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Circumventing or Circumnavigating the Law

Supreme Court Allows First Sale Doctrine Defense in Kirtsaeng v. John Wiley & Sons, Inc.

By Toby Butterfield and Edward H. Rosenthal

In its recent opinion in [*Kirtsaeng v. John Wiley & Sons, Inc.*](#), 11-697 (March 19, 2013), the Supreme Court dealt a blow to book publishers, an industry that hardly has been reaping record profits of late. In addition to shrinking prices, low margins, and uncertainty over distribution channels and business models, publishers must now deal with the Supreme Court overturning a clear [Second Circuit](#) win for major trade book publisher Wiley. What's more, the Court's decision could spawn the creation of a new type of competitor. Rival companies can purchase copies of cheaper editions intended for and sold abroad and import them into the United States for resale at a large markup. The legal existence of competition from such "foreign edition textbook arbitrageurs" could force publishers to reduce prices in their home US market. This article will review how the Court reached its conclusion, and the few good options that US trade book publishers could pursue to mitigate the fallout from this decision.

Legal Background

The "First Sale Doctrine" is the codification of a limitation on copyright protection first announced by the Supreme Court in the 1908 case *Bobbs-Merrill Co. v. Straus*, 210 U.S. 339 (1908). In that case, the publisher had included the following legend on the copyright page of a book titled *The Castaway*:

The price of this book at retail is one dollar net. No dealer is licensed to sell it at a less

price, and a sale at a less price will be treated as an infringement of the copyright.

The publisher sued Macy's for selling copies at less than a dollar. The Supreme Court affirmed dismissal of the publisher's claim case, holding that the copyright law then in effect did not give the copyright owner the right to control sales of his or her work beyond the initial sale.

The holding of the *Bobbs-Merrill* case – that a copyright

owner could only control the first sale of his or her work -- was codified in federal copyright law, most recently, as section 109(a) of the Copyright Act of 1976, 17 U.S.C. § 109(a). That section refers to the exclusive right of a copyright owner to control the distribution of a work and provides that: "Notwithstanding the provisions of section 106 (3), the owner of a particular copy or phonorecord lawfully made under this title, or any person authorized by such owner, is entitled, without the authority

of the copyright owner, to sell or otherwise dispose of the possession of that copy or phonorecord."

Perhaps this all sounds fairly simple. A copyright holder may control the first sale of a copy of a work, but once that sale occurs the copyright holder has no further rights. Subsequent owners of the book may sell or dispose of it as they see fit. This basic doctrine is widely understood and accepted by Americans. They know that once they buy a book or a record, they are free to give, sell or lend it to a friend or stranger, donate it to a church or library, or even throw it away. (A publisher can avoid the impact of the first sale doctrine via contract – though not the type of "contract"

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The Court's decision could spawn the creation of a new type of competitor. Rival companies can purchase copies of cheaper editions intended for and sold abroad and import them into the United States for resale at a large markup.

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sought to be unilaterally imposed by the legend at the front of the book at issue in *Bobbs-Merrill*. Thus in certain industries, such as the computer software business, the copyright owner purports to license the right to use the computer program to the software purchaser. The question whether such licenses are effective to defeat the First Sale Doctrine has itself been the subject of significant litigation, which courts struggling at times to come up with a clear delineation between a sale (which triggers the first sale doctrine) and a license (which does not). But we will leave a discussion of these cases to another day, and now discuss what was at issue in *Kirtsaeng*.)

The application of the First Sale Doctrine becomes more complicated when it is considered in light of books manufactured and/or sold abroad. This is because another provision of the Copyright Act – Section 602(a) -- gives the owner of the copyrighted work the exclusive right to control importation. But this section, like the distribution right in section 106(3), has been held to be limited by the defenses to copyright infringement set forth in the statute, including the First Sale Doctrine set forth in section 109(a).

The Case Presented

Before turning to how the Supreme Court resolved this issue, it is worth quickly reviewing the facts of the case: Petitioner Supap Kirtsaeng, a Thai-born US graduate student, asked friends in Thailand to purchase copies of Wiley textbooks. The friends sent the copies to Kirtsaeng in the US, who then reimbursed his friends and resold the books at a considerable profit, as the books commanded a higher price in the US. The books had been printed and published legally in Thailand by one of Wiley's wholly-owned foreign subsidiaries, but were marked and intended solely for the foreign market. So the question is whether First Sale Doctrine extends to an owner such as Kirtsaeng of copies that were legally made abroad, in this case by the copyright proprietor itself.

The critical question in the *Kirtsaeng* case involves five of the 48 words in section 109(a). Was the work in question “lawfully made under this title” when it was manufactured, printed and initially sold outside of the United States? Do these words mean that the First Sale Doctrine only covers

works made in the US, or does it mean something else? Courts of Appeals of several circuits have wrestled with this question, as had the Supreme Court in previous cases that never fully resolved the issue.

Struggling with Precedent

The Supreme Court has been faced with the first sale issue twice since the enactment of the 1976 Act. In *Quality King Distributors Inc. v. L'Anza Research International Inc.*, 523 U.S. 135 (1998), the Supreme Court unanimously held that the first-sale doctrine applies to imported goods at least where the goods were first made in the United States, then sent out of the country for sale and later sent back into this country. The Court left open the possibility that goods that were first manufactured by an American publisher abroad and then sold in the United States might not be “lawfully made under this title” and therefore not entitled to first sale protection.

Just three years ago, the Supreme Court had the opportunity to decide the issue left open in *Quality King*. In *Costco Wholesale Corp. v. Omega S.A.*, 562 U.S. ___, 131 S. Ct. 565 (2010), the Supreme Court let stand a Ninth Circuit decision that had concluded that goods manufactured abroad and then imported into the United States without authority of the copyright owner were not “lawfully made under this title.” This ruling meant that goods manufactured outside of the

United States were not subject to the First Sale Doctrine so that the importation back into the United States would not be protected. The affirmance came, however, by virtue of a 4 to 4 vote, so the decision did not have any precedential value, at least outside of the Ninth Circuit.

The Majority Opinion

This brings us back to the *Kirtsaeng* case, which squarely presented the situation suggested in *Quality King* and left open in *Costco*. In his majority opinion, Justice Breyer tries to parse and to explain the presumed Congressional intent behind multiple technical statutory sections of the Copyright Act concerning not only First Sale Doctrine, but also the

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The critical question in the Kirtsaeng case involves five of the 48 words in section 109(a). Was the work in question “lawfully made under this title” when it was manufactured, printed and initially sold outside of the United States?

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manufacture and importation of goods. To answer the question posed by the case, Justice Breyer considered the origin of First Sale Doctrine in the 1908 *Bobbs-Merrill* decision, its codification in a section of the 1909 Copyright Act, and how the wording of that section was amended in the 1976 Act after extensive debate in the Copyright Office and in Congress. Justice Breyer's analysis focuses largely on the meaning of the words "lawfully made under this title" in the context of Section 109(a).

In a dense majority opinion, Justice Breyer ruled that the words in question refer to copies lawfully made anywhere, not just to copies lawfully made in the US and its territories. He considered and rejected what he dubbed "the geographical interpretation" advanced by Wiley and its supporters. Under that interpretation, the phrase "under this title" means that for a copy to become freely transferable under the First Sale Doctrine, the copy must have been lawfully made in a place where the US copyright law actually applied. That interpretation had been adopted in lower court decisions rendered up to thirty some years ago, by the Second Circuit in this case, by the Ninth Circuit (in slightly modified form), by the Solicitor General in this case, and by the authors of all three major copyright treatises. Undeterred, Justice Breyer and the majority of the justices rejected that interpretation, claiming that there is no sign of a geographical limitation on the face of the statute, and declining to hold that the word "under" in the phrase "lawfully made under this title" could mean that the copies had to be made in a place where that law applied. Even under *Kirtsaeng*, the First Sale Doctrine is not triggered unless and until there is an initial sale of the book. Thus the manufacturer, printer or even a wholesaler cannot simply sell books into the US market without running afoul of the copyright owner's right to control distribution and importation of the first sale of the book.

Dissenting Views

In dissent, Justice Ginsberg pointed out that the word "under" is commonly defined as much "subject to" or to

denote subjugation of some sort. She wryly noted that it would make no sense to say that US law does not prohibit driving on the right side of the road in the UK, as US laws simply have no application there. Justice Ginsberg went on to argue that in enacting the 1976 Act, Congress intended to support an international trade framework under which a copyright holder's exclusive rights in her work are deemed exhausted only when copies of the work are legally sold within that jurisdiction: legal distribution of copies in a foreign jurisdiction is not enough to enable those copies to be freely distributed anywhere in the world or back into the USA. Justice Ginsburg's dissent went on to eloquently defend publishers' rights to use the territorial nature of copyright law to divide up the markets for their goods, citing reams of literature about how First Sale Doctrine has been applied in

international trade negotiations. (Justice Kagan had a different suggestion for how to reach the result favored by the majority: she suggested that *Quality King* was wrongly decided and should be overturned.)

The Way Forward

This result is troubling for book publishers and others that sell copies of their copyrighted products both in the United States and overseas. The Court's opinion blessing the legality of re-importing copies which we were legally made abroad raises the prospect of book publishers and manufacturers of other copyrighted products having to compete with copies which they allowed to be made

and sold in jurisdictions which command lower prices. On the other hand, one could argue that our own economy will benefit from this decision, as it provides a disincentive for US publishers to manufacture lower priced books abroad.

Conclusion

Book publishers, motion picture producers and others who manufacture and sell copies of copyrighted works in various countries and markets have good reason to be concerned by the Court's opinion in *Kirtsaeng*. Their

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alternatives for dealing with the result are roughly speaking as follows:

- Cease permitting the manufacture and sale of their copyrighted products outside the United States, a decision that would have a number of different economic and other implications.
- Accept the prospect of new competition originating from foreign markets.
- Enhance contractual protections in an attempt to limit distribution of copies abroad to actual end users, rather than to potential re-importers.
- Increase pricing abroad, so the price differential between foreign markets and US markets is small enough to prevent the form of “arbitrage” which Kirtsaeng and his compatriots devised from becoming profitable.
- Avoid the existence of a foreign “sale” by only licensing distribution of ebooks (or hard copies, if it

is legal to “license” hard copies) in foreign countries.

- Lobby Congress to reverse the *Kirtsaeng* decision.
- Live with the possibility of price erosion in the US.

There has been some renewed discussion of late of need to review and update the Copyright Act, and any discussion of the issue raised by *Kirtsaeng* and the other First Sale Doctrine cases would raise interesting issues, including of economics and philosophy. But lobbying for such change is clearly a long range endeavor.

For the near future, book publishers and other copyright proprietors must deal with the effects of this significant ruling.

Toby Butterfield and Edward H. Rosenthal are lawyers at Frankfurt Kurnit Klein & Selz LLP in New York. Theodore B. Olson, Gibson Dunn, Washington, D. C., represented John Wiley & Sons, Inc. at the Supreme Court. E. Joshua Rosenkranz, Orrick, Herrington & Sutcliffe LLP, New York, represented defendant Kirtsaeng before the Supreme Court. Malcolm L. Stewart, Deputy Solicitor General, argued for the United States, as amicus curiae. A full list of counsel and amicus filings is available [here](#).

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Second Circuit Affirms Denial of Preliminary Injunction in Internet Streaming Case

By Jim Rosenfeld and Eric Feder

As consumers increasingly obtain entertainment content on the Internet, media companies and technology start-ups are vying over how new content delivery platforms should interact with more established business models for the distribution of that content. This tension has been spilling over into the courts, which must apply established copyright law to these new technologies. In one of the latest cases on this front, *Aereo v. WNET*, the Second Circuit affirmed the district court's denial of a preliminary injunction which would have prohibited the defendant's system for streaming unlicensed broadcast television signals over the Internet.

District Court Decision

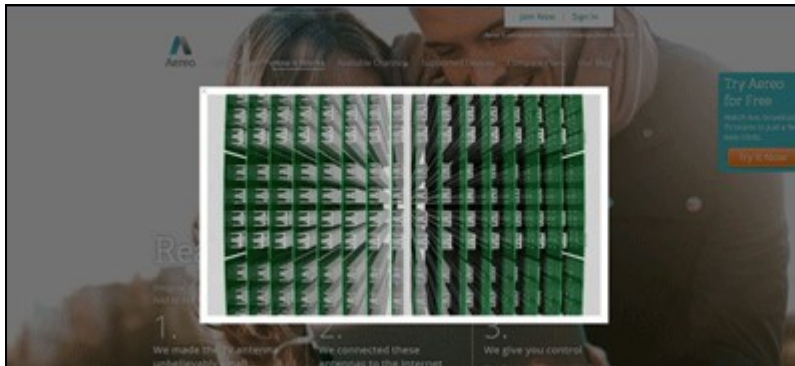
In *Aereo*, television broadcasters (and other copyright owners of broadcast television programs) brought a copyright infringement lawsuit against Aereo, which provides a service allowing subscribers to watch broadcast television programs over the Internet in exchange for a monthly fee. Aereo's subscribers can also record and store programs, either while they are being broadcast or in advance, much like a remote Digital Video Recorder ("DVR"). Aereo does not obtain licenses from copyright holders to record or transmit their programs.

The *Aereo* case concerns the exclusive right of a copyright holder to publicly perform his or her work. 17 U.S.C. § 106(4). The Copyright Act defines "perform" as "to recite, render, play, dance, or act it, either directly or by means of any device or process or, in the case of a motion picture or other audiovisual work, to show its images in any sequence or to make the sounds accompanying it audible." 17 U.S.C. § 101. Performing a work "publicly" means:

(1) to perform or display it at a place open to the public or at any place where a substantial number of persons outside of a normal circle of a family and its social acquaintances is gathered; or

(2) to transmit or otherwise communicate a performance or display of the work to a place specified by clause (1) or to the public, by means of any device or process, whether the members of the public capable of receiving the performance or display receive it in the same place or in separate places and at the same time or at different times.

Id. (emphasis added).



The broadcaster plaintiffs asserted that Aereo infringed their public performance and reproduction rights under the Copyright Act, and sought a preliminary injunction barring Aereo from transmitting television

programs while they were being broadcast. The district court denied the preliminary injunction motion, principally because the plaintiffs were not able to show a sufficient likelihood of success on the merits of the case.

Second Circuit Affirms

On April 1, 2013, the Second Circuit affirmed.

Cartoon Network LP v. CSC Holdings, Inc., 536 F.3d 121 (2d Cir. 2008) ("*Cablevision*") was critical both to how Aereo designed its system and how the courts have analyzed it to date. In *Cablevision*, the Second Circuit held that a cable company's transmission of a recorded program to an individual subscriber through its Remote Storage Digital

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Video Recorder (RS-DVR) system was not a public performance of the program. This, according to the *Cablevision* court, was because whether a retransmission is a public performance turns on “who is ‘capable of receiving’ the performance being transmitted.” *Id.* at 134 (quoting 17 U.S.C. § 101). This depends not on the audience capable of receiving a performance of the underlying work, but rather, on who is capable of receiving a particular transmission of that work. With the RS-DVR system, when a subscriber selected a particular program to record, a separate copy of that program was created and stored for that specific user. Thus, in the court’s view, because a *Cablevision* subscriber played back a unique copy of a program that was only accessible to that subscriber, the work was not being performed publicly.

Aereo’s system was designed based on *Cablevision*’s holding. Aereo transmits broadcast programs by capturing the broadcast signal with a different antenna for each subscriber. (Aereo’s facility contains boards with thousands of tiny antennas—each roughly the size of a dime—so that each subscriber using the service at any one time has access to a single antenna.)

Because each subscriber has access to a single copy of a broadcast through that single antenna, and no other subscribers can receive a transmission from that copy, the Second Circuit affirmed that, as in *Cablevision*, the transmission did not constitute a public performance.

In a forceful dissent, Judge Chin described Aereo’s technology platform as a “sham” and a “Rube Goldberg-like contrivance, over-engineered in an attempt to avoid the reach of the Copyright Act and to take advantage of a perceived loophole in the law.” (Dissent at 2.) In his view, the majority’s decision elevated “form over substance.” (Dissent at 4.) Judge Chin also viewed as an important distinction the fact that *Cablevision* had licensed the content it redistributed, while Aereo had not. (The majority found the distinction insignificant because the issue was whether the transmission was a public performance at all—not whether it was a licensed public performance.)

The starkly different approaches between the majority and dissent vividly illustrate the difficulty courts have in applying copyright law to technology platforms that were not yet contemplated when the Act was drafted. Both parties offered competing analogies in an attempt to fit the case within an established framework: The plaintiffs argued that Aereo was

essentially a cable service (which would be required to obtain a license pay statutory retransmission fees). The defendants analogized their system to a combination of a television, DVR and Slingbox (which transmits content from a DVR to a computer or mobile device) which would not require any additional license.

The court also struggled with the more fundamental question in these types of cases of whether to focus on a platform’s technical aspects or its practical functionality. Judge Chin’s dissent focuses on the practical effect. The majority, on the other hand, acknowledged that Aereo was likely designed with an eye toward avoiding copyright liability, but it did not find this fact dispositive. The majority mused that “[p]erhaps the application of the Transmit Clause should focus less on the technical details of a particular system and more on its functionality,” but the court read its past decisions, including *Cablevision*, as dictating that “technical architecture matters.” (Slip Op. at 31.)

