520 Eighth Avenue, North Tower, 20th Floor, New York, New York 10018 (212) 337-0200



Reporting Developments Through June 25, 2013

#### INTELLECTUAL PROPERTY N.D. Ind. Free Speech in Gotham: First Amendment Protects Warner Bros. Against Trademark Claims Based on Helpful Guidance on Use of Fictional Products in Entertainment Fortres Grand Corp. v. Warner Bros. Entertainment Inc. 2d Cir. Second Circuit Reinstates "Own Your Power" Trademark Claims Against Oprah and Hearst......8 Fair Use Not Established as a Matter of Law on Motion to Dismiss Kelly-Brown v. Winfrey S.D.N.Y. Denies Class Certification in Mass Copyright Claim Against YouTube.......40 Individualized Facts in Action Make Class Action Unsuitable Football Ass'n Premier League Ltd. v. YouTube, Inc. REPORTERS PRIVILEGE Court Quashes Sheldon Adelson's Third-Party Subpoena to Wall Street Journal......10 N.Y. Sup. Failed to Overcome Statute's Three-Part Test In re Wall Street Journal v. Adelson S.D.N.Y. Privilege Attaches to Non-confidential, Firsthand Observations Lebowitz v. City of New York LIBEL & PRIVACY Md. Cir. Articles Did Not Defame Former Russian Official and His Corporation Stepanov v. Journalism Development Network, Inc., N.Y. Sup. Magazine Article on Russian Fraud Not Defamatory of Plaintiffs Stepanov v. Dow Jones & Company, Inc. Pastor Investigated by Anthony Family Cannot Sue National Enquirer for Defamation......18 Fla. App. Article Not Defamatory, Covered by Fair Report Privilege Grund v. American Media, Inc. N.Y. Sup. Reinforces Broad Reach of Appearance Releases Klapper v. Graziano Court Affirms Anti-SLAPP Dismissal of Oakland Mayoral Candidate's Defamation Claim......22 Cal. App. Column Questioning Whether Candidate Was Running as a Spoiler is Opinion Hodge v. East Bay Express

Page 2	June 2013	MLRC MediaLawLetter
Ill. Cir.	Intrusion Claim Against Documentary Filmmaker Dismissed  New Cases Test State Intrusion Law  Luten v. Kartemquin Films	24
N.Y. Sup.	Catholic School Principal's Libel Claim Against Daily News Dismissed "Firebrand" and "Principal of Hate" Deemed Protected Opinion Borzellieri v. Daily News	27
U.S.	Supreme Court to Review Defamation Immunity for Airlines That Report Policy Declined to Hear Whether Falisty is Subject to Independent Appellate Review Air Wisconsin Corp. v. Hoeper	otential Threats28
D.C. Super.	Court Grants District of Columbia's Anti-SLAPP Motion Against Former E Plaintiff Argued Law Did Not Apply Payne v. District of Columbia	mployee30
LEGISLAT	ION	
Nevada	Anti-SLAPP Statute Amended to Provide Broad Protection for Public and P New Statute Effective Oct. 1, 2013 SB 286	ress32
EMPLOYM	IENT	
S.D.N.Y.	Court Nixes Hollywood Happy Ending for Entertainment Companies Using Interns Should Have Been Classified as Employees under Federal Labor Law Glatt v. Fox Searchlight	Unpaid Interns33
ACCESS		
M.D. Fla.	Court Lifts Injunction Barring Release of Physician-Identifying Medicare R Ruling Allows HHS to Consider Whether FOIA Requires Access to Trove of Data Medicare Program Florida Medical Ass'n v. Department of Health, Education, & Welfare	
INTERNET	·	
D. Nev.	Nevada District Court Dismisses Negligence Claims Against Match.com  Dating Website Not Liable for Attack on Plaintiff Beckman v. Match.com,	38
2d Cir.	Second Circuit Affirms Conviction of Blogger for Threatening Three Judges Blog Post Constituted a "True Threat" Against Judges U.S. v. Turner	42
ETHICS		
	Keeping Your Discovery Obligations Under Control  Ethical Duty to Seek Documents in the Possession of Third-Parties	44

### Free Speech in Gotham:

# First Amendment Protects Warner Bros. Against Trademark Claims Based on Fictional Software in The Dark Knight Rises

#### By A. J. Thomas and Julia Cherlow

Invoking bedrock principles of trademark law as well as First Amendment protections for expressive works, the Northern District of Indiana last month dismissed a suit for trademark infringement and unfair competition brought by an Indiana software company against Warner Bros. Entertainment based on references to a fictional product in the 2012 summer blockbuster *The Dark Knight Rises*. *Fortres Grand Corp. v. Warner Bros. Entertainment Inc.*, No. 12-535 (May 16, 2013) (Simon, J.).

