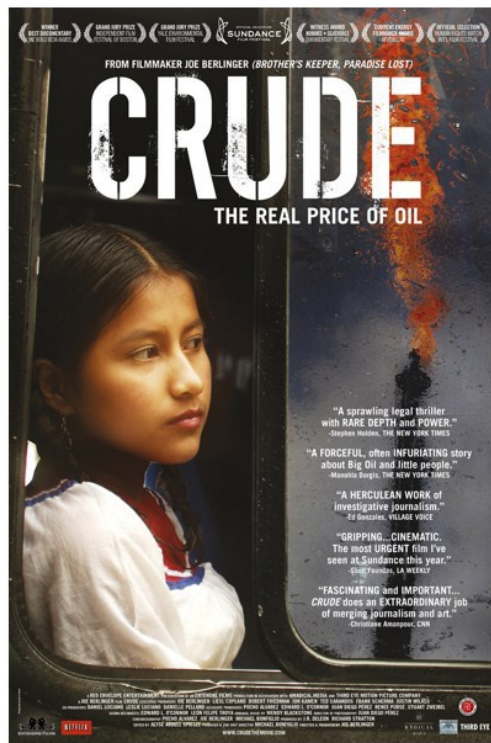
Furthermore, Berlinger argued that much of the raw footage was easily obtainable from other sources, such as shots of the environmental harm to the people and land of the Ecuadorian Amazon and public events attended and often independently filmed by Chevron. Finally, Berlinger argued that the two Chevron employee applicants who are facing criminal charges in Ecuador had not shown that anything in the film is relevant to their cases, much less that anything in the outtakes was likely to be relevant.

The District Court Order

By order entered May 6, [2010](#), Judge Lewis A. Kaplan granted the Chevron Parties’ applications in their entirety, permitting them to subpoena all 600 hours of raw footage without, as Berlinger had requested, limiting the use of the footage to submissions to the foreign proceedings or prohibiting disclosure of the footage to third parties or the public at large.

After holding that the statutory requirements under Section 1782 had been satisfied, the District Court examined the four discretionary factors enunciated by the Supreme Court in *Intel Corp. v. Advanced Micro Devices, Inc.*, 542 U.S. 241 (2004), and held they too weighed in favor of granting the applications. With respect to the fourth factor, which looks at whether the subpoena contains unduly intrusive or burdensome requests, the District Court refused to “credit any assertion that the discovery of the outtakes by petitioners would compromise the ability of Berlinger or, for that matter, any other film maker, to obtain material from individuals interested in confidential treatment.”

Turning to the journalist’s privilege, the District Court first held that under the test established in *von Bulow v. von Bulow*, 811 F.2d 136, 142 (2d Cir. 1987), *Crude* qualifies for the privilege because, to create the film, “Berlinger investigated ‘the events and people surrounding’ the Lago



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Agrio Litigation, a newsworthy event, and disseminated his film to the public.”

The District Court next held that none of the raw footage is entitled to confidential treatment. The court found that Berlinger’s assertions concerning his confidentiality agreements were “conclusory,” even though Berlinger had submitted sworn testimony detailing the nature of those agreements. Also central to the finding of non-confidentiality was the court’s determination that an unsigned form release submitted by Chevron suggested that Berlinger retained complete editorial control over the footage.

Having determined that the footage is not entitled to confidential treatment, the District Court analyzed whether the materials were “of likely relevance to a significant issue” in the foreign proceedings and “not reasonably obtainable from other available sources.” *Gonzales*, 194 F.3d at 36. The District Court described the three types of scenes that Chevron had highlighted in its application and held that, because those scenes contained relevant material, Chevron had overcome its burden of proving the likely relevance of all 600 hours of raw footage.

The court also noted that Berlinger had supposedly been “solicited” to create the film by counsel for the Lago Agrio, who appear on the screen throughout the film, and that Berlinger had edited one scene in the film at their suggestion. The court also found that the Chevron employees had shown the likely relevance of all of the outtakes to the criminal proceedings against them, but without citing to even a single scene in *Crude* and ignoring Berlinger’s testimony that the outtakes contain no material concerning the criminal prosecutions.