Next Steps

Aereo plans to expand its service to major markets across the United States, but this legal battle appears far from over.

The *Aereo* majority observed that rather than contesting the application of *Cablevision* to this case, plaintiffs were seemingly urging the court to overturn *Cablevision* itself. It noted that only an *en banc* panel of all of the judges on the circuit (or the Supreme Court) can overrule a past decision. Accepting this invitation, the plaintiffs have since filed a motion for rehearing *en banc*.

Indeed, the case may eventually reach the Supreme Court. A district court in California reached a conclusion similar to Judge Chin’s dissent in a decision granting a preliminary injunction against a service similar to Aereo (creatively called “Aereo-killer”). *See Fox Television Stations, Inc. et al v. BarryDriller Content Systems, PLC, et al*, 12-6921-GW(JCx), Civil Minutes, (C.D. Cal. Dec. 27, 2012). The defendants in that case have appealed to the Ninth Circuit.

The Supreme Court previously denied a petition for *certiorari* in *Cablevision*, but in light of the potential circuit split, and the far-reaching implications of these decisions for the cable and broadcast television industries, it may well take up this issue.

Jim Rosenfeld and Eric Feder are lawyers with Davis Wright Tremaine LLP, New York. A full list of counsel in the case is available in the hyperlinked opinion.

Ninth Circuit Upholds Liability of BitTorrent Website for User Copyright Infringement

By Luke Platzer and Rochelle Lundy

The Ninth Circuit Court of Appeals recently affirmed that the operators of a group of popular BitTorrent indexing websites were secondarily liable for their users' infringement of copyrights held by major movie studios. [*Columbia Pictures Industries, Inc. v. Fung*](#), No. 10-55946, 2013 WL 1174151 (9th Cir. Mar. 21, 2013) (Pregerson, Fisher, Berzon, JJ.). The decision represents the first appellate-level decision to affirm liability under the "inducement" standard for secondary copyright infringement liability created by [*Metro-Goldwyn-Mayer Studios, Inc. v. Grokster Ltd.*](#), 545 U.S. 913 (2005) ("*Grokster*") and clarifies both the application of the inducement liability standard and its interaction with the safe harbor in Section 512 of the Digital Millennium Copyright Act ("DMCA").

Background

In 2006, a group of movie studios filed suit against Gary Fung ("Fung") and his company, isoHunt Web Technologies, Inc., alleging that they operated websites that induced users of the sites to download unauthorized, infringing copies of the studios' copyrighted films and television shows. These websites, including flagship website isohunt.com ("isoHunt"), index and direct users to BitTorrent files that provide access to copyrighted content.

BitTorrent is a protocol that facilitates sharing of electronic files between users across the Internet. The protocol requires the use of smaller files known as "torrents" that allow the user's computer to locate, download, and properly assemble each file from files hosted on other BitTorrent users' computers (each "torrent" matches up with a specific named file). Websites like isoHunt and Fung's other sites collect and organize these torrent files, allowing users to easily acquire torrents that then in turn enable them to locate, download, and assemble infringing content

(including movies and TV episodes) hosted by other BitTorrent users. Fung's sites, among other things, allowed users to search for torrents by keyword or category and also made available lists of the "top" or "most popular" current searches.

The District Court for the Central District of California held Fung and his company secondarily liable for copyright infringement on summary judgment, finding that they had induced users to infringe the studios' copyrighted material. Fung argued that he was eligible for protection under the "safe harbors" of the Digital Millennium Copyright Act ("DMCA"), but the District Court concluded that these safe harbors were not applicable to Fung's behavior because it was intentional. The District Court subsequently entered a permanent injunction against Fung that prohibited him from knowingly engaging in activities that have the object or effect of fostering infringement of plaintiffs' copyrighted material, including (but not limited to) specific activities itemized in the injunction. It also required that Fung filter from his website files matching film and television titles provided by the plaintiffs.

The Ninth Circuit Decision

The Ninth Circuit affirmed the District Court's holding that Fung was liable for secondary copyright infringement because he had induced users to violate plaintiffs' copyrights through his websites. In doing so, it followed the theory of inducement liability articulated by the Supreme Court in *Grokster*: "[O]ne who distributes a device with the object of promoting its use to infringe copyright, as shown by clear expression or other affirmative steps taken to foster infringement, is liable for the resulting acts of infringement by third parties." 545 U.S. at 936-37.

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The Ninth Circuit affirmed the District Court's holding that Fung was liable for secondary copyright infringement because he had induced users to violate plaintiffs' copyrights through his websites. In doing so, it followed the theory of inducement liability articulated by the Supreme Court in *Grokster*.

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As a threshold matter, the Court affirmed that the plaintiffs had proved that users of Fung's websites had in fact infringed the plaintiffs' copyrighted works, relying primarily on statistical evidence submitted on summary judgment. 2013 WL 1174151, at *10-11. It then went on to affirm that "[t]here is more than enough un rebutted evidence in the summary judgment record to prove that Fung offered his services with the object of promoting their use to infringe copyrighted material" as required for *Grokster* inducement liability. *Id.* at *12. This holding was predicated upon evidence of Fung's personal involvement in the operation of the site in an infringing manner: he had not only solicited and encouraged users to upload torrents for copyrighted content, but had also responded to and assisted users seeking help to upload, locate, and assemble infringing material and featured lists of torrents associated with copyrighted films currently popular at the box office on his sites. *Id.* at *12-13. The Court also found it highly relevant to the inducement analysis (though not independently sufficient) that Fung had failed to use available filtering mechanisms to prevent infringement on his sites and that Fung generated revenue on the sites almost exclusively through advertisements and thus profited from increased traffic attracted by the availability of copyrighted content. *Id.* at *13.

The Ninth Circuit's holdings on those questions closely track the Supreme Court's analysis in *Grokster*. However, the Ninth Circuit further clarified the *Grokster* standard in several additional respects. First, it held that "inducement" liability is equally applicable to the provision of "services available on the Internet," such as Fung's websites, and is not limited to the distribution of devices or products, as was the case in *Grokster* itself. *Id.* at *10. Second, the Court clarified that a defendant's clear expression of an intent to foster infringement is not itself an element of *Grokster* liability. Rather, an improper object of fostering infringement is the relevant element, and a defendant's clear expression of such an object is merely a highly relevant form of evidence thereof. *Id.* at *11-12.

The Ninth Circuit held, "if one provides a service that could be used to infringe copyrights, with the manifested intent that the service actually be used in that manner, that person is liable for the infringement that occurs through the use of the service."

Third, the Court reached a significant holding as to the causation element of copyright inducement liability. It held that a defendant liable for inducing copyright infringement is liable for all acts of infringement to which it contributed with an improper object, and that its liability is thus not limited only to infringements tied to specific instances in which the defendant expressed its infringing intent. *Id.* at *13. As the Ninth Circuit held, "if one provides a service that could be used to infringe copyrights, with the manifested intent that the service actually be used in that manner, that person is liable for the infringement that occurs through the use of the service." *Id.* In the case of Fung, the Court concluded that he had made his services available with the clear aim of promoting their use for infringement and was therefore liable

for all infringements resulting through his service – and thus not only for the smaller set of infringements that could be tied to instances in which he himself personally encouraged users to infringe copyrights. *Id.* at *13-16. This holding may prove highly significant in future inducement cases as evidence of a defendant's expression of improper, infringing object frequently takes the form of specific incidents or anecdotes.

The Ninth Circuit's opinion also addresses the intersection between secondary copyright infringement liability for inducement and the safe harbor provision in Section 512 of the DMCA.

While many cases address the interplay between the safe harbor and more traditional forms of secondary copyright liability (i.e., vicarious liability and contributory infringement), fewer cases have addressed how the safe harbor operates in a case where the defendant's liability arises from intentional conduct. As an initial matter, the Court held that Fung's actions did not fall within the broad safe harbor for transmission services in 17 U.S.C. § 512(a) because the torrent files that Fung distributed did not merely provide a means for users to communicate information of their choosing, but rather themselves played a role in selecting which users communicated with one another and which data was communicated. *Id.* at *17-18.

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More significantly, the Ninth Circuit held that Fung could not avail himself of the safe harbors for storage or for information location tools (at 17 U.S.C. § 512(c) and 512(d), respectively), which would otherwise apply to the services his websites provided, because he was disqualified from DMCA protection by both the so-called ‘red flag’ and the ‘financial benefit and control’ exception to those safe harbors. *See* 17 U.S.C. §§ 512(c)(1)(A)(ii) & 512(d)(1)(B) (“red flag” exception) and §§ 512(c)(1)(B) & 512(d)(2) (“financial benefit and control” exception).

As to the “red flag” exception, the Ninth Circuit held that because “the record is replete with instances of Fung actively encouraging infringement,” Fung undoubtedly had disqualifying “red flag knowledge” of infringing activity on his websites. *Id.* at *20. The Court also noted that the material available through Fung’s sites “was sufficiently current and well-known that it would have been objectively obvious to a reasonable person that the material solicited and assisted was both copyrighted and not licensed to random members of the public, and that the induced use was therefore infringing.” *Id.*

The Ninth Circuit also found that Fung was independently disqualified from the 512(c) and 512(d) safe harbors because he received a financial benefit from the infringing activity of his users while having the right and ability to control that infringing activity. The Court determined that Fung’s advertising revenue was directly linked to the presence of infringing content on the websites as indicated by evidence showing that 90% of the material available on his sites was infringing and by Fung’s own marketing of the site to advertisers as indexing copyrighted content. *Id.* at *21-22. Fung also had the right and ability to control the infringement on his websites, as evidenced by the actions he took to induce infringement among his users. *Id.* at *22.

Although the Ninth Circuit declined to state that *Grokster* inducement liability categorically removes a defendant from DMCA protection (as the District Court had done), it found that the same factors that demonstrate inducement also

indicate a “substantial influence on the activities of users,” implying that DMCA protection will infrequently be available to those who induce infringement. *Id.* The Court notably also rejected the argument that a plaintiff must show an ability to control each specific instance of infringement at issue, stating that the “financial benefit and control” exception to the safe harbor of “rest[s] on the overall relationship between the defendant and the infringers, rather than on specific instances of infringement.” *Id.* at *23. Thus, under the ruling, a plaintiff need only show a defendant website’s generalized control over infringement by its users, and not control over each individual act of infringement.

The Court concluded by substantially upholding the permanent injunction the District Court imposed on Fung, requesting modification only of select phrases within it as vague and of an employment-related provision as unduly burdensome. *Id.* at *24-25. The Ninth Circuit expressly rejected Fung’s argument that the injunction was impermissibly extraterritorial, noting that it applied only to infringement taking place within the United States. *Id.* at *24 n. 22.

Conclusion

This ruling by the Ninth Circuit makes clear that copyright inducement liability – despite having been infrequently imposed by the courts since the Supreme Court decided *Grokster* – is a highly viable theory for holding defendants accountable when their contribution to infringement by others is intentional. It also suggests that although the DMCA may nominally still be available as a defense in cases where *Grokster* liability is at issue, it will be difficult for defendants charged with such liability to maintain their eligibility for the safe harbor.

Luke Platzer is a partner and Rochelle Lundy an associate with Jenner & Block LLP. Plaintiffs were represented by partners Steven Fabrizio, Paul Smith, and Gianni Servodidio, also of Jenner & Block LLP, and by Karen Thorland of the Motion Picture Association of America. Defendants were represented by Ira Rothken, Robert Kovsky, and Jared Smith of Rothken Law Firm LLP.

This ruling by the Ninth Circuit makes clear that copyright inducement liability – despite having been infrequently imposed by the courts since the Supreme Court decided *Grokster* – is a highly viable theory for holding defendants accountable.

Ninth Circuit Holds Use of Ed Sullivan Clip in Jersey Boys Musical a Fair Use

Attorney's Fees Award Justified

By Itai Maytal

A three-judge panel of the United States Court of Appeals for the Ninth Circuit in Central California recently ruled that the producers of *Jersey Boys* were entitled to use a seven-second clip from *The Ed Sullivan Show* as a matter of fair use. [*Sofa Entertainment, Inc. v. Dodger Productions, Inc.*](#), No. 10-56535 (March 11, 2013) (O'Scannlain, Trott, Clifton, JJ.).

The Court found that the producers of the musical, Dodger Productions Inc ("Dodger"), were entitled to prevail on a fair use defense because they used the footage from the famous TV variety show for its biographical and historical significance.

It also upheld the companion finding of U.S. District Judge Dolly Gee in Los Angeles, who had called the lawsuit "objectively unreasonable" and awarded Dodger \$155,000 in attorney's fees and costs.

Background

Jersey Boys is a historical drama about the 1960s band The Four Seasons. The show, which has been staged in New York, Chicago, Las Vegas, London and Los Angeles, traces the lives of the band and their path to success. Among its various milestones, the show illustrates the band's setbacks from the U.S. arrival of the Beatles and other British performers during the British invasion, their comeback, and their later break-up.

The contested clip in this case was a seven second shot of Ed Sullivan from a mid-1960's episode of his show in which he says: "Ladies and Gentlemen, for the youngsters in the country, the Four Seasons!" In the musical, immediately before the contested clip is shown, an actor portraying one of

the Four Seasons, Bob Gaudio, explains that the band hopes to use its performance to fight back against the "British Invasion" and to recapture the lost ground of American bands.

"Around this time there was a little dust-up called the British Invasion. Britannia's ruling the airwaves, so we start our own American revolution. The battle begins on Sunday night at eight o'clock and the whole world is watching." Ed Sullivan then appears on a screen hanging over the stage and introduces the band to his studio and TV audiences. Below the screen the actor-band warms up and old-fashioned cameras roll into position around them. When the clip ends, the lights come up and the band-actors perform a rendition of the song "Dawn."

When the song ends, Gaudio again speaks directly to the audience and states "We weren't a social movement like the Beatles. Our fans didn't put flowers in their hair and try to levitate the Pentagon. Maybe they should have. Our people were the guys who shipped overseas... and their sweethearts. They were the factory workers, the truck drivers. The kids pumping

gas...the pretty girl with circles under her eyes behind the counter at the diner...."

SOFA Entertainment ("SOFA") owns the right to the entire 1948-1971 run of the TV variety show hosted by Sullivan. SOFA Entertainment founder filed the lawsuit after he attended a "Jersey Boys" performance and saw the clip.

Both parties moved for summary judgment on the issue of fair use. The district court found for the defendant and awarded fees to deter future lawsuits that might chill the creative endeavors of others.

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Ninth Circuit: "This case is a good example of why the 'fair use' doctrine exists."

(Continued from page 12)

Ninth Circuit's Fair Use Analysis

Focusing on the “central inquiry” for fair use, whether the new work is “transformative,” the Court found that Dodger’s “using [The Ed Sullivan Show clip] as a biographical anchor...put the clip to its own transformative ends.” Specifically, the Court noted that the clip appended the band’s effort to restore its prior prominence in American music history – following the “British Invasion” and the arrival of the Beatles – with its appearance on the show.

The Court further noted that there was no support in the record that the clip was used for its own entertainment value. Even so, the commercial nature of the production was deemed “of little significance to the inquiry.”

The Court also found that fair use was supported because (1) the clip conveys primarily factual information; (2) the amount was both quantitatively and qualitatively insignificant (Ed Sullivan’s personality, movements and intonations, however “charismatic” were not copyrightable), and; (3) that Jersey Boys was no substitute for the Ed Sullivan Show (particularly since they do not reproduce the show on videotape or DVD, which “would allow for repeated viewing of the clip.”) The clip did not include any music or performance by the actual band on the Sullivan Show.

In short, the Ninth Circuit ruled that “Dodger’s use of the clip did not harm SOFA’s copyright in the Ed Sullivan Show, and society’s enjoyment of Dodger’s creative endeavor is enhanced with its inclusion. This case is a good example of why the ‘fair use’ doctrine exists.”

Attorneys’ Fees

In affirming an award of attorney’s fees against the plaintiff, the Court held that the plaintiff “should have known from the outset that its chances of success in this case were slim to none” given its prior experience with [Elvis Presley Enters., Inc. v. Passport Video](#), 349 F.3d 622, 629 (9th Cir. 2003) (upholding a preliminary injunction against alleged infringement based on substantial use of Ed Sullivan clips).

Moreover, the Court agreed with the district court that “lawsuits of this nature . . . have a chilling effect on creativity insofar as they discourage the fair use of existing works in the creation of new ones.”

Itai Maytal is an associate at Miller Korzenik Sommers LLP. David S. Korzenik and Mona Houck of the firm and Walter R. Sadler of Leopold, Petrich & Smith represented the Defendant. Plaintiff was represented by Jaime Marquart of Baker Marquart Crone & Hawxhurt. Quinn Emmanuel acted for the Plaintiff before the District Court.

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Citizen Journalist Covered By New Jersey Shield Law

Blogger Wins Privilege Claim in Trial Court Ruling

By Bruce S. Rosen and Kathleen A. Hirce

In one of the first decisions of its kind in the country, a New Jersey Superior Court Judge expanded New Jersey's Newspersons Shield Law to cover a self-described "citizen watchdog" journalist, who has spent the past seven years blogging about an allegedly corrupt one-party controlled county government. [*In re Grand Jury Subpoena*](#), N.J. Super. April 12, 2013).

Background

The case involved Tina Renna, the rough around the edges President of the all-volunteer non-profit Union County Watchdog Association, which publishes a blog at www.countywatchers.com that frequently scoops local and state newspapers with its news and analysis.