The decision by United States District Judge Philip P. Simon provides helpful guidance in analyzing trademark claims that may arise where a fictional company or product depicted in a film or television program bears the same name or brand as a real company or product – a question that Judge Simon described as "relatively uncharted territory of trademark law."

The decision also is significant in holding squarely that the First Amendment balancing test set forth in <u>Rogers v.</u> <u>Grimaldi</u>, 875 F.2d 994 (2d Cir. 1989), applies to "reverse confusion" claims under the Lanham Act, and in joining a growing

number of courts that have been willing to dismiss at the pleading stage infringement claims based on the alleged use of trademarks in expressive works like books and movies, thereby avoiding expensive and lengthy litigation. On June 13, 2013, Fortres Grand filed a notice of appeal to the Seventh Circuit Court of Appeals.

#### **Background**

Fortres Grand sells software. Since 2000, it has marketed and sold a computer program branded with the descriptive name "Clean Slate," for which it obtained a federal trademark

registration in 2001. According to the court, the Clean Slate program "protects the security of computer networks by erasing all evidence of user activity so that subsequent users see no evidence of a previous user's activity, meaning that each new user starts his or her computer activity with a 'clean slate.'" Order at 2.

In July 2012, Warner Bros. released *The Dark Knight Rises*, the third and final chapter of director Christopher Nolan's "Batman" motion picture trilogy. The film takes

place primarily in the fictional metropolis of Gotham City and tells the story of the DC Comics hero Batman and his alter ego, billionaire industrialist Bruce Wayne. One of the characters in the film, Selina Kyle (aka Catwoman), attempts to obtain a software program that will erase her criminal history from every computer database in the world. The term "clean slate" is used four times in the film to refer to this fictional software, which the film portrays as having been developed by a fictional company called Rykin Data.

On September 19, 2012, Fortres Grand filed suit against Warner Bros. in the District Court for the Northern District of Indiana,

asserting claims for trademark infringement under Section 32 of the Lanham Act, false designation of origin under Section 43(a) of the Lanham Act, and unfair competition under Indiana state law. Fortres Grand advanced a "reverse confusion" theory, based on allegations that following the release of *The Dark Knight Rises*, potential consumers – via "web pages, tweets and blog posts" on the Internet – "questioned" whether the imaginary "clean slate" software depicted in the film "is real and could possibly work."

Fortres Grand also grounded its claims in the appearance of the term "clean slate" in two websites that promoted *The* 

(Continued on page 4)

The decision provides
helpful guidance in
analyzing trademark
claims that may arise
where a fictional
company or product
depicted in a film or
television program
bears the same name or
brand as a real
company or product.

Page 4 June 2013 MLRC MediaLawLetter

(Continued from page 3)

Dark Knight Rises, both of which used the phrase to describe the fictional software that Catwoman seeks to obtain in the film. (Fortres Grand alleged that the websites were "developed" by Warner Bros., even though Warner Bros. informed the plaintiff and court that it did not create, own or operate either site.) As the court noted, the websites – at rykindata.com and rykindata.tumblr.com – were a "creative outgrowth of the fictional world of the film." They included fictional police reports referring to the Selina Kyle character,

a police file labeled "Cat Burglar Investigation," and numerous references to Gotham City. The Tumblr site, for example, contained a mock web page for the fictional Rykin Data Corporation, which described the "clean slate" software depicted in the movie and displayed a fictitious patent application identifying the inventor as a Gotham City resident.

#### No Plausible Consumer Confusion

In ruling on Warner Bros.' motion to dismiss, Judge Simon began with first principles of trademark law, explaining the difference between "forward" and "reverse" confusion cases and emphasizing that the confusion that is relevant for trademark law is confusion

among consumers with respect to the purchase of actual products that exist in the real world.