Finally, the District Court held that “the footage petitioners seek would not reasonably be obtainable elsewhere” because Berlinger “is in sole possession of the *Crude* outtakes” and the footage would contain “unimpeachably objective” evidence of the events that were filmed.

The Second Circuit Appeal

On May 13, 2010, pursuant to the District Court’s order, the Chevron Parties served the subpoenas requiring Berlinger to turn over all of the raw footage on May 19, 2010. The next day, Berlinger appealed the order and sought a stay pending appeal, which the District Court denied. Berlinger

immediately filed a motion for a stay in the Second Circuit, which the Court granted on June 8, 2010.

In his appeal, Berlinger argues that requiring him to produce all 600 hours of footage from *Crude* violates the journalist’s privilege protecting his right to engage freely in the newsgathering process without the fear that his materials may be seized at any time by private litigants. In holding that the journalist’s privilege had been overcome, the District Court erred in at least four ways:

1. The court failed to “credit” the substantial burden that the disclosure of even non-confidential materials would impose on Berlinger and other journalists, as the Second Circuit recognized in *Gonzales*.
2. The District Court’s conclusion that all 600 hours of raw footage were of likely relevance to the foreign proceedings, based solely on the purported relevance of three scenes in the film, constituted an unwarranted leap in logic. Granting the Chevron Parties access to hundreds of hours of unreleased footage that does not relate to those isolated scenes authorized them to engage in a fishing expedition far exceeding the scope of any previous court order requiring the production of outtakes.
3. The District Court erred in holding that, to meet the “availability” test, the Chevron Parties need only show that the *footage* itself, rather than requiring them to establish that the *information* contained in the footage was not reasonably obtainable from another source.
4. The District Court erroneously held that all of the footage was non-confidential because the court ignored uncontroverted evidence that Berlinger had entered into confidentiality agreements with many of his subjects.

[Editor’s note: In July, the Second Circuit largely affirmed. The court’s written decision is still pending.]

Maura J. Wogan and Jeremy S. Goldman, at Frankfurt Kurnit Klein & Selz, PC in New York, represent Joe Berlinger, Crude Productions, LLC, Michael Bonfiglio, Third-Eye Motion Picture Company, Inc. and @radical.media. The Chevron Corporation is represented by Randy M. Mastro, Scott A. Edelman and Andrea E. Neuman of Gibson Dunn & Crutcher LLP, NY.

New Yorker Reporter Cannot Be Compelled to Testify About Interviews With Plaintiff in Anti-Terrorism Lawsuit

By John B. O’Keefe and Betsy Koch

Reaffirming both the qualified testimonial privilege afforded to journalists by the First Amendment and the importance of protecting third parties from unreasonable burdens in civil discovery, a federal court in Washington, D.C., has held that a former reporter for *The New Yorker* magazine cannot be deposed about his interviews with an Israeli settler who is suing the Palestinian Authority under the U.S. Anti-Terrorism Act.

On March 15, 2010, the United States District Court for the District of Columbia granted the motion of reporter Jeffrey Goldberg to quash the subpoena served on him by the Palestinian Authority. [*In re Subpoena to Jeffrey Goldberg*](#), No. 10-115, 2010 WL 893661 (D.D.C. 2010) (Facciola, M.J.). In so ruling, the court concluded that the Palestinian Authority had failed to show either (i) that the testimony it sought from the reporter was of central importance to its defense or (ii) that it had exhausted alternative sources for the same information, as required to overcome the reporter’s qualified privilege.

The court further found that the reporter’s testimony would be “unreasonably cumulative or duplicative” of the plaintiff’s own testimony and that there were in any event other sources of similar testimony that undoubtedly would be “more convenient, less burdensome or less expensive” than deposing the reporter. Thus, the court held, “[w]hether one relies on cases pertaining to discovery from reporters or on a simple and straightforward analysis of the factors identified in Rule 26 [of the Federal Rules of Civil Procedure], the case against forcing Goldberg to give his deposition is appreciably stronger than the case for permitting it.”