"Being a watchdog and a reporter are not mutually exclusive," wrote Union County Assignment Judge Karen Cassidy in her 21 page opinion, the first decision issued on the subject in the State since the New Jersey Supreme Court laid out the parameters for applying the State's broad shield law, while declining to give that protection to blogger Shellee Hale in *Too Much Media v. Hale*, 206 NJ 209 (2011).

"Most local publications no longer provide in-depth coverage of county news," Judge Cassidy wrote, while she said Ms. Renna and other bloggers on her site provide information related to county government and politics not covered by other news media."

The *Too Much Media* Court, relying on the New Jersey statute, had ruled that under the statute bloggers essentially need to have a close similarity, or "nexus" to news media, a purpose to gather or disseminate news, and require that the material was obtained in the course of professional newsgathering activities. Unlike statutes such as New York's, where the term "professional" limits an applicant for the privilege to those who earn their livelihood working for

an established newspaper or television outlet, the New Jersey statute allows for protection for journalists working for a wide variety of media, free or paid, so it is far more likely than most statutes to be interpreted to cover bloggers.

The case was initiated after Renna published two pieces critical of the Union County Prosecutor for failing to investigate the theft of generators by county employees following Superstorm Sandy when much of New Jersey was without power. Renna virtually taunted the Prosecutor, of whom she was a frequent critic, by declaring she had the names of 16 individuals who possessed the generators, while the prosecutor had done no investigation. She posted a photo of a large generator set up outside a county police officer's

home. The Prosecutor, who is closely aligned with the Democratic-controlled county government, at first wrote Renna to ask for the list and when she ignored the requests, he sent her a subpoena. It was not the first time the Prosecutor attempted to extract information from a blogger. That office had dropped a similar bid against a different blogger who published internal information regarding a municipal police department in 2012, but backed down after a motion to quash was filed.

This time, the stakes were higher. Because of retrenchments in local media

Renna was the only constant investigatory presence in Union County and a thorn in the side of the county government for years. Her sources – directly or indirectly – at risk, she filed a motion to quash. The certification in support of her motion cited her extensive county coverage, including stories on backroom political deals, pensions and benefits lavished upon the party in control and their allies, as well as a website that includes compiled information that includes lists of lawsuits and lawyers, county check registers and numerous regular open public record requests not otherwise available to the public. The Prosecutor filed an opposition that accused her of partisanship, including receiving a \$500 donation from the

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In one of the first decisions of its kind in the country, a New Jersey Superior Court Judge expanded New Jersey's Newspersons Shield Law to cover a self-described "citizen watchdog" journalist.

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county Republican Party in 2005, the first year of her blog, the fact that her husband ran as a candidate as a Republican and later as an Independent after he had been fired from and successfully sued county government for wrongful termination before the blog began, that Ms. Renna used profanities on occasion, that she was sued for libel unsuccessfully by the county public information officer after she compared him and the Democratic machine to Nazism, that she had an instance of plagiarism in 2005 while writing about that public information officer, that she failed to identify herself as a journalist in her writings, that she failed to issue corrections or indicate when the blog had been modified, and that the blog was poorly edited.

Although the judge could have decided the matter as a matter of law based upon the motion papers and argument, she ordered a plenary hearing. Among the issues argued before the hearing was whether Renna would be forced to put on an affirmative case, whether the Prosecutor would be permitted to inquire as to possible waiver (an issue raised by the court) before the privilege had been established, and how the editorial process, which is protected by the privilege in New Jersey, would be protected. That protection, which had been absolute, was potentially compromised by the *Too Much Media* Court, which ordered that the hearings “should not devolve into *extensive* questioning about an author's editorial, writing, or thought processes.” Although Judge Cassidy stated at the hearing that *Too Much Media* permitted limited questioning regarding the editorial processes, she held a tight rein on the questioning and in her decision she pointed out that the blog posts concerning the generators were part of the editorial process and Renna’s “specific methods [of news gathering] were not part of any inquiry during the plenary hearing.”

The hearing lasted a day and a half with Renna as the only witness. This was a purposeful decision by counsel to keep the focus on Renna rather than expand the hearing by bringing in other bloggers. Nevertheless, some of the posts by other blog writers were discussed in testimony and at final argument. The assistant prosecutor rehashed many of his arguments while cross-examining Renna, but it became clear as the process progressed that the prosecutor put an enormous amount of resources into their case, particularly compared to how limited their investigation of the generator thefts appeared to be.

Despite the prosecutor’s complaints that Renna should pre-produce all posts that she would rely upon before the hearing so that his office would not be forced to examine all seven years of Renna’s writings, the prosecutors’ investigators, who were present in numbers during the argument and hearings, actually did go through all of the posts in an attempt to show that Renna never referred to herself as a journalist until obtaining counsel. Counsel for Renna argued that the extensive news content of her writing (even if one-sided at times), the frequency of her writings, and the fact that the blog has 500-600 unique daily visitors made her connected to news media.

In fact, counsel argued that the journalist designation applied even though Renna’s relationship with county government was so strained she did not attempt to question them or obtain comment except at public meetings, which admittedly occasionally devolved into shouting matches when officials attacked Renna publicly.

But the Court ruled that the privilege is not limited by New Jersey law “to claimants who consistently and exclusively author newsworthy writings,” and pointed out that Renna had produced extensive newsworthy articles, and that her pursuit of public records and her frequent publication are among the reasons creating her connection to news media. The judge acknowledged that Renna’s certification provided undisputed evidence of her intent to distribute information. She pointed out that to the extent Renna was biased “many national publications such as the Weekly Standard (conservative) and The New Republic (liberal) have a point of view, yet are considered mainstream publications employing journalists to report on newsworthy events despite their ideological bent.”

The Court also ruled that the Prosecutor had failed to overcome Renna’s statement in her certification that she obtained her materials in the course of her professional activities. Finally, even though Renna was the focus, the Court stated in its opinion that the privilege should apply to all the citizen journalists working for countywatchers.com.

A fee application is pending. While the Prosecutor has said they were considering an appeal, none has yet been filed.

Bruce S. Rosen and Kathleen A. Hirce, of McCusker, Anselmi, Rosen & Carvelli, PC, Florham Park, N.J., represented Tina Renna. Assistant Prosecutors Robert Vanderstreet and Estrella Lopez appeared for the Union County Prosecutor, Theodore Romankow.

Ninth Circuit Judges Question Application of California Anti-SLAPP Statute in Federal Court

Judges Kozinski, Paez Say Circuit Precedent Was Wrongly Decided

By Thomas R. Burke, Laura R. Handman,
Alison B. Schary and Micah J. Ratner

Concurring opinions issued on April 17, 2013, by Chief Judge Kozinski and Judge Richard A. Paez of the Ninth Circuit Court of Appeals invite the Ninth Circuit to review *en banc* the viability of anti-SLAPP statutes in federal court. While *dicta*, the opinions issued *sua sponte* have broad implications for media defendants in the Ninth Circuit Court of Appeals and other federal circuits across the country.

Chief Judge Kozinski (joined by Judge Paez) argues in his concurrence in [Makaeff v. Trump University, LLC](#) that the Ninth Circuit, nearly 15 years earlier, erred in holding that anti-SLAPP statutes apply in federal court and that the other circuits that followed were “foolish” to do so. See [Makaeff v. Trump Univ., LLC](#), 2013 WL 1633097, at *18 (9th Cir. 2013) (Kozinski, C.J., concurring). Judge Kozinski invited *en banc* reconsideration of *United States ex rel. Newsham v. Lockheed Missiles & Space Co.*, 190 F.3d 963 (9th Cir. 1999), the seminal decision holding that California’s special motion to strike – including immediate appellate review and the recovery of attorneys’ fees provisions – is available in federal diversity actions. Counsel for Makaeff has advised that Trump University intends to petition the Ninth Circuit for *en banc* review.

Judge Kozinski’s strongly-worded concurrence argues that “*Newsham*’s mistake was that it engaged in conflict analysis without first determining whether the state rule is, in fact, substantive.” *Makaeff*, 2013 WL 1633097, at *15. “It’s not[,]” Judge Kozinski asserts. “The anti-SLAPP statute creates no substantive rights; it merely provides a procedural mechanism for vindicating existing rights.” *Id.* “But *Newsham* is wrong even on its own terms[,]” Judge Kozinski

continues, because “*Newsham* recognized a ‘commonality of purpose’ between the state law and Federal Rules of Civil Procedure 8, 12 and 56, but shrugged it off because the parties could take advantage of both the Federal Rules and the very similar anti-SLAPP procedures.” *Id.* at *16 (quoting *Newsham*, 190 F.3d at 972–73). “This vastly understates the disruption when federal courts apply the California anti-SLAPP statute[,]” according to Judge Kozinski. *Id.* Judge Kozinski concludes, criticizing other circuits that apply anti-SLAPP statutes and an exhorting the Ninth Circuit to reconsider the issue *en banc*:

Judge Kozinski asserts: “The anti-SLAPP statute creates no substantive rights; it merely provides a procedural mechanism for vindicating existing rights.”

Newsham was a big mistake. Two other circuits have foolishly followed it. See *Godin v. Schencks*, 629 F.3d 79, 81, 85–91 (1st Cir. 2010); *Henry v. Lake Charles Am. Press, L.L.C.*, 566 F.3d 164, 168–69 (5th Cir. 2009). I’ve read their opinions and find them no more persuasive than *Newsham* itself. It’s time we led the way back out of the

wilderness. Federal courts have no business applying exotic state procedural rules which, of necessity, disrupt the comprehensive scheme embodied in the Federal Rules, our jurisdictional statutes and Supreme Court interpretations thereof. As a three-judge panel, *Metabolife* could only do so much, and we are generally bound to follow *Newsham*. But if this or another case were taken *en banc*, we could

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take a fresh look at the question. I believe we should. *Id.* at *17.

In addition to joining Judge Kozinski's concurrence, Judge Paez offered his own concurring opinion (which Judge Kozinski joins as well). Judge Paez reiterates that he believes *Newsham* is "wrong and should be reconsidered," that California's SLAPP statute is "quintessentially procedural," and that applying it in federal court has "created a hybrid mess that now resembles neither the Federal Rules nor the original state statute." *Id.* at *18-19 (Paez, J., concurring).

These concurrences follow after more than a dozen published Ninth Circuit opinions that have comfortably applied the anti-SLAPP statutes of California, Oregon, and Nevada to claims based on federal diversity in the past 14 years. In *Makaeff*, for now, because the court remanded to have the district court apply the anti-SLAPP statute, *Newsham* remains good law absent an *en banc* decision reversing it. Furthermore, a different panel of the Ninth Circuit in *DC Comics v. Pacific Pictures Corp.* 706 F.3d 1009 (9th Cir. 2013) in January reaffirmed the collateral order doctrine applying to a denial of a California SLAPP motion. Nevertheless, if the Ninth Circuit grants *en banc* review, not only will the fate of anti-SLAPP statutes in the Ninth Circuit hang in the balance (including anti-SLAPP statutes in Arizona, California, Nevada, Oregon and Washington), but the fate of anti-SLAPP statutes elsewhere that have followed its lead – including in the District of Columbia, where the applicability of the new statute is currently pending before the D.C. Circuit in two cases, *Sherrod v. Breitbart* and *Farah v. Esquire Magazine, Inc.* – will be in play.

Davis Wright Tremaine LLP is building a coalition of media companies and organizations to file an amicus curiae brief to support applicability of the anti-SLAPP statute if the Ninth Circuit grants a petition for en banc review. A number of news organizations have already signed on to this effort. Please contact us if your company or organization is interested in joining.

Thomas R. Burke is a partner in the San Francisco office of Davis Wright Tremaine, LLP; Laura Handman is a partner and Allison Schary and Micah J. Ratner are associates in the Washington, D.C. office of the firm.



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Georgia Supreme Court Expands “Appropriation of Likeness” Tort in *Girls Gone Wild* Lawsuit

By Tom Clyde

On March 28, 2013, the Georgia Supreme Court stepped carefully into the thicket of lawsuits that has emerged out of the *Girls Gone Wild* video series. *Bullard v. MRA Holding LLC et al.*, Case No. S12Q2087 (Ga. March 28, 2013). In response to certified questions from the United States District Court for the Northern District of Georgia, the Court issued its most far ranging analysis of “appropriation of likeness” claims under Georgia law. The Court’s unanimous decision invigorated the claims of a young woman who alleges that she was filmed exposing her breasts at age 14.

Background

Generally, the *Girls Gone Wild* video series has spawned a growing tangle of lawsuits across the country. The company, founded by Joe Francis in 1997, is notorious for placing camera crews in large crowds at raucous events to film women willingly taking off their clothes. In the exuberance of the moment, the young participants have frequently not considered that their video image will become a permanent part of the *Girls Gone Wild* library. Not surprisingly, Joe Francis has faced a host of lawsuits since the series began in 1997, and *Girls Gone Wild* Brands LLC is now operating under bankruptcy protection.

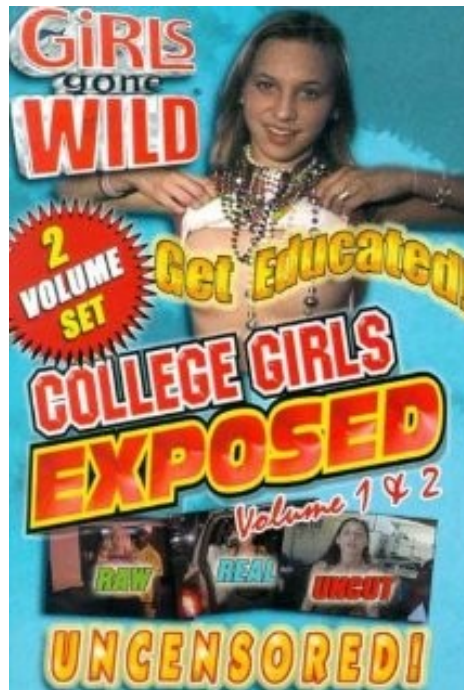
The certified questions issued to the Georgia Supreme Court arose from a lawsuit pending in a U.S. District Court in Atlanta in which the Plaintiff, Lindsey Bullard, alleges that in the spring of 2000, she exposed her breasts herself as a fourteen year-old to two unknown men in a parking lot in Panama City, Florida. She admits that she was aware that they were videotaping at the time, but

contends there was no discussion of the future use the men might make of the videotape. The video would end up included in the *College Girls Gone Wild* video series, and, importantly, her photo was placed in a prominent position on the cover of the video box with the inscription “Get Educated!” superimposed over her obscured breasts.

In response to a summary judgment motion filed by the Defendants, the U.S. District Court handling the case issued a series of certified questions to the Georgia Supreme Court seeking to clarify the murky law around Georgia’s “appropriation of likeness” tort. The Georgia Supreme Court’s responses to those questions provide considerable support to Bullard’s claims.

No Preexisting Commercial Value in Image Needed

After finding that Georgia law applies to Bullard’s claims notwithstanding the fact that the filming took place in Florida, the Court proceeded to define the contours of Georgia’s appropriation of likeness tort. The Court explained that the elements of the claim are: (1) appropriation of another’s name and likeness, (2) without consent, and (3) for financial gain of the appropriator. The Court explicitly rejected the Defendants’ claim that the appropriation tort was confined to plaintiffs who had “an inherent or preexisting commercial value in his or her name.” The Court explained the cause of action extends to “private citizens” as well as entertainers and celebrities, because it merely requires a showing that the appropriator has used the plaintiff’s name and likeness for commercial gain.



The Court noted that the men who filmed Bullard had not indicated any intent to provide her image to *Girls Gone Wild*, nor did she consent to have her image used on the cover of the video as an endorsement of the product.

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Consent Did Not Cover All Uses of Image

The Court also clarified law of consent in a manner that assists Bullard in her claim. Without reaching the issue of whether a 14 year old could ever legally consent to use of her image given her age, the Court found that the consent established by the record in the case was not sufficient to defeat Bullard's claim.

In particular, the Court noted that the men who filmed Bullard had not indicated any intent to provide her image to *Girls Gone Wild*, nor did she consent to have her image used on the cover of the video as an endorsement of the product. The Court emphasized that the words "Get Educated!" made it appear that Bullard was exhorting potential purchasers to buy and watch the video.

The Court used this aspect of the case to steer it away from any collision with traditional newsgathering. "Because, under the facts of this case, Bullard can be seen as endorsing the *College Girls Gone Wild* video through the use of her image, we find no conflict between Bullard's 'right of privacy and the freedoms of speech and press'" (quoting *Martin Luther King, Jr. Center for Soc. Change v. Am. Heritage Prods., Inc.*, 250 Ga. 135, 138 (1982)).

Damages Limited to Value of Appropriated Publicity

In addressing damages, the Court was careful to note that an appropriation case is technically an invasion of privacy action, but it addresses a commercial taking, not a mental

injury. The Court explained that this distinction significantly impacts the damages that a plaintiff may seek.

Although reputational and emotional damages are recoverable under Georgia law for most variants of an invasion of privacy action, including intrusion and false light, such "general damages" are not available in an appropriation claim. The Court explained Bullard's compensable damages may not include general damages, but should be measured by "the value of the use of the appropriated publicity." The Court acknowledged that this is a difficult concept to quantify, but explained that it is nonetheless that plaintiff's burden. "While it may be difficult for Bullard to prove how much of the use of specific images versus other images on the cover of the video added value to [Defendants'] advertising efforts, assuming that she could show such added value from the use of her image, she would be entitled to damages."