In opposing Warner Bros.' motion, Fortres Grand argued that it faced a "worst-case scenario of reverse confusion" in which it was injured by Warner Bros.' "saturation of the market with its big-budget film and its promotional websites." Judge Simon explained that reverse confusion arises when a "large junior user saturates the market with a trademark similar or identical to that of a smaller, senior user's such that 'the public comes to assume that the senior user's

products are really the junior user's or that the former has become somehow connected to the latter." Order at 6 (quoting *Custom Vehicles, Inc. v. Forest River, Inc.*, 476 F.3d 481, 484 (7th Cir. 2007)).

The "obvious problem" with Fortres Grand's reverse confusion argument, according to the court, was that "Warner Bros.' 'clean slate' software only exists in the fictional world of Gotham; it does not exist in reality." The court stressed that "although the hallmark of trademark infringement is protecting against consumer confusion," the Lanham Act

protects only against mistaken purchasing decisions "and not against confusion generally." In analyzing the potential for consumer confusion in the case at hand, the court held that the relevant comparison was between the parties' real world products – i.e., Fortres Grand's "Clean Slate" software and Warner Bros.' motion picture *The Dark Knight Rises*.

Applying this approach, the court determined that for Fortres Grand to plausibly plead a claim for reverse confusion, it would have to allege one of two things: (1) that "consumers have been deceived into believing that the fictional 'clean slate' software in the movie emanates from, is connected to, or is sponsored by Fortres Grand" or (2) that "consumers have been deceived into believing that the film *The Dark Knight Rises* emanates

from, is connected to, or is sponsored by Fortres Grand." Order at 12.

Judge Simon concluded that no consumer "reasonable or otherwise" would believe that the fictional "clean slate" software was connected to Fortres Grand at all because the fictional software "does not exist in reality." Any consumers looking to buy the software mentioned in the film "would quickly find that they are unable to do so because *it is not a real product*." Order at 12 (emphasis in original). In the



Judge Simon concluded that no consumer "reasonable or otherwise" would believe that the fictional "clean slate" software (above) was connected to Fortres Grand at all because the fictional software "does not exist in reality." Below, plaintiff's software.



#### CLEAN SLATE 6.5

Non-Restrictive Disk Protection End Computer Help Desk Calls

Restores your computer to its original

configuration discarding unwanted computer changes. Just log off or reboot. Clean Slate is easy yet powerful. (Continued from page 4)

court's view, "there simply is no plausible claim that consumers will make mistaken purchasing decisions about the tangible product being sold in the marketplace: no one looking for Fortres Grand's software is likely to mistakenly buy a ticket to *The Dark Knight Rises*." Order at 13-14 (quotations omitted).

Judge Simon found that the same analysis applied to the use of "clean slate" on the two websites identified in the complaint. Citing an April 2013 decision by the Seventh Circuit in *Williamson v. Curran*, No. 09-3985, Judge Simon held that he properly could consider the contents of the websites because they were "central to the complaint" and were "referred to in it," even though Fortres Grand chose not to attach copies to its complaint. (Warner Bros. had submitted copies with its motion to dismiss, along with a DVD of the film.)

In reaching his conclusion on plausible confusion, Judge Simon relied in part on the Seventh Circuit's decision a few weeks earlier in *Eastland Music Group, LLC v. Lionsgate Entertainment, Inc.*, 707 F.3d 869 (7th Cir. 2013). In that case, the Court of Appeals upheld the dismissal on a Rule 12 (b)(6) motion of a trademark infringement claim by a rap duo called "Phifty-50" against the producers of the motion picture 50/50. The *Eastland* court held that the complaint "fails at the threshold: it does not allege that the use of '50/50' as a title caused any confusion about the film's source – and any

such allegation would be too implausible to support costly litigation." *Id.* at 872.

Judge Simon also discussed two other cases in which courts had rejected trademark infringement claims based on the names of fictional companies or productions in motion pictures. In <u>Ocean Bio-Chem, Inc. v. Turner Network Television, Inc., 741 F. Supp. 1546 (S.D. Fla. 1990)</u>, the court considered the made-for-television movie <u>Incident at Dark River</u>, in which a child died after exposure to pollution from a fictional company called "Starbrite Batteries." In dismissing a claim for trademark infringement brought by the manufacturer of "Star Brite" cleaners and polishes, the court held that it "must compare the parties' <u>ultimate</u> products: those that Ocean markets under the Star Brite name <u>and the movie itself.</u>" <u>Id.</u> at 1557 (emphasis added).