The subpoena to Goldberg was served in connection with civil litigation brought by Moshe Saperstein, a Jewish settler who was maimed in a 2002 terrorist attack in the Gaza Strip. Saperstein’s suit contends that the Palestinian Authority is culpable under U.S. law for his injuries because, he alleges, it provided funding and material support to those who carried out the attack against him. Shortly before the close of

discovery in that case, the Palestinian Authority subpoenaed Goldberg, who has spent decades covering the Arab-Israeli conflict, to testify about two interactions he had with Saperstein – one a brief conversation in 1990 that was referenced in Goldberg’s 2006 book, *Prisoners: A Muslim & A Jew Across the Middle East Divide*, and the other a 2003 interview that was recounted in an article in *The New Yorker*.

The 1990 exchange between Goldberg and Saperstein, then colleagues at the *Jerusalem Post*, related to the assassination of Rabbi Meir Kahane – the Zionist firebrand who vehemently opposed the Mideast peace process and embraced the violent ouster of Arabs from Israel – and Saperstein’s support for Kahane’s ideology. *The New Yorker* article, which was an in-depth portrait of the settlement movement in Israel, quoted Saperstein at length discussing his unabashedly “extremist” views about the Palestinian-Israeli conflict, settlements in the disputed territories, and his decision to live in Gaza. The article included a number of caustic remarks about Palestinians made by Saperstein and his wife. Based on those published accounts, the Palestinian Authority asserted that Goldberg’s testimony was material to the defense insofar as it would reveal the “biases” of Sapersteins – namely that they “have a bias against ‘Arabs’ generally, and against Defendants in particular” – and proof of such antipathy would be probative of the credibility of the Sapersteins’ testimony at trial and of Saperstein’s motive for bringing suit.

The court flatly rejected the Palestinian Authority’s argument that the reporter’s privilege did not apply to the testimony sought from Goldberg, and expressly affirmed that federal courts in the District of Columbia recognize a qualified privilege in civil actions for reporters to refuse to give evidence that would reveal even their *non-confidential* journalistic work product. The court then considered the three factors relevant to determining whether the qualified privilege could be overcome in a particular case: (1) “whether the information sought is central to the litigant’s

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case”; (2) “whether the litigant has exhausted alternative sources of information”; and (3) whether “the reporter is a party” to the litigation. Each of the factors justified quashing the Goldberg subpoena, the court said.

With regard to centrality, the court found that, even though bias evidence “is almost always relevant” to the extent it bears on witness credibility, it did not follow that the plaintiff’s bias against the defendant would be a significant disputed issue in the case. In fact, the court observed, Saperstein had not hidden his animosity towards Arabs; rather, he had “all but shouted his views, including his dislike of the PA, from the roof tops,” and had testified in detail about those views at his own deposition. The central disputes in the underlying case, the court concluded, were likely to involve matters on which persons other than the plaintiff would testify – namely, causation and fault. “[T]he true question presented is how Saperstein will establish that the PA was responsible for the attack, which in turn is likely dependent on expert testimony from a historian, political scientist, or economist who will opine on the PA’s complicity in the attack.” For that reason, the court said, “Saperstein’s bias will not be an important issue ‘at stake in the litigation’ and discovery from Goldberg about that bias will have little importance.” In any event, even if Saperstein’s credibility might be an important issue in the litigation, his own admissions of bias against Palestinians rendered Goldberg’s testimony superfluous and thus objectionable even under the more liberal rules that apply to discovery of nonprivileged information. “Given [Saperstein’s uncontested] statements, and under the balancing calculus required by Rule 26, probing Goldberg’s recollections of other similar conversations with Saperstein . . . surely is to pile Pelion upon Ossa,” the court said.

With regard to exhaustion of alternative sources of information, the court found that the Palestinian Authority had not demonstrated an inability to obtain the same information by means other than subpoenaing a reporter. “Given Saperstein’s outspoken nature, it is likely that other [persons] in addition to Goldberg were also aware of his views; Saperstein can hardly be accused of keeping them a secret,” the court said. Moreover, and all apart from the heightened requirements imposed by the qualified reporter’s privilege, the ordinary rules of discovery justified quashing the subpoena where, as in this case, there were clearly more

convenient and less burdensome methods of obtaining evidence of the plaintiff’s bias. “[E]xploring them first is preferable to implicating a reporter’s First Amendment rights,” the court concluded.