Case Resumes in District Court

With the certified questions answered, Bullard's case has resumed in the U.S. District Court where a decision is pending on Defendants' motions for summary judgment. *Bullard v. MRA Holding, LLC*, Case No. 1:04-cv-02407 (N.D. Ga.).

Tom Clyde is a partner with Dow Lohnes PLLC in Atlanta and does not represent either party in the underlying action. Plaintiff Lindsey Bullard is represented by Jeffrey Banks and Sarah Riedel of Banks & Riedel in Eastman, Georgia. MRA Holdings and Joe Francis are represented by J. Scott Carr of Wargo French LLP in Atlanta Georgia.

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Rocker Tom Scholz' Defamation Lawsuit Against Boston Herald Dismissed

By Joseph D. Lipchitz

A Massachusetts Superior Court this month granted summary judgment in favor of the Boston Herald and two of its long-time columnists, dismissing a defamation lawsuit filed by Donald Thomas Scholz, one of the original members of the 1970's rock band BOSTON, arising from three 2007 articles that reported on the March 2007 suicide of Brad Delp, the lead singer of BOSTON. [*Scholz v. Boston Herald, Inc. et al.*](#), 2010 C.A. 10-1010-D (Mass. Super. Ct. March 28, 2013) (McIntyre, J.). Scholz claimed that the articles implied that he was responsible for Delp's decision to commit suicide and that the newspaper had "fabricated" statements that it had received from Brad Delp's friends and family for the articles.

The Court rejected Scholz' claim that the newspaper had fabricated statements, holding that Scholz "has no reasonable expectation of ... proving that Micki Delp did not make the statements that she says she made, and stands by." The Court further held that Scholz had no actionable claim because the Herald reported the opinions of Brad Delp's family and friends concerning his suicide.



The 1970's arena rock band BOSTON, best known for such rock anthems as "More Than A Feeling," "Peace Of Mind," and "Rock and Roll Band," has a stormy and well-documented history.

Background

The 1970's arena rock band BOSTON, best known for such rock anthems as "More Than A Feeling," "Peace Of Mind," and "Rock and Roll Band," has a stormy and well-documented history. The band was formed by Tom Scholz, Brad Delp, Barry Goudreau, Sib Hashian and Fran Sheehan in the early 1970's, but broke apart due to well-reported disputes between Scholz, on the one hand, and the other members. These disputes led to various public lawsuits

between Scholz and Goudreau, Hashian, and Sheehan. Ultimately, Brad Delp returned to BOSTON and worked for Scholz, who hired other musicians to replace the original members.

While working for the reconstituted BOSTON, Brad Delp also continued to collaborate and perform with the other original members, who were not only his friends, but regarded by Brad Delp as his family. For example, Barry Goudreau, the original BOSTON guitarist, was Brad Delp's brother-in-law. Brad was also godfather to drummer Sib Hashian's daughter.

In March 2007, Brad Delp committed suicide shortly before a contemplated BOSTON summer tour. He left several public suicide notes collected by the police as well as private suicide notes including one to Micki Delp, his former wife and mother of his children, with whom he had remained close. The Boston Herald reported on the suicide by, among other things, reporting the contents of the publicly-available suicide notes and speaking to Brad Delp's family and friends, including Micki Delp.

In response to questions from the Herald about Brad's emotional condition at the time of his death, Brad's friends expressed their view to the Herald that Brad was caught in the middle of the animosity between Scholz, with whom he worked, and the other original members with whom he was close and that may have contributed to his suicide. As part of its reporting, the Herald learned that Brad's family had not even invited Scholz to Brad Delp's funeral. For her part, Micki Delp, in response to similar questions about Brad and things that were upsetting him shortly before his death,

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expressed the view, among others, that Brad's anxiety and fear over the upcoming summer tour without Fran Cosmo, a friend and fellow singer, who had recently been dismissed from the band, had led to the suicide. Micki Delp also told the Herald:

- "Brad lived his life to please everyone else. He would go out of his way and hurt himself before he would hurt somebody else, and he was in such a predicament professionally that no matter what he did, a friend of his would be hurt. Rather than hurt anyone else, he would hurt himself. That's just the kind of guy he was."
- Cosmo, who had been with Boston since the early '90s, had been "dis-invited" from the planned summer tour, "which upset Brad."
- "No one can possibly understand the pressures he was under."
- "Barry [Goudreau] and Sib [Hashian] are family and the things that were said against them hurt." "Boston to Brad was a job, and he did what he was told to do. But it got to the point where he just couldn't do it anymore."

In 2008, Scholz sued Micki Delp for defamation in the Massachusetts Superior Court alleging that Micki Delp had publicly blamed him for Brad Delp's suicide. Two years later, Scholz sued the Boston Herald for defamation and intentional infliction of emotional distress, making a similar claim. In 2011, the Superior Court granted Micki Delp summary judgment and dismissed Scholz' complaint against her, ruling that none of the statements attributed to Micki Delp were actionable, as a matter of law. Scholz has appealed that decision, which is now pending before the Massachusetts Appeals Court.

Superior Court Decision Granting Summary Judgment To The Herald

In ruling on the Herald's motion for summary judgment, the Court observed that "Delp's suicide was a private tragedy" but "for the public who cared about him during his life, his death was an issue of public concern." The Court then ruled that "no one ever knows what actually motivated the person...to end his life." "Delp's final mental state is truly unknowable; it can never be objectively verified...[a]ny views on the subject would necessarily be opinions."

Turning to the articles themselves, the Court ruled that Scholz had "no reasonable expectation" of proving the statements in the articles were false and that the statements about Delp's suicide were non-actionable opinions. "Considering the context of the article...it would only be reasonably perceived as an opinion held by a person or persons with some familiarity with the situation. No other interpreter is reasonable."

The Court also rejected Scholz' allegation that the Herald had "fabricated" the opinions that it had attributed to Brad's friends and family.

There is no genuine dispute that the statements of Micki and insider/friends were actually made, and still endorsed by them. That those individuals' beliefs about Brad Delp's mental statements were

opinions based on their conversations with him or observations is well-established by the factual record in this case.

Indeed, the summary judgment record included an email that Barry Goudreau, Brad's brother-in-law and friend, sent directly to Scholz within days of Brad's suicide and shortly after the Herald had published the second of its three articles, which stated, in part:

Tom I don't even know where to begin. I can't explain the pain and suffering you have

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The Court ruled that Scholz had "no reasonable expectation" of proving the statements in the articles were false and that the statements about Delp's suicide were non-actionable opinions.

(Continued from page 21)

caused me and my family, Brad and his family, Fran Cosmo and his family as well many other people you have worked with over the years. I can't get inside your head to know why treated all of us the way you have over the years. But what is done is done. . . .

Let me first say that the reason Brad died, is because he was severely depressed, undiagnosed and untreated. But there were circumstances that made things worse. When you and I got back in touch and had e-mailed each other several times, I told Brad. His response was I can't believe your (sic) trying to reconnect with Tom when I'm trying to disconnect. He then told me the last Boston tour was the first time in his life he was embarrassed to go on stage. I thought the possibility of me getting re-involved with you would have made things better for Brad. But for Brad it only would have made it go on longer. The situation surrounding the Doug Flutie show and Cosmo's dismissal were especially difficult for Brad, and the prospect of another tour weighed heavily on him. . . .

Tom, you abused Brad, not the music business. We said nothing about you or the band until questions began as to what might have pushed Brad to do this. We could not keep it under wraps forever. . . .

As for the intentional infliction of emotional distress claim, the Court dismissed it as a derivative of the defamation claim as it was based on the same articles. The Court further ruled that Scholz had no reasonable expectation of proving causation or damages given that he had suffered from precisely the same physical and emotional symptoms that he attributed to the Herald articles for years before the articles were ever published.

Jeffrey S. Robbins and Joseph D. Lipchitz of Mintz, Levin, Cohn, Ferris, Glovsky & Popeo, P.C., Boston, MA. represented The Boston Herald, Gayle Fee, and Laura Raposa. Tom Scholz was represented by Howard Cooper and Nicholas Carter of Todd & Weld, Boston, MA.



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Michigan Court of Appeals Takes Pass on *Dendrite* – At Least For Now

James E. Stewart and Leonard M. Niehoff

In an April 4, 2013 decision, the Michigan Court of Appeals dashed hopes that Michigan would become one of the states that apply the so-called *Dendrite* standard to accommodate the tensions between the First Amendment protection for anonymous speech and a person's right to know the identity of the alleged defamer. In a 2-1 decision in [*Thomas M. Cooley Law School v John Doe I*](#), No. 307426 (Mich. Ct. App. 2013), the panel held that the Michigan Court Rules and the state's substantive law of defamation provided ample protection for the (sort of) anonymous John Doe I being sued by Thomas M. Cooley Law School for defamation. In a decision concurring in part and dissenting in part, Judge Beckering argued that Michigan should adopt a modified *Dendrite* standard.

The Underlying Lawsuit

Cooley is a private law school headquartered in Michigan with several campuses in Michigan and one campus in Tampa, Florida. A brief internet search discloses that Cooley identifies itself as the largest private law school in the country with over 3,000 students. Cooley has encountered some criticism and controversy, particularly as the downturn in the legal market has prompted increased scrutiny of law schools and their placement rates.

John Doe I was one of those critics. Doe wrote a blog—under the name Rockstar 05—that was hosted by California ISP Weebly. In his blog, which was unapologetically and confrontationally named “THOMAS M. COOLEY LAW SCHOOL SCAM,” Doe claimed to be a past Cooley student and had very harsh things to say about the school. For example, on his blog he identified Cooley as “One of the three worst law schools in the United States,” said it was “considered THE BIGGEST JOKE of all law schools by other students,” and accused it of being a ‘DIPLOMA MILL’ whose graduates are unemployed.

Cooley did not take this lightly and, on July 11, 2011, filed a defamation action against Doe. Cooley alleged that Doe had made defamatory allegations that the school and its representatives were “criminals” who had committed “fraud” and that Cooley had used its clout to “prey” on current and prospective students, stealing their tuition money to become “rich.” On August 3, 2011, in response to a petition from Cooley, the San Francisco Superior Court of California issued a subpoena to California resident Weebly to produce documents including Doe's user account information.

Having learned that he was being sued when Cooley held a press conference announcing the filing of the suit, Doe retained counsel. On August 5, 2011 Doe's attorney filed a

motion in the Michigan Court where the case was pending to quash any outstanding subpoenas to Weebly and, in the alternative, for a protective order limiting or restricting Cooley's use or disclosure of his identifying information. In a commendable abundance of caution, Doe's attorney contacted the Chief of Customer Satisfaction at Weebly regarding the subpoena. Doe's attorney was assured that identifying information would not be released until August 22, providing sufficient time for the pending motion to be heard and decided.

It has been said by some cynics that “there's always one percent who don't get the word.” This was apparently the case here, as another Weebly employee released Doe's identifying information to Cooley on August 17. Cooley then filed an amended complaint on August 22 naming Doe by his real name. His attorney supplemented his motion to quash by moving the trial court to strike the identifying information then in the amended complaint on the basis that Cooley had violated the Michigan Court Rules by disclosing information that they knew Doe considered to be protected.

After extended briefing and several hearings, the trial court held that there was no Michigan authority on point and, therefore, applied a *Dendrite*-type analysis. The trial court

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The Cooley case offers insight into some of the reasons a relatively conservative court—even if generally sympathetic to First Amendment concerns—might steer away from an express adoption of the *Dendrite* standard.

(Continued from page 23)

found that Doe was on notice of the lawsuit and that, because Cooley had alleged slander per se, Doe had no First Amendment protections. Accordingly, the court denied Doe's motion to quash and his motion for protective order and allowed Cooley to use the information that it had obtained from Weebly. But the court wisely stayed its ruling pending Doe's efforts to obtain appellate review.

Doe promptly filed an Application for Leave to Appeal, which was granted by the Michigan Court of Appeals. On July 12, 2012 the Court of Appeals denied Cooley's motion to dismiss the appeal as moot. The Court issued its decision in the case on April 4, 2013.

The Majority Opinion

In the course of its analysis, the majority reinforced a number of concepts that reflected a very pro-speech orientation and that should prove helpful in future cases. For example, the court emphasized that the disclosure of an anonymous speaker is a "a publicly significant issue concerning the First Amendment" and noted the Supreme Court's admonition in *McIntyre v. Ohio Elections Commission*, 514 U.S. 344 (1995) that "an author's decision to remain anonymous.....is an aspect of the freedom of speech protected by the First Amendment." When it turned to analyzing defamation law, the Court of Appeals emphasized that Michigan has recognized that a plaintiff must allege the specific words complained of; that a plaintiff must comply with constitutional requirements that depend on "the public-or private figure status of the plaintiff, the media or non-media status of the defendant and the public or private character of the speech"; that summary disposition is an "essential tool to protect First Amendment Rights"; that a reviewing court must conduct an independent analysis of the entire record to ensure that the lower court's ruling does not constitute a forbidden intrusion on the field of free expression; and that the trial court had erred "in holding that per se defamatory statements were not entitled to First Amendment protection." Interestingly, the majority emphasized that under Michigan law "several questions of law can be resolved on the pleadings alone"—including whether actual malice exists. The majority did not specify how this should play out procedurally, although it may suggest that Michigan's heightened pleading standards in libel cases—akin to the *Iqbal/Twombly* standard that has emerged in federal courts—logically leads to this result. Of

course, in most of this discussion of defamation law there is little, if anything, that is truly new; but it is always reassuring and helpful to have additional appellate recognition and approval of principles that work to protect freedom of expression.

The majority then turned to the specific issue before it. Despite a detailed analysis of *Dendrite Int'l Inc. v. Doe No 3*, 342 NJ Super 134 (2001), *Doe No 1 v Cahill*, 884 A2d 451 (Del, 2005), and *In re Anonymous Online Speakers*, 661 F3d 1168 (CA 9, 2011), and recognition that a number of jurisdictions have adopted some version of the *Dendrite* analysis, the court elected not to incorporate *Dendrite* into Michigan law. In short, the Court of Appeals concluded that "Michigan procedures for a protective order, when combined with Michigan procedures for summary disposition adequately protect a defendant's First Amendment interests in anonymity."

The court's decision seems to have been influenced by a conservative judicial philosophy and the facts of the case. Specifically, the majority rejected the urging of Doe to apply a *Dendrite* analysis because it felt that doing so "reach[ed] beyond what [was] constitutionally necessary to judicially create anti-cyber SLAPP legislation." "Such decisions of public policy," the court declared, "are the province of our Legislature."

The court recognized the problematic aspects of what it described as "the extreme case": an anonymous speaker who does not know that he has been sued or that the plaintiff is seeking his identity for any number of reasons, including extra-judicial harassment and efforts to chill his speech. But, because Doe had knowledge of Cooley's law suit, had appeared through counsel, and was no longer truly anonymous, the court held that such an extreme case was not presented here. Accordingly, "under the well-recognized concept of judicial restraint," the majority elected to confine its ruling to the facts of the case before it. The majority accordingly reversed and remanded the case to the trial court for consideration of whether it had power to quash a California subpoena and, if not, whether Doe was entitled to a protective order.

The Concurring/Dissenting Opinion

Judge Beckering concurred in the conclusion that the only remedy for Doe was a protective order because his identity had been disclosed. She thus agreed that remand was proper

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as to that issue. She did not, however, join in the majority's view that Michigan Law provides sufficient protection for an anonymous speaker who, unlike Doe, does not even know that he has been sued. She noted that, under Michigan procedure, prior to a defendant being served or appearing, a Plaintiff can obtain discovery of a non-party only with an order of the court after a showing of good cause. She urged that it would not require establishing new law to have a trial court presented with such a request for pre-service discovery to apply a modified *Dendrite* analysis as part of its decision as to whether "good cause" had been demonstrated. She would require any plaintiff seeking to discover the identity of an anonymous speaker to do the following: (1) make a reasonable effort to notify the defendant of the suit and give a reasonable time to defend ; (2) show prima facie evidence to support every element of its claim except for information dependent on defendant's identity, and (3) demonstrate that the strength of Plaintiff's prima facie case and need to have defendant's identity outweighs the defendant's First Amendment right to speak anonymously.

What Does the Decision Mean to Media Lawyers?

At the local level, this decision obviously means that a *Dendrite* analysis has not been incorporated into the law in Michigan. Of course, even in Michigan the argument appears to remain open that it should apply in "extreme cases," given the majority's efforts to make clear that it was not deciding such a case. But it is asking a lot of busy trial judges to know about and wade into those uncharted waters when there isn't even a lawyer present to help them do it!

At a broader and national level, the *Cooley* case offers insight into some of the reasons a relatively conservative court—even if generally sympathetic to First Amendment concerns—might steer away from an express adoption of the *Dendrite* standard. Why make new law if it seems like you will generally get to the same result if you apply legal principles already at hand? Indeed, reading the majority opinion in *Cooley* may remind experienced media lawyers of Justice Powell's concurring opinion in *Branzburg v. Hayes*, 408 U.S. 665 (1972), where he invoked the standard procedures for motions to quash and for protective orders (informed by First Amendment concerns) as the methods for preventing abusive demands for the identities of confidential

sources. Lawyers advocating for *Dendrite* may want to consider whether they have a better chance of prevailing if they press for the express adoption of the standard or if they contend that the *Dendrite* considerations should simply inform the application of existing law.