Similarly, *Davis v. Walt Disney Co.*, 393 F. Supp. 2d 839 (D. Minn. 2005), concerned the Disney Channel's broadcast of *Up, Up and Away*, another made-for-television movie about a family of suburban superheroes who unearth and upend the misdeeds of an environmental software company called "Earth Protectors." The court found no likelihood of confusion between plaintiff's environmental organization "Earth Protector Licensing Corp." and Disney's fictional use of the term "Earth Protectors," even though both uses of the mark related in some way to the environment. Relying on the same reasoning as in *Ocean Bio-Chem*, the court found that "no competitive proximity exists because Defendants' children's television movies do not compete with [plaintiff's] environmental pamphlets, t-shirts, or the sporadic use of the term 'Earth Protectors' on public access cable television." *Id.* 

at 845.

Judge Simon's opinion in *Fortres Grand* adds to this line of case law, providing further guidance on how to evaluate consumer confusion in the context of trademark claims based on expressive works..

#### **First Amendment Protection**

Judge Simon also found that Warner Bros.' use of the phrase "clean slate" to describe a fictional software program that figured in the plot of its film was fully protected by the First Amendment. Applying the two-part test first articulated in

the Second Circuit's 1989 decision in *Rogers v. Grimaldi*, 875 F.2d 994, the court found that Warner Bros.' use of "clean slate" was artistically relevant to *The Dark Knight Rises* and did not explicitly mislead consumers that Fortres Grand was somehow behind or affiliated with the film.

The Rogers framework has been adopted by the Sixth, Ninth and Eleventh Circuits, but has not yet been considered by the Seventh Circuit. (In the recent Eastland Music decision discussed above, the Circuit avoided the Rogers issue by affirming the dismissal of the trademark claim on plausibility grounds.) The Rogers test has been applied to claims under both Section 32 and Section 43(a) of the Lanham Act and to claims based on the alleged use of protected marks in both the title and the body of expressive

(Continued on page 6)

Page 6 June 2013 MLRC MediaLawLetter

(Continued from page 5)

works. See, e.g., E.S.S. Entertainment 2000, Inc. v. Rock Star Videos, Inc., 683 F.3d 1095, 1100 (9th Cir. 2008); Mattel, Inc. v. MCA Records, Inc., 296 F.3d 894, 901-02 (9th Cir. 2002). Judge Simon described Rogers as "one of the beacons used to navigate the murky boundary between trademark law and the First Amendment." Order at 14.

Judge Simon found there was "little doubt" that Warner Bros. had satisfied both prongs of the *Rogers* test. On the question of artistic relevance, the court observed that *Rogers* "establishes a purposely low threshold which is satisfied unless the use has no artistic relevance to the underlying work whatsoever." Order at 15. Because Fortres Grand had alleged in its complaint that the fictional "clean slate" software was "[p]art of the plot of *The Dark Knight Rises*," this prong was easily satisfied as to both the film and the

websites. As to the second prong of the test, the court found it to be "clearly satisfied" because there was nothing about the use of "clean slate" in the film or the websites that would confuse viewers into thinking that Fortres Grand was "somehow behind" or was sponsoring the film. *Id.* at 16.

Fortres Grand scarcely disputed this analysis of the separate prongs of the *Rogers* test. Instead, it argued that *Rogers* has no application at all to reverse confusion claims under the Lanham Act, because in a reverse confusion case the defendant, by definition, is not attempting to refer to or comment on

the plaintiff or its products. Very few cases have addressed *Rogers* in the context of reverse confusion claims, but Judge Simon noted that at least two courts have held that *Rogers* does indeed apply to such claims. *See Webceleb, Inc. v. Procter & Gamble Co.*, No. 10-CV-2318 (S.D. Cal. Sept. 25, 2012); *DeClemente v. Columbia Pictures Indus., Inc.*, 860 F. Supp. 30, 47 (E.D.N.Y. 1994).