Finally, the court said Goldberg’s status as non-party to the litigation meant that “a more demanding weighing of these factors is imperative This is so whether the third party is a reporter, or a butcher, baker or candlestick maker.”

For these reasons, the court held that “Goldberg *does* have a qualified reporter’s privilege which defendants have failed to overcome, and that the burden of taking Goldberg’s testimony outweighs what little use and significance it might have” in the underlying litigation. Accordingly, it quashed the subpoena. The Palestinian Authority did not file objections or otherwise appeal the ruling.

Reporter Jeffrey Goldberg was represented by Lynn Oberlander, general counsel for The New Yorker, and Lee Levine, Elizabeth C. Koch, and John B. O’Keefe of Levine Sullivan Koch & Schulz, L.L.P. The Palestinian Authority was represented by Richard Hibey and Brian Hill of Miller & Chevalier.

UPCOMING EVENTS

[MLRC Forum](#)

November 10th, 2010
Grand Hyatt, New York, NY

[MLRC Annual Dinner](#)

November 10, 2010
Grand Hyatt, New York, NY

[DCS Annual Lunch & Meeting](#)

November 11, 2010
Proskauer Rose Conference Center,
New York, NY

Second Circuit Rules FCC's "Fleeting Expletives" Indecency Enforcement Policy Unconstitutional

Broadcast Indecency Issue Likely Headed Back to Supreme Court

By Elizabeth Spainhour & Julia Ambrose

On July 13, 2010, the U.S. Court of Appeals for the Second Circuit declared the Federal Communications Commission's "fleeting expletives" indecency enforcement policy "unconstitutionally vague" and therefore a violation of the First Amendment. The decision in [*Fox Television Stations, Inc. v. FCC*](#) is a victory for broadcasters in the ongoing legal battles related to the Commission's indecency policy.

Background

The FCC indecency determinations before the Second Circuit in *Fox* involved a single use of the F-word by Cher in her acceptance speech during the 2002 Billboard Music Awards show and the use of the F-word and S-word by Nicole Richie when she appeared as a presenter during the 2003 Billboard Music Awards show. Both shows were broadcast live by the Fox Network and its affiliates.

The FCC determined that both broadcasts were actionably indecent, notwithstanding the fact that the challenged expletives were brief, isolated, and unscripted. The Commission applied its indecency standard, which proscribes language that the Commission finds, "in context," to be "patently offensive as measured by contemporary community standards for the broadcast medium." "Patent offensiveness," in turn, is determined by application of a three-factor test: (1) whether the material is graphic or explicit, (2) whether the material is dwelled upon or repeated at length; and (3) whether the material panders to, titillates, or shocks the audience.

The Commission's 2006 findings in the Billboard Music Awards order reflected a change in its indecency enforcement policy after decades of "restrained" indecency enforcement, during which the Commission refused to find "fleeting" expletives indecent under its "contextual" indecency standard. Broadcasters challenged the Commission's 2006 indecency determinations on procedural, statutory, and constitutional grounds.

On its initial review of the case, the Second Circuit held in 2007 that the FCC had failed to offer a "reasoned basis," as required by the Administrative Procedure Act ("APA"), for changing its prior "restrained" indecency enforcement policy and for the first time in 2004 imposing liability for a single, fleeting expletive. The Second Circuit, accordingly, struck down the Commission's new indecency policy on procedural grounds without conclusively deciding the First Amendment issues raised by broadcasters. The appellate court did, however, express doubt that the indecency policy would withstand constitutional scrutiny under the First Amendment.

In 2009, the U.S. Supreme Court reversed the Second Circuit's 2007 decision on APA grounds. In a 5-4 decision authored by Justice Scalia, the Supreme Court held that the Commission had adequately acknowledged and explained the reasons for its newly-expanded indecency enforcement policy regarding fleeting expletives. As the Supreme Court found no procedural violation by the FCC, the Court remanded *Fox* to the Second Circuit for consideration of the constitutional issues previously raised by broadcasters but not decided by the Court of Appeals.