Is Help on the Way?

Ironically, the "extreme case" that the *Cooley* majority did not wish to address is waiting in the wings in the Michigan Court of Appeals. That case, *Ghanam v John Does* (Michigan Court of Appeals Case No. 312201), was argued a month after *Cooley* to a different panel, who acknowledged that the case was indeed closely related *Cooley*. *Ghanam* may present a more compelling scenario for application of a *Dendrite* analysis.

Plaintiff Ghanam is the Deputy Public Service Director in the city of Warren, Michigan. A federal grand jury is investigating the city's dealings with a trash hauling contractor and has subpoenaed Ghanam's e-mails. Warren being one of those places where politics is conducted in a bare-knuckled full-contact manner, the warrenforum.net website soon featured anonymous criticisms of Ghanam. This prompted Ghanam to file a defamation action against a collection of anonymous John Does. He then sought and obtained an *ex parte* order for the deposition of a third party whom he alleged would know the ownership of warrenforum and the identity of the posters. The third party witness, no stranger to Warren politics, retained counsel, who went to court in search of an order quashing the subpoena or a protective order, arguing the *Dendrite* standard.

Things did not play out in the trial court the way the majority in *Cooley* might have expected. The trial court acknowledged that plaintiff was a public official, but (bizarrely) ruled that the plaintiff was entitled to the identity of the anonymous speakers in order to evaluate whether the statements were defamatory. The appeal followed. The result in the trial court is peculiar and, on its facts, *Ghanam* certainly seems to present a more compelling case for the application of *Dendrite* and the protection of anonymous speakers in a political debate. We will update this piece when the Court of Appeal issues its opinion in the *Ghanam* case. We hope to be the bearers of good news.

James E. Stewart and Leonard M. Niehoff are lawyers at Honigman Miller Schwartz and Cohn LLP in Detroit, MI.

North Carolina Federal Court Applies Single Publication Rule to the Internet

First Decision in the Fourth Circuit on the Issue

By Jonathan Buchan

A North Carolina federal court in March 2013 applied the single publication rule in dismissing on statute of limitations grounds a libel suit against several media defendants arising from articles posted on their websites. [*Marcus Jermaine Johnson v. The City of Raleigh, et al.*](#), No. 5:12-cv-210-BO (E.D.N.C. March 29, 2013). It is the first time a federal court in the Fourth Circuit Court of Appeals has applied the single publication rule to the statute of limitations issue in the internet context.

United States District Court Judge Terrence W. Boyle, while noting that North Carolina's state courts had not had occasion to address the single publication rule in any context, found that it should govern such internet postings because "[a]pplying a 'multiple publication' rule to internet postings would be problematic because it would lead to an increase in 'the exposure of publishers to stale claims,... [and] permit a multiplicity of actions, leading to potential harassment and excessive liability, and draining of judicial resources.'" *Citing Firth v. New York*, 98 N.Y.2d 365 (N.Y. 2002).

The trial court also denied plaintiff's claims against the media defendants under North Carolina's unfair and deceptive trade practices statute because plaintiff had failed to show there was a "competitive or business relationship between the plaintiff and defendants that should be policed for the benefit of the consuming public." North Carolina courts have previously permitted unfair and deceptive trade practice claims to proceed in libel *per se* claims involving non-media defendants. *See, Boyce & Isley, PLLC v. Cooper*, 153 N.C.App. 25, 568 S.E.2d 893 (2002).

Background

Plaintiff Marcus Jermaine Johnson pleaded guilty in 2005 to a felony charge of second degree sexual offense arising from charges he had committed incest with his sister. That conviction required him to register as a sex offender. In 1998 plaintiff had pleaded guilty to a felony charge of solicitation to commit statutory rape. At that time, solicitation of

statutory rape was not a reportable offense, and plaintiff was not required to report to the sex offender registry for that crime.

In January, 2009, plaintiff drove to Athens Drive High School in Raleigh, North Carolina, his alma mater, intending to volunteer as a wrestling coach. When plaintiff's identification was scanned during a routine background check conducted at a security kiosk, the computer system alerted school officials that he was listed with the state sex offender registry. School officials promptly reported his school visit to the local police, and he was indicted by a grand jury for violating a state statute prohibiting certain registered sex offenders from entering school grounds. Several weeks later, the charges against Mr. Johnson were dismissed after the district attorney's office determined that neither of his offenses fell under the categories listed in the pertinent state statute. Thus, despite Mr. Johnson's listing with the state sex offender registry, he had not been on school grounds illegally during his January visit.

Prior to the dismissal of those charges, reports about Mr. Johnson's arrest appeared in various news accounts, including broadcast reports and website postings on ABC11 Eyewitness News, WRAL-TV and NBC17 News.

In March, 2009, Mr. Johnson, acting *pro se*, filed numerous complaints in both state and federal courts against school officials, city officials, law enforcement officials, and various media entities, seeking damages in excess of \$700 million. The state and federal lawsuits were dismissed on various procedural grounds.

In January, 2012, Mr. Johnson filed a new complaint in state court which was removed to federal court. In addition to numerous claims for civil rights violations and for false imprisonment against city, county and various law enforcement officials, the complaint asserted claims for libel *per se* against ABC, Inc., d/b/a WTVD and ABC11.com, Capital Broadcasting Inc., d/b/a WRAL-TV and WRAL.com, and Media General Operations, Inc., d/b/a NBC17 News and NBC17.com, as well as claims for violation of North

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Carolina's Unfair And Deceptive Trade Practices Act against those media defendants.

In his complaint, plaintiff alleged that all of these reports falsely stated that his criminal record included a conviction for statutory rape, and not just solicitation to commit statutory rape. Plaintiff alleged that his fellow inmates saw this news coverage and made him a target of physical violence which required him to seek medical treatment.

Because the broadcasts and website articles that contained the allegedly defamatory statements had all been made or posted in 2009, media defendants asserted at the Rule 12(b)(6) stage their defense under North Carolina's one-year limitation statute for defamation claims. Defendants cited the numerous cases, including the often cited landmark case *Firth v. State*, explaining why the single publication rule should apply to statements posted on an internet website. In a nutshell, absent application of the single publication rule, the statute of limitations would never expire on a website posting.

Plaintiff's counsel, in its briefing, emphasized language in those cases applying the single publication rule which provides that the rule will not apply where a website posting

has been materially changed or altered, which could give rise to a new and separate publication for defamation purposes. Plaintiff argued that because he never alleged that the defamatory statements on the websites had not been subsequently modified, the single publication rule could not be applied at the Rule 12(b)(6) stage. The court rejected that interpretation of the pleadings burden, and noted that the complaint contained no suggestion that the allegedly defamatory material had been altered or republished since 2009. Plaintiff also argued that internet publishers – unlike book publishers, for example – can easily control the extent of their liability after publication by removing false and defamatory content, and that the single publication rule should not apply to them for that reason.

The media defendants also contended that the complaint should be dismissed because the statements alleged were substantially accurate, as reflected by the record before the court, and because the fair report privilege protected the statements complained of by plaintiff. The court did not reach these issues.

Jonathan Buchan of McGuireWoods LLP represented ABC, Inc. in this litigation, along with ABC, Inc.'s in-house counsel, Indira Satyendra.

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Federal Judge Vacates Prior Restraint in Lawsuit By Haiti's Prime Minister

By Jonathan D. Stratton and Scott D. Ponce

A federal district judge in Miami, Florida vacated a prior restraint that permanently enjoined a U.S.-based Haitian journalist from publishing anything relating to the Prime Minister of Haiti and a prominent Florida businessman. [*Baker v. Joseph and Haite-Observateur*](#), No. 12-CV-23300 (S.D. Fla. April 9, 2013)

Haitian Prime Minister Laurent Lamothe sued Leo Joseph for defamation, alleging that articles Joseph published in his newspaper, *Haiti-Observateur*, defamed him. Florida businessman Patrice Baker, a vice-consul for Haiti, joined the suit, alleging the articles defamed him, too. According to their complaint, the articles falsely reported that Prime Minister Lamothe and Baker improperly benefitted from the sale of a Haitian telecommunications company and that the Prime Minister inappropriately utilized his political clout to secure the deal.

After obtaining the entry of default due to Joseph's failure to appear, Lamothe and Baker moved for the entry of default final judgment and submitted a proposed form for the Court to enter. As requested by the plaintiffs, the Court entered a default final judgment that, as a remedy for the alleged defamation, "permanently" enjoined Joseph "from publishing future communications to any third-parties concerning or

regarding the Plaintiffs in either their professional, personal or political lives."

Attorneys from Holland & Knight LLP in Miami learned of the entry of the prior restraint and offered to represent Joseph *pro bono*. A motion to set aside the default and default final judgment was immediately filed, arguing that: (1) the default final judgment was an unconstitutional prior restraint on speech, (2) the plaintiffs failed to plead constitutional actual malice, and (3) there was insufficient service of process. The Court agreed, and granted the motion on all three grounds. In setting aside the default final judgment, the Court "caution[ed]" "that prior restraints on speech are disfavored" and that "Plaintiffs sought to enjoin more than just libelous or slanderous speech." In addition to setting aside the default judgment and re-opening the case, the Court *sua sponte* dismissed the complaint due to its failure to sufficiently plead actual malice, and gave the plaintiffs ten days to file an amended complaint.

Scott D. Ponce, Sanford L. Bohrer, Jonathan D. Stratton, Amanda J. Hill, and Pedro Gassant of Holland & Knight LLP, Miami, Florida, represent defendant Leo Joseph. The plaintiffs are represented by J. Ronald Denman and Miguel Armenteros of Perlman, Bajandas, Yevoli & Albright, P.L., Miami, Florida.

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New Jersey Court Affirms Post-Trial Libel Injunction

By Bruce S. Rosen & Kathleen A. Hirce

In an issue of first impression for New Jersey, the State's Appellate Division upheld a permanent injunction that prospectively prohibits one businessman from publicly speaking about another businessman, on ten categories of subjects. [*Chambers v. Scutieri*](#), No. A-4831-10T1 (N.J. App. Div. April 4, 2013).

The opinion, which will not be published, also held that the lower court's decision to hold a bench trial was appropriate, and that its decision that the speech in contention was susceptible of a defamatory meaning was also correct. Similar issues regarding injunctions against speech were raised to the U.S. Supreme Court in *Ulysses Tory and Ruth Craft v. Johnnie L. Cochran, Jr.* in 2003, before Cochran's untimely death made the matter moot.

Background

Plaintiff Raymond G. Chambers, a prominent New Jersey philanthropist and business partner of former US Treasurer William E. Simon, won the injunction against Florida-based Philip J. Scutieri, Jr. Remarkably, the Court found that Chambers, who had ownership interests in the YankeesNets, N.J. Devils and N.J. Nets, was a private figure—a decision the Appellate Division deemed moot and did not specifically address for reasons discussed below—even though a footnote in the Appellate decision noted that in 2008 Chambers was appointed as the United Nation's Special Envoy for Malaria, and he has helped to raise almost \$5 billion for that cause. He was also a recipient of the Presidential Citizens Medal in 2008.

The two men's families were once close. Beginning in 1997, Scutieri accused Chambers of stealing money from Scutieri's father, who had passed away, and alleged that Chambers and a friend had converted the father's businesses by improperly interfering with the father's estate. Though Chambers met with Scutieri and denied the claims, Scutieri

demanded \$420 million "to resolve the matter." Chambers declined. Chambers then provided information to Scutieri's mother and offered to share business documentation with her to assuage any concerns.

Essentially, as the Court recounted, there was no evidence to support any of Scutieri's claims and—of importance to the Court—Scutieri "made his allegations against [Chambers] without looking at any documents and without undertaking any investigation of the facts." Though Scutieri's mother forwarded a draft complaint to Chambers relating Scutieri's allegations, a complaint was never filed.

However, over the following seven years, Scutieri spent about \$100,000 to have a third party investigate his claims against Chambers. Scutieri admitted the investigation was fruitless and that it gleaned no evidence that Chambers had committed any crimes. Then, in 2007—when he was struggling financially—Scutieri began a campaign involving picketing and pamphleteering against Chambers in Morristown, New Jersey, where Chambers lives. Specifically, from November 2007 to May 2008, Scutieri paid picketers to hold signs stating that in the 1970s Chambers and his company had "stolen documents, money, and other assets belonging to" Scutieri's father. The signs referred to Chambers as engaging in "Grand Theft" and called his company a "Cheat." They alleged that Chambers and his company had committed tax fraud and failed to repay stolen money.

Chambers and his company filed a complaint in January 2008 and, several months later, Scutieri began mailing pamphlets—over 10,000 of them, some with compact discs—with the same type of statements as the picket signs. There were at least ten different pamphlets, each sent to more than 4,500 recipients, including high profile recipients, such as global charities, members of the U.S. Congress and members of the United Nations. Prior to distributing the pamphlets, however, Scutieri sent them to Chambers and/or his counsel.

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The Appellate Division also looked to other state courts, which had found permanent injunctions on speech were appropriate so long as they had been issued after a full trial where there was a finding that the speech at issue was false and defamatory and not entitled First Amendment protection.

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Scutieri also sent a hand written note to Chambers's attorney in 2010, including a new pamphlet and stating "I have not sent many of these out . . . Perhaps this is a good place to Stop. . . Your thoughts. – Phil."

Scutieri also created a website to post accusations similar to those made in the pamphlets and picket signs. The website had been accessed at least 40,000 times by January 2010.

Thereafter, Chambers and his company filed a final amended complaint, alleging defamation, defamation *per se* and extortion. Prospective injunctive relief was the only remedy sought. A bench trial was held over Scutieri's objection and lasted for twenty days. Ultimately, the trial court found that the speech at issue was defamatory and that Chambers was a private figure, but, nonetheless, Scutieri had acted with actual malice for the purpose of extorting Chambers.

The extortion finding was based upon Scutieri's attempts in approaching Chambers and his attorney individually before publishing the pamphlets, and because the pamphleteering and picketing campaign coincided with Scutieri falling on hard economic times. Though it had found Chambers was a private figure and therefore need not show actual damages, the Court held that Chambers had shown actual damages by providing deposition and trial testimony from individuals who stated that they thought less of Chambers based on Scutieri's accusations, and would be less likely to engage in business with him.

A permanent injunction was entered prohibiting Scutieri from attempting to obtain money or property from Chambers by "threatening to accuse him of an offense or publicizing any secret or asserted fact, whether true or false, tending to subject [Chambers] to hatred, contempt or ridicule or to impair his credit or business reput[e.]" The injunction then listed ten categories about which Scutieri is prohibited to speak, including, for example, that Chambers committed theft, a crime, or stole, converted or misappropriated assets from Scutieri's family. Scutieri appealed.

Appellate Court Affirms Injunction

The Appellate Division first found that "a bench trial was wholly appropriate[]" because while the claims were "clearly

legal in nature[.]" Chambers and his company only sought equitable relief, they did not seek money damages. Accordingly, legal determinations were ancillary to the equitable disposition, and Scutieri had no constitutional right to a trial by jury under pertinent case law.

The Appellate Court also rejected Scutieri's decision that Chambers and his company failed to meet the burden of proving defamation or extortion. Holding that "it cannot seriously be questioned that defendant defamed plaintiff through his campaign of picketing, issuing pamphlets, and creating an internet site[.]" the Court placed emphasis on the fact that Scutieri had been presented with documentation, from Chambers, showing that Chambers and his company had acted properly and that Scutieri's own investigation had admittedly turned up no evidence. Affirming the actual malice finding of the trial court, the Appellate Division also noted that any decision about Chambers's status was moot since Scutieri acted with actual malice and Chambers had shown actual damages. The Court also agreed that there was sufficient proof in the record to support a finding that Scutieri was acting with the purpose of extorting Chambers.

The Appellate Division left arguably the most contentious issue for last—the question of whether the decision to grant a permanent injunction on speech was erroneous. Noting that neither the Appellate Division nor the New Jersey Supreme Court had directly addressed the issue of a permanent injunction on speech, the Court explained that the ability to enjoin speech had been recognized by the State's trial courts. The Appellate Division also looked to other state courts, which had found permanent injunctions on speech were appropriate so long as they had been issued after a full trial where there was a finding that the speech at issue was false and defamatory and not entitled First Amendment protection.

Scutieri, the Court explained, "engaged in a demonstrated pattern of repeated defamation in aid of extortion. He continued this conduct up to the very eve of the trial and, absent the current injunction, there can be no question he would resume his campaign." The court further noted that the injunction itself was detailed and because of its language preventing speech made in an attempt to obtain money or

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While Scutieri's circumstances do not provide an ideal test case for challenging permanent injunctions on speech, the Appellate Division's opinion lacks serious analysis of the prior restraint implications of its decision and sets a dangerous precedent.

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property from Chambers “merely enjoins defendant from violating the criminal law by making statement with the purpose of extorting or attempting to extort plaintiff. . . . Defendant can certainly not complain that he has been enjoined from violating the Criminal Code.”

While Scutieri’s circumstances do not provide an ideal test case for challenging permanent injunctions on speech, the Appellate Division’s opinion lacks serious analysis of the prior restraint implications of its decision and sets a dangerous precedent. The decision essentially allows individuals obtain permanent prospective restraints on speech by way of a bench trial simply because they have chosen equitable relief and made a decision to forego any monetary damages.