In support of its argument, Fortres Grand relied on scattered district court decisions that have limited *Rogers* to situations where the defendant intentionally refers to the plaintiff's trademark because it is a widely famous and "culturally relevant" symbol. Judge Simon rejected this "narrow reading" of *Rogers*, which he characterized as meaning that "for the First Amendment to trump trademark infringement the infringer has to have some well-thought-out, expressive critique of the trademark." Order at 17. Instead,

he held there was no logical reason to distinguish "between cases of forward confusion and reverse confusion in the context of the First Amendment." *Id.* If *Rogers* did not apply to cases of reverse confusion, Judge Simon concluded, "the chilling effects on speech could be enormous." *Id.* 

Quoting Warner Bros.' reply brief, Judge Simon noted that Fortres Grand's proposed rule "would mean that a small, relatively unknown trademark owner, claiming rights in a mark that few people have ever heard of, would enjoy monopoly power over the use of certain words in expressive works – power that the First Amendment plainly denies to the owners of famous, household-word trademarks."

Noting the existence of numerous federal registrations for trademarks such as "Fresh Start," "New Life," "New Beginning," and "Square One," Warner Bros. had argued that under the regime proposed by Fortres Grand "it would be

hard to imagine how Warner Bros. possibly could describe the fictional software that Catwoman desires in *The Dark Knight Rises* without exposing itself to 'gotcha!' trademark lawsuits from plaintiffs asserting reverse confusion theories." Judge Simon "entirely agree[d]" with this argument. *Id*.

Very few cases have addressed Rogers in the context of reverse confusion claims, but Judge Simon noted that at least two courts have held that Rogers does indeed apply to such claims.

#### **Dismissal at Pleading Stage**

The *Fortres Grand* decision also is significant in that it joins a growing chorus of courts that have dismissed at the pleading stage infringement claims based on the use

of trademarks in expressive works. As noted above, the Seventh Circuit endorsed this approach earlier this year in *Eastland Music*, 707 F.3d at 871. In *Louis Vuitton Mallatier S.A. v. Warner Bros. Entertainment Inc.*, 868 F. Supp. 2d 172 (S.D.N.Y. 2012), a federal district court applied the Rogers test to dismiss trademark infringement and state unfair competition claims asserted against Warner Bros. based on the appearance of what was alleged to be an imitation Louis Vuitton travel bag as a prop in the motion picture *The Hangover II. See id.* at \*3-\*8; *see also Stewart Surfboards, Inc. v. Disney Book Group LLC*, 2011 U.S. Dist. LEXIS 155444 (C.D. Cal. May 11, 2011); *Gottlieb Dev. LLC v. Paramount Pictures Corp.*, 590 F. Supp. 2d 625 (S.D.N.Y. 2008); *Burnett v. Twentieth Century Fox Film Corp.*, 491 F.

(Continued on page 7)

June 2013

Page 7

(Continued from page 6)

Supp. 2d 962 (C.D. Cal. 2007); *Woodard v. Jackson*, 2004 WL 771244 (S.D. Ind. Mar. 25, 2004).

#### Conclusion

Judge Simon's opinion in *Fortres Grand* helps delineate the boundary between trademark law and the First Amendment, particularly in the context of portrayals of fictional products that bear the same name or brand as a real company or product. The decision also reinforces the trend toward resolving at the pleading stage intellectual property claims that involve expressive works, where all of the

materials necessary to make a decision are before the court. In so doing, the ruling provides some welcome security for film studios, television networks, and other content creators that they won't unwittingly expose themselves to trademark claims based on the products depicted in their expressive works.

Andrew H. Bart, A.J. Thomas, Kate Spelman and Julia Cherlow of Jenner & Block LLP represented defendant Warner Bros. Entertainment Inc. Phillip Barengolts and Elisabeth K. O'Neill of Pattishall, McAuliffe, Newbury, Hilliard & Geraldson LLP and Christopher R. Putt of May Oberfell Lorber represented plaintiff Fortress Grand Corporation.



### **MLRC LONDON CONFERENCE**

September 23-24, 2013 | Stationers' Hall

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

Highlights of this year's conference include:

The Leveson Inquiry: Analysis of New Press Regulation Proposals

The Practical Impact of the Defamation Bill

Where Publishers Fear to Tread: World Hot Spots for the Press

Privacy Law Developments: Press Liability After Leveson

Newsgathering Challenges: The Fate of Investigative Journalism

Data Protection and the Right to Be Forgotten

Copyright Reform Legislation

Contempt of Court and the Internet

# Second Circuit Reinstates "Own Your Power" Trademark Claims Against Oprah and Hearst

### Fair Use Not Established as a Matter of Law on Motion to Dismiss

Late last month, the Second Circuit reinstated trademark infringement claims over the use of the phrase "Own Your Power" on a magazine cover, related web pages, and at a live event. *Kelly-Brown v. Winfrey*, 12-1207-CV, 2013 WL 2360999 (2d Cir. May 31, 2013) (Straub, Chin, Sack, JJ.). The panel held that the media defendants were not entitled to the fair use defense as a matter of law at the motion to

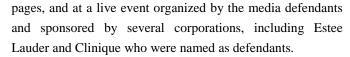
dismiss stage, noting that the defense "often requires considerations of facts outside of the complaint" and is generally "inappropriate to resolve on a motion to dismiss."