Second Circuit Opinion

In its decision striking down the FCC's indecency enforcement policy, the Second Circuit primarily relied on the vagueness doctrine, according to which a government regulation cannot withstand constitutional scrutiny if the regulation's prohibitions are not sufficiently clearly defined. A law or regulation will be found impermissibly vague if it fails to "give the person of ordinary intelligence a reasonable opportunity to know what is prohibited." The constitutionally-required specificity both gives the regulated public fair notice of what is legally prohibited so that they may act accordingly and guards against subjective and discriminatory enforcement by regulators. According to the Second Circuit, the Commission's fleeting expletives indecency enforcement policy failed on both counts.

The FCC argued before the Court of Appeals that the

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agency's indecency policy, set forth in its 2001 Industry Guidance and subsequent FCC decisions interpreting and applying that policy (including the Billboard Music Awards show orders), gave broadcasters sufficient notice of what speech will be considered indecent, so that the policy could survive the broadcasters' vagueness challenge. Broadcasters disagreed, arguing that "the policy is impermissibly vague and that the FCC's decisions interpreting the policy only add to the confusion of what will be considered indecent."

The Second Circuit agreed with broadcasters that the FCC had not given adequate notice of what speech is prohibited under the fleeting expletives indecency policy, and in particular which words or expressions would be deemed "patently offensive" and thus indecent. Reviewing the FCC's 2006 order applying its new indecency policy, the Court of Appeals found that although the FCC cited one or more of the factors from its three-factor "patently offensive" test, the Commission failed to discuss *how* it had applied those factors to reach its conclusions.

The Second Circuit observed that, according to the Commission, "the word 'bullshit' is indecent because it is 'vulgar, graphic and explicit' while the words [*sic*] 'dickhead' was not indecent because it was 'not sufficiently vulgar, explicit, or graphic.' This hardly gives broadcasters notice of how the Commission will apply the factors in the future."

More broadly, the FCC argued in favor of its current "flexible" approach to fleeting expletives rather than its former categorical approach whereby, for a time, only the infamous "seven filthy words" uttered by George Carlin (and reviewed by the Supreme Court in *FCC v. Pacifica Foundation* in 1978) were considered actionably indecent. According to the Commission, its new flexible approach would prevent broadcasters from finding creative ways to "circumvent the prohibition on indecent speech." In other words, the FCC would decide what is and what is not

actionably indecent on an *ad hoc* basis, rather than working from a pre-determined list of prohibited words. The Second Circuit rejected that argument:

The observation that people will always find a way to subvert censorship laws may expose a certain futility in the FCC's crusade against indecent speech, but it does not provide a justification for implementing a vague, indiscernible standard. If the FCC cannot anticipate what will be considered indecent under its policy, then it can hardly expect broadcasters to do so. And while the FCC characterizes all broadcasters as consciously trying to push the envelope on what is permitted, . . . [broadcasters] have expressed a good faith desire to comply with the FCC's

indecency regime. They simply want to know with some degree of certainty what the policy is so that they can comply with it. The First Amendment requires nothing less.

The Second Circuit likewise rejected as impermissibly vague the Commission's presumptive prohibition on the F-word and S-word and the two exceptions to that presumptive prohibition recognized by the agency—the ill-defined "*bona fide* news" exception and the

"artistic necessity" exception. According to the Court of Appeals, the FCC had not adequately explained either of the exceptions, leaving broadcasters to guess whether an expletive might fall into one of the two exempt categories. According to the Second Circuit, "[t]he 'artistic necessity' and '*bona fide* news' exceptions allow the FCC to decide, in each case, whether the First Amendment is implicated. The policy may maximize the amount of speech that the FCC can prohibit, but it results in a standard that even the FCC cannot articulate or apply consistently."

In addition to the problem of inadequate "notice" to broadcasters of what speech is prohibited, the Second Circuit also found that the FCC's "indiscernible standards come with the risk that such standards will be enforced in a

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Second Circuit Senior Judge Pierre Leval listening to oral arguments in *Fox v. FCC*. For streaming video of the hearing, [click here](#).