A decision to forego monetary damages would be easy for someone like Chambers, a wealthy businessman who is more than arguably a public figure. Further, injunctive relief is simply unconstitutional when it comes to restricting speech,

regardless of whether a trial has been had or how narrow the injunction supposedly reads.

As observed so succinctly by counsel for petitioners in their brief before the Supreme Court in the *Cochran* matter: “[i]njunctions have not been, and should not be permitted in defamation cases for another reason: it is impossible to formulate an effective injunction that would not be extremely overbroad and that would not place the court in the role of the censor, continually deciding what speech is allowed and what is prohibited. Any *effective* injunction will be overbroad, and any *limited* injunction will be ineffective.” Petitioner’s brief at 26.

Bruce S. Rosen and Kathleen A. Hirce are lawyers at McCusker, Anselmi, Rosen & Carvelli, P.C. in Florham Park, N.J. Plaintiffs-Respondents Raymond G. Chambers and Wesray Capital, LLC were represented Lawrence S. Lustberg of Gibbons PC and Angelo J. Genova and Kathleen Barnett Einhorn of Genova Burns Giantomasi & Webster LLC. Defendant-Appellant Philip J. Scutieri, Jr. was represented by Daniel A. Bushell of Bushell Appellate Law, PA.

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Tenth Circuit Affirms Summary Judgment in Libel Case Against Documentary Filmmaker

By Steven D. Zansberg

On April 15, 2013, a divided panel of the Tenth Circuit affirmed summary judgment to a documentary filmmaker, Richard Bensinger, in a libel suit brought by a construction contracting company. [*Spacecon Specialty Contractors, LLC v. Bensinger*](#), No. 11-1139. The majority of the panel found that Spacecon had not proffered clear and convincing evidence that Bensinger published any allegedly false statements concerning the company with actual malice, which is required under Colorado law even with respect to a private-figure plaintiff when the publication addresses a matter of public concern. The dissenting judge would have reversed the trial court's grant of summary judgment and remanded for trial, so that the jury could determine whether there was clear and convincing evidence of actual malice.

Union-Sponsored Documentary Brings Libel Lawsuit

Bensinger was hired in 2008 by the United Brotherhood of Carpenters and Joiners of America, Local No. 55 in Kansas City, to produce a film about the carpentry contracting firm Spacecon and its use of an unscrupulous labor broker. Union organizer David Wilson, who hired Bensinger, notified him that the Union was engaged in a campaign against Spacecon because the company did not pay its employees area-standard wages and benefits. The labor broker whom Spacecon had used to secure workers for three construction projects – Leno & Co. – had been implicated in an incident in Glenwood Springs, Colorado, in early 2008, when 100 workers brought to Colorado from Mexico were left stranded and without work in that mountain town, sleeping ten workers per hotel room and without adequate food.

The incident drew widespread press attention and lawsuits alleging human trafficking, filed by over 65 of the stranded workers against Leno & Co. and one of the contractors (not Spacecon) for whom Leno had allegedly recruited the workers. The Union had interviewed several of the stranded

workers on videotape and several of them stated that they had been told by Leno they were going to work for Spacecon. It was after these interviews that the Union contacted Bensinger about making the film.

The film, entitled *Looking the Other Way: Benefitting From Misery*, addresses alleged abuse and discrimination suffered by foreign workers brought to the U.S. by labor brokers like Leno; such abuses include underpayment, misclassification of employees of independent contractors, and trafficking of foreign workers from Mexico. Spacecon did not contest the truth of several of the facts reported in the documentary, including that it used Leno to provide laborers to supplement its workforce on three projects and that it was under contract with Leno at the time of the stranded workers' incident in Glenwood Springs.

Nevertheless, Spacecon terminated its relationship with Leno in May 2008 after the stranded workers incident attracted media attention.

The film included on-camera interviews with the stranded workers and with other workers who accused a Spacecon supervisor of making racist and derogatory remarks to Hispanic workers. The Spacecon supervisor is shown refusing to answer questions regarding those allegations. The film also includes a president of a general contractor

who praises Spacecon's work and disavows any knowledge of Spacecon ever violating any labor or other laws. The president of a competing construction company states that his company cannot match Spacecon's bids, which implies that Spacecon pays its workers at lower rates.

Prior to its completion, the film was screened for a limited audience (around 50 people) at a pre-release screening organized by the Union in conjunction with members of the Denver City Council. One Denver City Councilmember, Paul Lopez, sent out the invitations and delivered welcoming remarks at the event. The film's screening was followed by a panel discussion, with experts and industry representatives, on human trafficking and misclassification of workers. Also

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The film, entitled *Looking the Other Way: Benefitting From Misery*, addresses alleged abuse and discrimination suffered by foreign workers brought to the U.S. by labor brokers.

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distributed at this pre-release screening was the written responses to questions provided to Bensinger by Spacecon's President, John Banks. (Banks had refused to grant Bensinger an on-camera interview unless he was granted the right to review the film in its entirety.) In his written responses, Banks denied many of the allegations and provided information directly contradicting some of the statements either contained in or allegedly implied by the film.

Spacecon filed suit in U.S. District Court alleging defamation *per se* under Colorado law. In March 2011, U.S. District Judge Robert Blackburn granted Bensinger's motion for summary judgment, finding that the film addressed a matter of public concern and Spacecon had not produced clear and convincing evidence that Bensinger published with actual malice. *See Spacecon Specialty Contractors LLC v. Bensinger*, 782 F. Supp. 2d 1194 (D. Colo. 2011). Spacecon appealed to the Tenth Circuit.

Panel Splits on Two Key Issues

Writing for himself and Judge Jerome A. Holmes, Circuit Judge Michael R. Murphy ruled that Bensinger's film qualified for Colorado's law extending the actual malice rule to any publication addressing a matter of public concern, and, under that rule, Spacecon had not shown clear and convincing evidence of actual malice. The third judge on the panel, Judge Harris L. Hartz, dissented. Judge Hartz agreed with the majority that the film addressed a matter of public concern (though he disagreed about the majority's methodology for reaching that result); however, Judge Hartz parted company with the other two judges on the issue of actual malice.

How to Determine What is a Matter of Public Concern

Although all three judges agreed that Bensinger's film addressed a matter of public concern they disagreed, rather vehemently, about whether Bensinger's alleged knowledge of falsity should be considered in making that determination. Spacecon did not dispute that the *content* and *form* of the publication – a documentary film addressing issues of human trafficking, abuse of workers, racial discrimination, alleged tax evasion and insurance fraud by contractors working on construction projects affecting hundreds or thousands of citizens – addressed a matter of public concern. The majority

considered the *context* of the pre-release screening and held that it was not a purely private context, but was open to the general public and included elected officials and other policy-makers, as well as a panel discussion on a variety of significant social issues addressed by the film.

The majority next rejected Spacecon's argument that Bensinger's motivation – to produce a pro-Union film that was highly critical of Spacecon – somehow removed the film from the ambit of a "matter of public concern":

Any pro-Union, anti-Spacecon bias on Bensinger's part does not alone indicate he was unlikely to be concerned with the truth of what he was publishing. Spacecon fails to cite any supporting authority to the contrary.... Any such motivation, however, does not necessarily render the messages conveyed by the film matters of purely private rather than public concern.

In his dissent, Judge Hartz largely agreed with the majority in finding that Bensinger's film addressed a matter of public concern under Colorado law, but rejected its view that "a statement that would otherwise be on a matter of public concern may not be so classified if the publisher of the statement knew of its falsity or published it in reckless disregard of whether it was true." According to Judge Hartz, "the 'subject matter' of a statement does not encompass either the truth of the statement or whether the publisher of the statement thought it to be true."

Evidence of Actual Malice by Clear and Convincing Evidence

The second area of disagreement among the panel judges is over whether Spacecon had presented a triable issue on actual malice. The majority concluded that none of the evidence Spacecon had pointed to was sufficient, either independently, or cumulatively, to meet the standard of "clear and convincing evidence" that Bensinger published with actual malice. Neither Bensinger's alleged "pro-union bias," his purportedly having "delegated critical film-making tasks to member of the Union," that he waited until days before the screening to seek comment from Spacecon and was under no alleged time pressure to screen the film before it was

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complete provides a sufficient basis to establish actual malice. Nor was Bensinger “required to accept [Spacecon CEO] Banks’ denials of the film’s allegations as conclusive, or prefer them over apparently credible accusations.” The majority also rejected Spacecon’s claims that Bensinger’s reliance on sources he knew to be biased proves actual malice and its allegation that he ignored obvious sources who could refute those sources’ allegations. Indeed, Bensinger personally interviewed two of the stranded workers who told him that Leno had told them they were brought to Colorado to work for Spacecon.

In his dissent, Judge Hartz again parts company with his fellow panelists, concluding that the evidence as a whole present a triable jury issue on actual malice: “I think that the panel’s opinion view of Spacecon’s evidence is too jaundiced.” Judge Hartz challenged the majority’s finding that Bensinger could rely on the fact that the two stranded workers said that Leno told them they were to do work for Spacecon. Accordingly to Judge Hartz, this hearsay does not establish that they *actually were* recruited to work for Spacecon, but merely that that is what Leno had told them – and Bensinger was already well aware that Leno’s statements to the foreign workers were not trustworthy. Thus, Judge Hartz concludes, “One would think that a jury could be

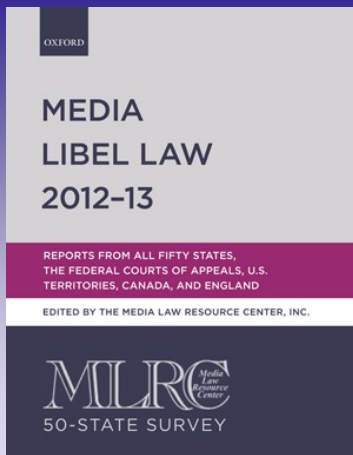
Although all three judges agreed that Bensinger’s film addressed a matter of public concern they disagree, rather vehemently, about whether Bensinger’s alleged knowledge of falsity should be considered in making that determination.

clearly convinced that Bensinger acted in reckless disregard of the truth when he did not corroborate Leno’s statements about Spacecon despite knowing that Leno had falsely said that same thing about [another construction contractor].” Judge Hartz concludes that this evidence, along with Bensinger’s motive, as a union-paid filmmaker was “to make Spacecon look bad” and Bensinger’s “failure to check obvious sources, such as the Stranded Workers’ attorney or the reporter who wrote the stories about the workers” could lead a jury to “properly find malice.”

Future Proceedings Ahead?

Spacecon has sought and obtained an extension of time in which to file its petition for rehearing. Thus, it remains to be seen whether there will be future proceedings concerning this case before the Tenth Circuit, and/or possibly, a petition for certiorari to the United States Supreme Court.

Tom Kelley and Steve Zansberg of Levine Sullivan Koch & Schulz, LLP in Denver and Daniel Shanley and Jody Borelli of DeCarlo, Connor & Shanley in Los Angeles, represented Richard Bensinger. Spacecon Specialty Contractors, LLC was represented by Lawrence Marquess, Christopher Leh, Daniel Kistson and Allison Cohn of Littler Mendelson in Denver.



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U.S. Supreme Court to Court to Consider Application of *Calder* “Effects Test”

Non-media Fourth Amendment Case May Have Implications for Media Litigation

The U.S. Supreme Court recently agreed to hear an appeal of a divided Ninth Circuit decision holding that Nevada has personal jurisdiction to hear a Fourth Amendment / Bivens claim against Georgia-based DEA agents for an alleged illegal search and seizure at Atlanta airport. [*Fiore v. Walden*](#), 688 F.3d 558 (9th Cir. 2012) (Berzon, Goodwin, Ikuta, JJ.), *cert. granted*, (March 4, 2013).

The Petition asked the Supreme Court to decide whether an intentional act taken with knowledge that a plaintiff has connections to the forum is, by itself, enough to constitute “express aiming” at the forum under [*Calder v. Jones*](#), 465 U.S. 783 (1984).

The Court may have granted certiorari simply to correct what may be an erroneous Ninth Circuit panel decision. But the Court’s analysis of *Calder* may inevitably touch on what “express aiming” means in other contexts. Defendants’ brief on the merits is due by May 28, 2013; plaintiffs’ brief is due by July 26, 2013. Both sides have consented to the filing of amicus curiae briefs.

Background

Plaintiffs are professional gamblers who were transferring planes in Atlanta’s Hartsfield-Jackson Airport en route to Las Vegas. They were carrying approximately \$100,000 in cash. After being stopped and questioned, DEA agents seized the money as suspected illegal drug proceeds. The DEA later initiated a forfeiture proceeding to claim the money. The forfeiture action, however, was subsequently dropped for lack of probable cause and the money was returned in full. Plaintiffs then brought a *Bivens* action against the DEA in Nevada federal court, alleging that the search and seizure violated the Fourth

Amendment and that DEA agents in Atlanta knowingly filed a false affidavit in support of the forfeiture action.

The district court dismissed for lack of personal jurisdiction under the [*Calder*](#) effects test. All the conduct surrounding the search and seizure was aimed at Georgia not Nevada, according to the district court, even if defendants knew plaintiff would be harmed in Nevada. The mere foreseeability of injury in Nevada was not sufficient to establish personal jurisdiction there.

On appeal a divided [Ninth Circuit](#) reversed. Judges Berzon and Goodwin found that the search and seizure was expressly targeted at Nevada because the DEA agents knew that plaintiffs were en route to Las Vegas, had connections to Nevada as professional gamblers – particularly when the agents filed the allegedly false affidavit for forfeiture. The majority concluded that Nevada was the focal point of the case.

The Ninth Circuit majority analogized the situation to personal jurisdiction cases involving fraud, writing “that case law firmly establishes that if a defendant is alleged to have defrauded or similarly schemed against someone with substantial ties to a forum, the ‘expressly aimed’ factor is met, even if all the defrauding activities occur outside the forum.” The Court also held that venue in Nevada was proper because plaintiffs “suffered harm in Nevada,” and “all the economic injuries suffered by [plaintiffs] were realized in Nevada.”

In a blistering dissent from a denial for rehearing, Judge O’Scannlain wrote: “This ruling clashes with Supreme Court case law, exacerbates a conflict in our circuit law, begets a second intra-circuit conflict, and creates or deepens two

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While the Court may have granted certiorari simply to correct what may be an erroneous Ninth Circuit panel decision, the Court’s analysis of *Calder* may inevitably touch on what “express aiming” means in other contexts.

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lopsided conflicts with other circuits.” Judge O’Scannlain noted that the Ninth Circuit has not “always been precise when developing our jurisprudence under *Calder*,” but this decision takes Ninth Circuit “law even further from Supreme Court case law than it was before.”

Judge McKeown writing separately stated: “With the stroke of a pen, our circuit returns to a discredited era of specific personal jurisdiction, where foreseeability reigns supreme and purposeful direction is irrelevant.”

Petition for Certiorari

The named DEA defendant [petitioned](#) the Supreme Court for certiorari, arguing that the Court should decide “whether an intentional act taken with knowledge that a plaintiff has connections to the forum constitutes ‘express aiming’ at the forum.” The questions presented ask:

(1) Whether due process permits a court to exercise personal jurisdiction over a defendant whose sole “contact” with the forum State is his knowledge that the plaintiff has connections to that State.

(2) Whether the judicial district where the plaintiff suffered injury is a district “in which a substantial part of the events or omissions giving rise to the claim occurred” for purposes of establishing venue under 28 U.S.C. 1391(b)(2) even if the defendant’s alleged acts and omissions all occurred in another district.

As to personal jurisdiction, the [Petition](#) argues that there is a six-to-two Circuit split where “[m]ost circuits hold that, under *Calder* ... the defendant must have expressly aimed his conduct at the forum state itself—not merely at an individual who happens to have connections to the forum state.” The Ninth Circuit’s decision put it in line with the Eleventh

Circuit, requiring “only that the defendant have taken an intentional act with knowledge that the plaintiff resides in or has connections with the forum state.”

As to venue, the [Petition](#) argues that the Ninth Circuit’s decision further reinforced a Circuit split on the meaning of the general federal venue statute. While three circuits “hold that a district ‘in which a substantial part of the events or omissions giving rise to the claim occurred’ is a district in which a substantial part of the defendant’s alleged misconduct occurred,” the Ninth Circuit “holds that venue lies wherever the plaintiff felt the injury, even if the defendant’s alleged conduct all occurred elsewhere.”

Opposition to Certiorari

In opposition to granting review, plaintiffs’ [brief](#) argued that there is no Circuit split on the application of the *Calder* test. “In reality, no circuit requires a defendant to aim his conduct at the forum itself, as opposed to at its residents.” Rather, the distinction is merely semantic, “because states are composed of individuals, defendants must be able to satisfy *Calder*’s requirements by targeting individuals.”

Moreover, the plaintiffs noted that the Court has recently denied at least four petitions seeking clarification of *Calder*’s “express aiming” requirement, including two non-media defamation cases. *See, e.g., Roberts v. Kauffman Racing Equip., L.L.C.*, 2010 Ohio 2551, 930 N.E.2d 784 (2010), *cert. denied*, (2011) (applying *Calder* to find Ohio the “focal point” of damage for allegedly defamatory online statements made by a Virginia defendant); *Dworkin v. Tamburo*, 601 F.3d 693 (7th Cir. 2010) (applying *Calder* to find that Illinois has personal jurisdiction over out of state defendants who posted alleged defamatory comments about plaintiff).

Plaintiffs are represented by Robert A. Nersesian, Nersesian & Sankiewicz, Las Vegas, NV, and Goldstein & Russell, P.C., Washington, D.C. Defendants are represented by Jeffrey Bucholtz and Daniel Epps, King & Spalding, Washington, D.C.

The plaintiffs noted that the Court has recently denied at least four petitions seeking clarification of *Calder*’s “express aiming” requirement, including two non-media defamation cases.

New Judge Unseals Probable Cause Affidavits in Aurora Shooting Case

Public's First Amendment Rights Outweigh Countervailing Interests in Secrecy

By Steven D. Zansberg

On April 4, 2013, Judge Carlos Samour Jr. of the Colorado District Court for Arapahoe County, Colorado [ordered](#) the unsealing of all of the affidavits of probable cause in *People v. James Eagan Holmes*, the man accused of the Aurora theater shooting on July 20, 2012. The motion to unseal the warrant materials was filed by eighteen news organizations (ABC, Inc.; The Associated Press; Cable News Network, Inc., CBS News, CBS Television Stations, Inc.; *The Denver Post*; Dow Jones & Company; Fox News Network, LLC; Gannett; KCNC-TV; KDVR-TV; KMGH-TV; KUSA-TV; *Los Angeles Times*; The McClatchy Company; National Public Radio; NBCUniversal Media, LLC; The New York Times Company; The E.W. Scripps Company; and *The Washington Post*), shortly after the preliminary hearing was conducted January 3–5, 2013, and the Court issued a 61-page opinion finding probable cause to hold Holmes over for trial on all 166 felony counts. Although the Media Petitioners' Motion was filed on January 16, it was not placed on the court's docket, and was apparently misplaced in the court's clerk's office and/or the chambers. Following the arraignment on March 12 the Media Petitioners re-filed their motion to unseal, and Judge Sylvester (who had presided over the case from its outset) ordered the parties to file responses to the motion by April 2.

Objections to Unsealing Filed by Both Parties

On April 2, both the District Attorney and Holmes responded in opposition to the Media Petitioners' motion to unseal. The DA urged the court to withhold the names of all witnesses and victims contained in the records, citing Colorado's Victim Rights Amendment, and asked that the police reports appended to the affidavits be withheld because

their disclosure would interfere with the government's ongoing investigation of the crimes. Holmes restated his position, as he has maintained throughout the case, that the entirety of the court file should be sealed to protect his fair trial rights.

New Judge Recognizes Public's First Amendment Right to Inspect Court Files

Judge Samour had been assigned to take over the case for Chief Judge William Sylvester on Monday, April 1, 2013, just moments after the District Attorney announced in open court that the People will be seeking to execute Holmes for the crimes charged. The "Order Regarding Media Petitioner's Motion to Unseal Affidavits of Probable Cause" was Judge Samour's first written ruling in the case. And, the 12-page ruling unsealing the warrant materials in their entirety is a refreshingly clear and well-written maiden voyage.

Judge Samour applied Colorado's precedents that hold access to criminal court judicial records is governed by the Colorado Criminal Justice Records Act, and by ABA Criminal Justice Standard 8-3.2 which Colorado's Supreme Court adopted in *Star Journal Publishing Co. v. County Court*, 591 P.2d 1028 (1979). The judge noted that under Colorado precedents, the custodian of "criminal justice records" must balance the public and private interests at stake to determine whether disclosure of the records would be "contrary to the public interest." In doing so, the judge placed a rather heavy thumb on the side of the scale labeled "public interest" in disclosure of court records – the First Amendment:

Judge Samour found the interests asserted by the parties as the basis for continued sealing of the warrant materials did not stack up.

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Media Petitioners contend that they and other members of the public have a constitutional right protected by the First Amendment to the information sought which may only be curtailed by the showing of an overriding and compelling state interest. The Court agrees.

Recognizing the vital role that the press plays in illuminating, for the public, the functioning of the criminal justice system, Judge Samour quoted Colorado's Supreme Court:

Enlightened choice by an informed citizenry is the basic ideal upon which an open society is premised, and a free press is thus indispensable to a free society. Not only does the press enhance personal self-fulfillment by providing people with the widest possible range of fact and opinion, but it is also an incontestable precondition of self-government.

Balanced against this weighty interest, Judge Samour found the interests asserted by the parties as the basis for continued sealing of the warrant materials did not stack up. The names of victims and witnesses were already a matter of public record, so "the People's objection, while generally valid, does not have much merit under the circumstances present here." Similarly, the court rejected the People's request to keep the police reports under seal to protect the ongoing investigation; in light of all of the information about

the case that has already been disclosed publicly, "the Court cannot in good conscience conclude that the release of the records warrants and the police reports attached to the affidavits would be contrary to 'the public interest.'" And, in denying the People's objections, "the Court concludes that the fundamental nature of the First Amendment rights of Media Petitioners and the public may not be abridged."

Judge Samour rather succinctly rejected the defendant's claim that disclosure of the affidavits and warrant returns would pose a substantial probability of harm to his fair trial rights or that continued sealing would be effective in preventing such harm: "under the circumstances present, the

defendant's interest in keeping the affidavits and records warrants sealed are outweighed by the First Amendment rights of media Petitioners and the public in having those documents released."

The documents were released by the Court the same day, April 4, 2013, and their contents generated a good deal of press coverage, including the revelation that Holmes' psychiatrist at the University of Colorado had notified campus police in

mid-June 2012 that he had sent her threatening emails and that he posed a "danger to the public due to homicidal statements he had made." The released documents are posted [online here](#).

Steven D. Zansberg, Tom Kelley and Chris Beall of Levine Sullivan Koch & Schulz, LLP in Denver represented the Media Petitioners. The People were represented by District Attorney George Brauchler and Assistant District Attorney Karen Pearson in Centennial, Colorado. Mr. Holmes was represented by Tamara Brady and Daniel King of the Office of State Public Defender in Denver.

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Military Appeals Court Declines to Rule on Request for Access To Bradley Manning Court Martial Citing Lack of Jurisdiction

The United States Court of Appeals for the Armed Forces this month held in a 3-2 decision that it did not have jurisdiction to issue a writ of mandamus enabling journalists and the public to have access to court documents and proceedings in the court martial trial of Bradley Manning, who is accused of releasing secret information to WikiLeaks. [*Center for Constitutional Rights et al. v United States*](#), No. 12-8027/AR, 2013 CAAF LEXIS 389 (Armed Forces App. April 16, 013) (Baker, Cox dissenting). The majority held the court did not have statutory jurisdiction over the third-party access claim.

Background

Pfc. Manning was arrested in Iraq in 2010 on suspicion of providing classified diplomatic cables to Julian Assange and WikiLeaks. He faces a court martial for a number of offenses, including aiding the enemy in violation of Article 104 of the Uniform Code of Military Justice. While the media and public have been allowed to view the court proceedings in a limited-seating facility, no official transcripts have been released, and no access to court documents has been allowed.

Appellants in this case include journalists Glenn Greenwald of Salon.com, Jeremy Scahill of The Nation, Amy Goodman of Democracy Now!, the Center for Constitutional Rights, Julian Assange, and Wikileaks. The lower court, the U.S. Court of Criminal Appeals, summarily denied their petition for a writ of mandamus.

On appeal, appellants sought: (1) a writ of mandamus and prohibition to compel the trial court to grant public access to documents filed in *United States v. Manning*; and (2) a writ of mandamus and/or prohibition ordering the trial judge to reconstitute past R.C.M 802 conferences in the Manning case in open court, not inconsistent with the First Amendment.

Access Request Outside Court's Jurisdiction

The court rested its interpretation of the All Writs Act on the precedent of [*Clinton v. Goldsmith*](#), finding that "[T]he express terms of the Act confine the power of the CAAF to issuing process 'in aid of' its existing statutory jurisdiction; the Act does not enlarge that jurisdiction." [*Goldsmith*](#), 526 U.S. 529, 534-535 (1999). And according to its governing statute, Article 67(c), UCMJ, 10 U.S.C. § 867(c) (2006), "...

the Court of Appeals for the Armed Forces may act only with respect to the findings and sentence as approved by the convening authority and as affirmed or set aside as incorrect in law by the Court of Criminal Appeals."

In applying this to the appellants' argument, the court found it important that the claim came from a third party: "We thus are asked to adjudicate what amounts to a civil action, maintained by persons who are strangers to the court-martial, asking for relief—expedited access to certain documents—that has no bearing on any findings and sentence that may eventually be adjudged by the court-martial."

The court found that deciding the issue of the public's right to access was outside this "findings and sentence" and thus outside its jurisdiction. But it added, "We are not foreclosing the accused from testing the scope of public access, but he has not done so here."

Dissenters Cite First Amendment

Chief Judge Baker and Judge Cox dissented, writing separately but joining each other's opinions.

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"We thus are asked to adjudicate what amounts to a civil action, maintained by persons who are strangers to the court-martial, asking for relief—expedited access to certain documents—that has no bearing on any findings and sentence that may eventually be adjudged by the court-martial."

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Judge Baker looked to *Richmond Newspapers* as well as *Press Enterprise* to support the constitutional right of access to criminal trials, noting as well that the right to public trial is embedded in the Rule for Courts-Martial (R.C.M.) 806. Moreover, Baker found that the majority incorrectly relied on *Goldsmith*, finding that deciding the access issue would not constitute an “independent action.” “In contrast, the writ before this Court appeals a specific ruling of a specific Rule for Courts-Martial in a specific and ongoing court-martial.” Leaving the decision to an Article III judge would result in an uneven application of the law, Baker noted.

Judge Cox wrote separately to explain his opinion that it is the responsibility of the military judge “to insure that a military court-martial is conducted so that the military accused and the public enjoy the same rights to a fair and public hearing as is envisioned in the Bill of Rights and embodied in the R.C.M.”

Shayana D. Kadidal, J. Wells Dixon, Baher Azmy, Michael Ratner, and Jonathan Hafetz of the Center for Constitutional Rights represented appellants. Captain Chad M. Fisher, Lieutenant Colonel Amber J. Roach, and Major Robert Rodrigues represented appellees. The Reporters Committee for Freedom of the Press filed an amicus brief on behalf of itself and 31 news media organizations.

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D.C. Circuit Clarifies FOIA Procedure

Eases Ability to File Lawsuit for Failure to Respond

The Court of Appeals for the District of Columbia this month held that when government agencies fail to timely respond to FOIA requests, requesters can immediately bring suit, bypassing any administrative appeal. [*Citizens for Responsibility and Ethics in Washington v. Federal Election Commission*](#), No. 12-5004, 2013 U.S. App. LEXIS 6540 (D.C. Cir. April 3, 2013) (Griffith, Kavanaugh, Sentelle, JJ).

The court found that merely acknowledging an individual's request for information does not satisfy FOIA requirements. "[I]f the agency does not adhere to FOIA's explicit timelines...the agency cannot rely on the administrative exhaustion requirement to keep cases from getting into court."

Background

Citizens for Responsibility and Ethics in Washington (CREW), a nonprofit that advocates for government accountability, filed a FOIA request with the Federal Election Commission in March 2011. The FEC acknowledged receipt of CREW's request the next day. However, more than two months later, CREW had not received any documents or a more specific statement about what the FEC would produce and what exemptions it would claim. CREW filed suit on May 23, 2011, alleging that the FEC had not responded to its FOIA request in a timely fashion and that it had wrongly withheld records.

The FEC began supplying CREW with documents in June 2011, including a letter in its initial mailing indicating that CREW would receive responses to its request on a rolling basis, that the mailing was not a final production of records, and that the letter was not a final agency decision, so it was not subject to an appeal. In its final June 23 letter, the FEC informed CREW which documents it was withholding under what exemptions and advised CREW of its right to appeal.

On the day it filed its final notice to CREW, the FEC moved to dismiss CREW's access suit, or in the alternative for summary judgment. It maintained that CREW's argument was moot because the FEC had responded and that CREW failed to exhaust an administrative appeal before bringing suit. The district court granted summary judgment in favor of the FEC.

CREW appealed and the Circuit Court examined "[w]hen must a FOIA requester exhaust administrative appeal remedies before suing in federal district court to challenge an agency's failure to produce requested documents?"

FOIA Procedure

"As a general matter, a FOIA requester must exhaust administrative appeal remedies before seeking judicial redress. But if an agency does not adhere to certain statutory timeliness in responding to a FOIA request, the requester is deemed by statute to have fulfilled the exhaustion requirement."

"To trigger the exhaustion requirement, an agency must make and communicate its 'determination' whether to comply with a FOIA request—and communicate the 'reasons therefore'—within 20 working days of receiving the request, or within 30 working days in 'unusual circumstances.' ... If the agency has made and communicated its 'determination' in a timely manner, the requester is required to

administratively appeal that 'determination' before bringing suit. But if the agency has not issued its 'determination' within the required time period, the requester may bring suit directly in federal district court without exhausting administrative appeal remedies."

The court noted that the exhaustion issue in this case turned on what kind of agency response qualifies as a "determination." The court closely examined the FOIA

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"As a general matter, a FOIA requester must exhaust administrative appeal remedies before seeking judicial redress. But if an agency does not adhere to certain statutory timeliness in responding to a FOIA request, the requester is deemed by statute to have fulfilled the exhaustion requirement."

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language calling for an “immediate” response that allowed agency appeal, implying that the immediate response by the government agency must be substantive. The court also acknowledged the “safety valve” available for government agencies to request an extension of the response timeline. It agreed with CREW: “In order to make a ‘determination’ within the statutory time periods and thereby trigger the administrative exhaustion requirement, the agency need not actually produce the documents within the relevant time period. But the agency must at least indicate within the relevant time period the scope of the documents it will

produce and the exemptions it will claim with respect to any withheld documents.”

Because the FEC did not make this “determination” within the statutory time frame, CREW was not required to exhaust administrative appeal remedies before filing its FOIA suit. The court reversed and remanded.

Anne L. Weismann and Melanie Sloan of Citizens for Responsibility and Ethics in Washington represented appellants. Steve Hajjar of the Federal Election Commission represented appellees. He was joined by Anthony Herman, General Counsel, and David Kolker, Associate General Counsel as well as Sarang V. Damle and Michael S. Raab of the U.S. Department of Justice.



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Virginia Supreme Court Rules Lawyer Blog Is Commercial Speech

Finds Substantial Interest in Regulating Potentially Misleading Lawyer Blogs

By James L. McGuire

Any lawyer who writes a blog – or who simply wants to boast about her successes – should take note of a recent Virginia Supreme Court case. In [*Hunter v. Virginia State Bar*](#), 2013 WL 749494 (Va. Feb. 28, 2013), the Court declared that a lawyer's blog, situated on his firm's website and discussing the firm's successful cases, was commercial speech that could be regulated by the Virginia State Bar ("VSB"). But the Court provided only limited guidance for practitioners to determine whether their on-line comments about their cases, or even about the legal system more generally, have crossed the line into commercial speech not fully protected by the First Amendment.

Horace Frazier Hunter, a Virginia attorney, writes for his firm's website a blog known as "This Week in Richmond Criminal Defense." In 2011, the website contained 30 unique posts, 25 of which discussed criminal cases. Hunter represented the defendants in 22 of those cases, a fact that he noted in each of the 22 posts. In 21 of the cases, Hunter's clients either were acquitted, plea bargained to an agreed-upon disposition, or had their charges dismissed or reduced. The individual posts about these cases contained no disclaimers.

Based upon the blog, the VSB charged Hunter with violating the Virginia Rules of Professional Conduct, including the Rule prohibiting lawyer advertising that is likely to create an "unjustified expectation about the results the lawyer can achieve" and the Rule requiring a disclaimer for advertisements that refer to "specific or cumulative results." Following a hearing, the VSB held that Hunter violated both Rules, among others. Hunter appealed to a

three-judge circuit court panel, which affirmed the violations (but reversed on a different Rule concerning disclosure of client confidences). Hunter then appealed to the Virginia Supreme Court, which, in a 7-2 decision, affirmed the violations.

The Court's analysis focused first on whether Hunter's blog posts constituted commercial speech. Despite the posts containing some indisputably political commentary, the Court ruled that the blog was commercial speech. But the Court's perfunctory analysis raised nearly as many questions as it answered.

To justify its finding that the blog was commercial speech, the Court identified a series of apparently dispositive facts: Hunter admitted that his motivation for blogging was at least partly economic; the posts largely discussed cases where Hunter obtained a favorable result; the posts referenced a specific product (Hunter's lawyering skills); and the blog was positioned on his firm's commercial website and was non-interactive. The fact that the blog also contained political commentary and posts that in no way advertised Hunter's services was of little consequence to the Court, which concluded that "Hunter chose to

commingle sporadic political statements within his self-promoting blog posts in an *attempt to camouflage the true commercial nature of his blog.*" (Emphasis added.)

Unfortunately, the Court's conclusion that the blog posts are commercial speech is hardly a lesson in clear reasoning. While the Court justified its conclusion based upon the facts listed above, it never explained how those facts affected its

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Any lawyer who writes a blog – or who simply wants to boast about her successes – should take note of a recent Virginia Supreme Court case. The Court declared that a lawyer's blog, situated on his firm's website and discussing the firm's successful cases, was commercial speech that could be regulated by the Virginia State Bar.