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discriminatory manner,” compounding the vagueness problem. (As discussed above, one of the underpinnings of the “vagueness doctrine” on which the Second Circuit relied is the importance of guarding against discriminatory government enforcement.)

According to the Court of Appeals, “[i]f government officials are permitted to make decisions on an ‘ad hoc’ basis, there is a risk that those decisions will reflect the officials’ subjective biases. . . . We have no reason to suspect the FCC is using its indecency policy as a means of suppressing particular points of view. But even the risk of such subjective, content-based decision-making raises grave concerns under the First Amendment.”

Given the insurmountable vagueness inherent in the FCC’s fleeting expletive indecency enforcement policy, the Second Circuit found that the policy had a chilling effect on speech. Under the FCC’s current policy, broadcasters are left to choose whether to air programming and face significant fines (and even place their licenses in jeopardy) or not to air or to censor potentially controversial programming rather than risk such fines. In those circumstances, the Court found the choice made by broadcasters “not surprising.”

To illustrate the point, the Second Circuit cited a 9/11 documentary certain broadcasters declined to air and a reading by Tom Wolfe of his novel *I am Charlotte Simmons* that was first cancelled, then rescheduled to air after 10 p.m. (during the “safe harbor” period), based on a complaint about “adult” language in the book. The court expressed special concern about the chill created for live broadcasts, such as the two Billboard Music Awards shows at issue as well as news and public affairs programming. Broadcasters could reasonably decide to shy away from certain guests or presenters during live broadcasts for fear that fleeting expletives might be uttered and result in substantial indecency fines.

According to the Second Circuit, “[i]f the FCC’s policy is allowed to remain in place, there will undoubtedly be countless other situations where broadcasters will exercise their editorial judgment and decline to pursue contentious people or subjects, or will eschew live programming altogether to avoid the FCC’s fines. This chill reaches speech at the heart of the First Amendment.”

Notwithstanding the extent of its opinion, the Second Circuit did not invalidate the federal indecency statute or the Supreme Court’s 1978 *Pacifica* decision. The indecency

statute and the basic legal framework of *Pacifica* that permits the FCC to sanction indecent material remain intact, so the July 13 decision does not mean the end of indecency regulation. The Second Circuit was careful to point out that its decision in *Fox* does not necessarily put an end to indecency enforcement. According to the court, “[w]e do not suggest that the FCC could not create a constitutional policy. We hold only that the FCC’s current policy fails constitutional scrutiny.”

What’s Next?

Fox is only one of three indecency cases currently pending in the federal appellate courts. The Janet Jackson Super Bowl case remains pending before the Third Circuit Court of Appeals; that case, like the Second Circuit’s *Fox* case, was remanded by the Supreme Court for consideration of the constitutional issues in that case. (Like the Second Circuit, the Third Circuit held in the Janet Jackson case that the FCC had not provided a legally adequate basis for the change in its “fleeting images” indecency enforcement policy.)

Briefing in the Third Circuit’s Janet Jackson case has closed, but, as of July 23, 2010, no decision has been released.

In addition, the *NYPD Blue* fleeting nudity case still remains pending in the Second Circuit. That case involved a shower scene in which an actress’s buttocks were briefly revealed. A separate panel of Second Circuit judges heard oral argument in the *NYPD Blue* case in February 2009. Broadcasters have argued to that panel that the *Fox* decision compels a similar result in *NYPD Blue*.

Whatever the outcome in the Janet Jackson and *NYPD Blue* cases, it is quite likely that one or more of the indecency cases will make their way back to the U.S. Supreme Court, squarely presenting for decision the constitutionality of the FCC’s broadcast indecency enforcement policy.

Elizabeth Spainhour and Julia Ambrose are attorneys at Brooks, Pierce, McLendon, Humphrey & Leonard, L.L.P. The firm represented intervenors ABC Television Affiliates Association in the case. Carter Phillips, Sidley Austin, LLP, Washington, D.C., on behalf of Fox Television; and Miquel Estrada, Gibson Dunn Crutcher LLP, Washington, D.C., on behalf of intervenor NBC Universal, argued the case before the Second Circuit. Jacob Lewis, FCC Associate General Counsel, argued on behalf of the government.