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analysis. For instance, if only 15 of the blog's 30 posts had concerned Hunter's cases, would that still have been sufficient to render the entire blog commercial speech? Or what if the blog included discussions of three or four cases where Hunter did not receive a favorable result – would that alter the analysis? Would making the blog interactive and permitting reader comments have made a difference? The Court provided no insight on these difficult questions.

Likewise, the Court's explanation as to why Hunter's political commentary was irrelevant to the analysis was troubling in its illogic. The blog is commercial, the Court concluded (without citing any evidence), because Hunter inserted the political commentary merely to camouflage its true commercial nature. Or, more precisely, the blog is commercial, not political, because it is commercial.

Having concluded that the blog was commercial speech, the Court then analyzed whether it was misleading. According to the Court, commercial speech can be regulated by the VSB only if the speech concerns unlawful activity or is misleading, if the VSB has a substantial interest in regulating the speech, and if its regulations are no more extensive than necessary.

The Court rejected the VSB's argument that the blog was inherently misleading. Instead, it found that the blog was *potentially* misleading because Hunter achieved a favorable result in nearly every case the blog described. As the Court explained, when commercial speech is potentially misleading, States may require that such speech be presented in a way that is not deceptive. Here, the Court concluded, the non-deceptive way to present the information is with a VSB-sanctioned disclaimer at the top of each blog post.

Once again, the Court's conclusion that Hunter's blog posts were potentially misleading is troubling. Because nearly any statement has the potential to be misleading, Hunter's blog posts likely were *potentially* misleading, at

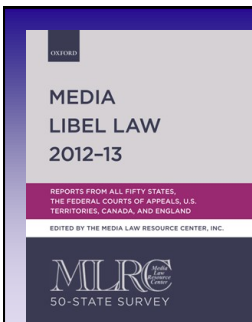
least in some sense. But many lawyers promote their services in ways that are *potentially* misleading. For instance, some lawyers promote themselves on Martindale.com by listing their AV Preeminent Peer Rating, and do so without any disclaimer noting that merely because a lawyer is AV rated does not mean that he will achieve a successful result. Lawyers also appear on television news programs discussing cases they have won, but not the cases they have lost, often with the hope that their appearance will generate business. Apparently, such speech is *potentially* misleading, just not potentially misleading enough to attract the VSB's or the Virginia Supreme Court's scrutiny.

Finally, the Court found that the VSB has a substantial governmental interest in regulating potentially misleading lawyer blogs because of the U.S. Supreme Court's concern about the public's "naiveté" and "lack [of] sophistication" when it comes to lawyer advertising. Not surprisingly, the Court cited no evidence that any member of the public or any potential purchaser of legal services was actually misled. The paternalism inherent in the Court's ruling is at odds, at least in part, with the U.S. Supreme Court's warning that the First Amendment "entrust[s] the people to determine what is true and what is false." Citizens United v. Federal Election Commission, 558 U.S. 310, 130 S. Ct. 876, 907 (2010).

Discussing a different Rule that Hunter was accused of violating – but that the Court agreed he did not violate – the Court proclaimed that "State action that punishes the publication of truthful information can rarely survive constitutional scrutiny." Despite this admonition, the Court found that Virginia Rules of Professional Conduct, when applied to a lawyer's truthful blog postings, represent one of those rare instances.

Hunter's lawyers have stated that they intend to seek review in the U.S. Supreme Court.

James L. McGuire is a partner at Thomas & LoCicero PL in Tampa, FL.



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Temporary Copies Defense Can Apply to Meltwater Web-Based Users

UK Case Referred to the European Court of Justice

By Niri Shan and Adam Rendle

Before the Associated Press sued Meltwater for copyright infringement in the US, the UK's Newspaper Licensing Agency (NLA) was in a dispute with Meltwater and its public relations users about the need for and terms of the NLA's licences. The English dispute was appealed to the Supreme Court over the application of the "temporary copies" defense to users of Meltwater's web-based service. If Meltwater's users could rely on it, they would not need a licence to receive the service through a browser. If they could not, they would need a licence and, some had suggested, it would be the "end of the web" as we know it.

The Supreme Court decided to refer the question to the Court of Justice of the European Union (CJEU) but, before doing so, gave its strongly-worded and policy-driven, but obiter, view that the defense should apply to Meltwater's users. [*Public Relations Consultants Association Limited v The Newspaper Licensing Agency Limited and others*](#), [2013] UKSC 18.

In particular, in its view, the defense should apply to the acts of browsing the internet, caching browsed material and viewing material on screen, even where those acts are unauthorized by the copyright owner. The question is of little practical relevance to the dispute but its answer may well have substantial implications for the interpretation of what is a very important defence for the operation and use of online services.

Background to the Supreme Court's decision

Meltwater provides a media monitoring service, sending its customers emailed reports of news articles including their search terms. These reports are 256 characters long and include the headline, the opening words and an extract from the article giving the context of the search term. They also

include links to the online version of the article. In order to compile the reports, Meltwater scrapes and indexes publishers' websites.

The NLA represents UK and international newspapers and provides licences for secondary users of its members' content. Meltwater's service covered that content. The NLA operates two relevant licensing schemes – one aimed at media monitoring organisations, such as Meltwater, and the other aimed at end-users who receive the reports from such organizations. In contrast with the litigation in the US, Meltwater has agreed to take a licence (although it argued

that it did not need to). The litigation arose because Meltwater argued that its users should not have to pay the licence fee which the NLA requested because they are, in Meltwater's view, not infringing copyright. A representative body of Meltwater's users, the Public Relations Consultants Association (PRCA), therefore became involved in the dispute.

The courts below considered three main issues and gave the following answers:

Are headlines original literary works i.e. protected by copyright? Yes—they are capable of being original literary works.

Are the 256 character extracts a substantial part of an original literary work i.e. if a copy is taken will there be prima facie copyright infringement? Yes—they can be and the probability of there being infringement by Meltwater's users was "substantial."

If Meltwater's users could rely on the temporary copies defence, they would not need a licence to receive the service through a browser. If they could not, they would need a licence and, some had suggested, it would be the "end of the web" as we know it.

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Do any defences apply? No—the end users’ activities did not satisfy the “lawful use” and “no independent economic significance” parts of the temporary copies defence (see below) and there was no fair dealing for the purposes of criticism or review or reporting current events.

[Judgment of the High Court](#), 26 November 2010, [2010] EWHC 3099 (Ch), and [judgment of the Court of Appeal](#), 27 July 2011 [2011] EWCA Civ 890

It was the decision on the temporary copies defence only which was appealed to the Supreme Court. The decisions on subsistence and infringement are significant in themselves but are not the subject of this article

One quirk of the Supreme Court’s decision is that the question it addressed does not relate to how Meltwater currently operates its service (which is delivered by email) but to a hypothetical future service which could be delivered and viewed through Meltwater’s website. It was common ground that the email service could not benefit from the temporary copies defence because the received emails are not copied temporarily. This is a novel approach for the Supreme Court to have taken, proceeding on the basis of facts which were not directly in issue before the lower courts.

The Temporary Copies Defense

The temporary copies defence, which was the subject of the Supreme Court’s decision, has been interpreted by the CJEU to be satisfied if the following five requirements are met:

1. The act of copying must be temporary.
2. It must be transient or incidental.

3. It must be an integral and essential part of a technological process.
4. The sole purpose of the process must be to enable a transmission in a network between third parties by an intermediary or a lawful use of the copyright work.
5. The act must have no independent economic significance.

Infopaq I, judgment of the CJEU in Case C-5/08, 16 July 2009

The Supreme Court's Decision

Since the Court of Appeal’s judgment the CJEU has given two other rulings which appeared to expand the temporary copies defence beyond the High Court’s and Court of Appeal’s decisions. In particular, in the *FAPL v QC Leisure* case, the CJEU decided that the exception applied to temporary copies made within the memory of a satellite decoder and on a television screen in “private circles.” (Judgment of the CJEU Joined Cases C-403/08, C-429/08, 4 Oct. 2011).

This appeared to conflict with the view of the English courts that internet users could not rely on the defense when they perform the equivalent act of browsing the internet. The Supreme Court’s decision favours the CJEU’s wider interpretation in the *FAPL* case, as the Court could find no “rational distinction” between viewing copyright material on a television screen and viewing material on a computer screen.

Lord Sumption, giving the judgment of the Supreme Court, rejected the argument that the defense does not apply to temporary copies generated by end users, saying instead that the defense was expressly intended to apply to browsing. He considered that cached copies and those on end users’ screens are an integral part of the technological process of browsing, as they are basic features of modern computers, and that references to ‘temporary’ or ‘transient’ in the defense

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are designed to prevent end users from downloading or printing copyrighted content rather than merely viewing it.

The Supreme Court was not persuaded that the copies in the cache were not temporary or transient given it was, effectively, for the user to decide when those copies were deleted (e.g. by changing the cache settings, turning off the computer or continuing to use the browser). Taking into account those user interventions would, in the Court's view, artificially extend the duration of the relevant technological processes, i.e. browsing. If those copies were not considered to be temporary or transient it would frustrate the "pro-browsing" purpose of the legislation.

Lord Sumption found that a lawful use is one which is not restricted by applicable legislation, and it does not matter whether the use is or is not authorized by the copyright owner (e.g. under website terms of use). Lawful use, in his view, necessarily includes use when browsing. This view would, if followed by the CJEU, make it easier to satisfy this requirement of the defense. Use of material would, in Lord Sumption's view, be lawful if it is consistent with EU legislation governing the reproduction right only. This appears to be an easier standard to meet than the standard set by the CJEU in *FAPL* where legislation (both EU and national) governing the communication to the public right was also apparently relevant. It is possible to foresee circumstances where temporary copies are created in the process of an unlawful communication to the public but, according to the Supreme Court, those copies could nonetheless benefit from the defense. That view appears to conflict with the approach taken by the English High Court in an earlier case, but the Supreme Court did not address that conflict. (The High Court deferred its decision on whether the lawful use part of the temporary copies defense was satisfied, pending its resolution of whether the acts formed part of a communication to the public, a question on which it had referred to the CJEU: *ITV v TV CatchUp* [2011] EWHC 2977)

He followed the CJEU's decision in the *FAPL* case in finding that the copies made on a computer screen had, in his view, no independent economic significance; there is no additional value to them beyond the value derived from the mere reading of material on screen.

Lord Sumption rejected the idea that interpreting the temporary copying defence widely in the way he did would open the floodgates to large-scale piracy. Copyright owners,

in his view, still have remedies against people other than end users involved in online piracy "who on the face of it are more obviously at fault," such as uploaders. He also distinguished between use of a computer to *view* material and use to *record* material. Whenever a user's activities fall on the "record" side of the line, e.g. when they are downloading, copyright should restrict those activities where unlicensed. Finally, he recognized that if revenue from end users was reduced by this approach, the costs of licences to service providers such as Meltwater would probably rise to compensate.

Nevertheless, recognizing the "transnational" implications of the question the Court had been asked, Lord Sumption referred the question to the CJEU. That question will focus, in particular, on whether caching material for a period of time after the browsing session is completed and the fact that a copy appears on screen until a user ends the browsing session interfere with a finding of temporary copying.

Comment

The policy position adopted by the Supreme Court was clear: the purpose of the defense is to enable end-users to view copyright material on the internet so the defense must be construed consistently with that purpose. Merely viewing or reading copyright infringing material in physical form is not an infringement so, in the Supreme Court's view, nor should internet viewing or reading of infringing material. *Any* browsing of material on the internet should not be copyright infringement: even if the source of the browsed material was unauthorised (e.g. because it was an unlicensed communication to the public), any reproductions made by those who access that source would be within the defense.

This policy has a prominent element of "common sense" running through it. Most internet users would be surprised to learn that they risk infringing copyright by reading from a webpage on their computer screens. The concern for rights owners is how far the policy would go, if the CJEU agrees with it. What, for example, of viewing an authorised copy of a film or listening to an unauthorised recording of a music track? Would the philosophy apply to any of the activities of the aggregators themselves, particularly as their activities may involve an unauthorised communication to the public and the technologies used may involve less "transient" copying than that involved in mere browsing?

Niri Shan is a partner and Adam Rendle an associate at Taylor Wessing LLP in London.

Jury Finds For IMDB.Com, Ending Actress's Suit Over Disclosure of Her Age

In a case that generated media attention for its unique set of facts and examination of online privacy policies, a federal court jury in the Western District of Washington this month decided that the Internet Movie Database (IMDb) did not commit a breach of contract by revealing the real age of an actress. *Hoang v. IMDB.com*, No. C11-1709MJP (W.D. Wash., jury verdict Apr. 11, 2013).

The plaintiff had originally sued IMDb and parent company Amazon for fraud, privacy and contract claims. Following a motion to dismiss and a motion for summary judgment, the case was narrowed to a single claim of breach of contract against IMDb.

Background

Plaintiff Huong Hoang (“Junie Hoang”), an aspiring actress, originally signed up for IMDb in 2001, eventually subscribing to IMDb Pro and paying for the listing of additional personal information. When she first signed up for IMDb, she left her age blank. Hoang wanted to be visible on IMDb, but did not want her true age to be public, as she believed it would hurt her acting career.

In 2004, she used a friend’s IMDb account to submit a 1978 birth date for her profile, even though she was born in 1971. In 2007, she decided she no longer wanted the 1978 birth date listed and began contacting IMDb to remove it. IMDb said it would correct any verifiable inaccuracies. Hoang sent IMDb copies of fake documents purporting to show that her listed birthday was wrong, but IMDb did not change the date.

In October 2008, Hoang sent an email to IMDb asking them to go back into their records and find verification that

her birthday was in 1978. IMDb interpreted this as an invitation to investigate, searched a third party public records database, and discovered that her birthday was in 1971. IMDb then published her real birthday on her profile page. Despite this, Hoang continued to contact IMDb and send in fake IDs, requesting that her birthday be corrected or deleted.

Hoang filed a “Jane Doe” lawsuit in 2011, claiming damage to her career in an industry where “youth is king.” The District Court dismissed without prejudice, holding that the alleged injury was “not severe enough to justify permitting her to proceed anonymously.”

In January 2012, she filed a new complaint under her own name asserting claims for fraud, violations of Washington’s Privacy Act, violations of Washington’s Consumer Protection Act, and for breach of contract, asserting that IMDb breached its Subscriber Agreement and Privacy Policy. Hoang sought an injunction and \$75,000 in compensatory damages as well as \$1 million in punitive damages. She sued both IMDb and Amazon, IMDb’s parent corporation.



Hoang filed a “Jane Doe” lawsuit in 2011, claiming damage to her career in an industry where “youth is king.”

Motion to Dismiss

In March 2012, the court partially granted defendant’s motion to dismiss, finding that Hoang failed to plead claims for fraud and invasion of privacy under the Washington Privacy Act. *Hoang v. Amazon, Inc et al.*, No. C11-1709MJP (W.D. Wash. March 30, 2012). See [Lawsuit Over Disclosure of Actress’s Age Survives Motion to Dismiss](#).

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Summary Judgment

Weeks before trial, the court further reduced Hoang's claims. The court granted Amazon's motion for summary judgment, finding that there was no evidence Amazon was involved in any of the alleged wrongdoing and because Hoang failed to show that exceptional circumstances warrant holding Amazon liable for the actions of its subsidiary.

Furthermore, the court granted summary judgment in favor of IMDb on the Consumer Protection Act claim finding that "Plaintiff cannot show that IMDb's conduct impacts the public interest," a key element necessary to bring a claim under the Washington Consumer Protection Act. Rather this was a dispute between Hoang and IMDb regarding behavior that was not likely to be repeated by IMDb.

The court denied summary judgment on Hoang's breach of contract claim finding that there were disputed issues of fact about whether breach had occurred and whether economic loss resulted. IMDb's argument that it did not breach the contract because it was responding to Hoang's request raised genuine fact issues, the court found.

IMDb's privacy policy states that "We use the information that you provide for such purposes as responding to your requests[.]" Though Hoang never asked IMDb to use her credit card information, she did ask IMDb to search its files, even while knowing that she had provided false information and that IMDb could never find true information in its files. "Based on this evidence, a jury could reasonably conclude that IMDb 'responded' to Plaintiff's request by

searching its files, and then acted in accordance with its mission of providing accurate information by posting Plaintiff's true age on its website." Consequently, the court found, IMDb's actions could be interpreted not as a breach, but as an effort to respond to customer demands.

Though the court declined summary judgment on the issue of damages, it did find IMDb's limitation of damages clause in its privacy agreement unconscionable because it blocks the full recovery of damages for only one party.

Jury Trial

According to news reports, the two-day trial on the breach of contract claim focused on IMDb's privacy policy as well as the procedure it followed after repeated requests from Hoang to remove the birth date listed on her page. IMDb stressed its policy of never removing information and only correcting misinformation. Hoang took the stand on both days of the trial, facing tough questions about the IMDb user agreement requiring her to promise to submit accurate information. Hoang's tax returns were also scrutinized, as IMDb attorneys questioned how much of her livelihood derived from acting. In the end, the jury found that IMDb had not breached any legal duty to Hoang.

Amazon.com and IMDb were represented by Breena M. Roos, Ashley Locke, Charles C. Sipos, Perkins Coie, Seattle, WA. Plaintiff was represented by John W Dozier, Jr., Dozier Internet Law, Glen Allen, VA; and Randall Moeller and Derek Alan Newman, Newman & Newman, Seattle, WA.

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