Judge Sack concurred and wrote separately, emphasizing that the fair use defense could have applied to use of the phrase on the magazine cover alone, but plaintiffs plausibly alleged an "overall campaign by the defendants in several media to wrest from the plaintiffs their rights in the mark."

#### **Background**

Plaintiff Kelly-Brown is the owner of a motivational services business called "Own Your Power Communications" which conducts

events and publishes materials under the registered trademark "Own Your Power." In 2011, Kelly-Brown and her company sued Oprah Winfrey, Harpo Productions, Inc., Harpo, Inc. (Winfrey's production companies), Hearst Corporation, Hearst Communications, Inc., and several corporate event sponsors for trademark infringement for using the phrase "Own Your Power." The phrase appeared on the cover of the October 2010 issue of O the Oprah Magazine, related web



Moving to dismiss, the media defendants argued that their use of "Own Your Power" did not indicate the source of any goods or services and therefore was not a trademark use subject to the Lanham Act. Last year, the district court agreed

and dismissed the complaint in its entirety. *See Kelly-Brown v. Winfrey*, 11 Civ. 7875, 2012 WL 701262 (S.D.N.Y. Mar. 6, 2012) (Crotty, J.).

The district court held that the media defendants were entitled to dismissal based on lack of trademark use and fair use. In addition, the contributory infringement claims against the corporate event sponsors failed because plaintiff did not plead any agency or partnership relationship between the sponsors and the media defendants. A counterfeiting claim failed because of the obvious visual differences in the parties "Own Your Power" logos. The ruling was significant in that it was one of only a small handful of federal rulings dismissing a trademark claim on fairuse grounds at the pleading stage.



#### **Second Circuit Decision**

The Second Circuit majority affirmed the district court's dismissal of the contributory infringement and counterfeiting claims, but held the district court erred in its trademark use and fair use analysis.

(Continued on page 9)

June 2013

Page 9

(Continued from page 8)

The majority began by finding that the district erred in suggesting that "use of a mark" is a threshold requirement to maintain a Lanham Act claim. Instead, under the Lanham Act, a plaintiff need only show "use in commerce" to state a claim. And publication of the phrase "Own Your Power" on a magazine available for sale was sufficient to meet that test, under Second Circuit law.

The district court had relied on several Sixth Circuit cases requiring "use of a mark" as a threshold requirement. *See, e.g., Hensley Mfg. v. ProPride, Inc.,* 579 F.3d 603, 610 (2009). Discussing this case law, the majority found it premised on the rationale that consumers are unlikely to be confused about the source of goods where the defendant does not use a mark as a designation of origin. The majority, however, concluded that this consumer confusion based test, is inconsistent with Second Circuit precedent which relies on

the fact intensive *Polaroid* test to assess consumer confusion. Judge Straub noted that the Second Circuit has allowed claims to proceed where the defendant has not used plaintiff's mark as a mark. *See, e.g., EMI Catalogue* 

OWD YOUR POWER

Plaintiff's trademarked logo.

*P'ship*, 228 F.3d at 64, 67-68 (holding that material issues of fact existed as to whether use of the slogan "Swing Swing Swing," playing off of the trademarked song title "Sing Sing Sing (with a Swing)," was fair use, notwithstanding that the slogan was not used as a mark).

#### Fair Use Analysis

To establish a fair use defense in a trademark case, the defendant must prove that its use was (1) other than as a mark; (2) in a descriptive sense; and (3) in good faith. *See, e.g., EMI Catalogue P'ship v. Hill, Holliday, Connors, Cosmopulos Inc.*, 228 F.3d 56, 62 (2d Cir. 2000).

Plaintiffs argued that the magazine cover, related web pages, and live event taken together showed that the defendants were using the phrase "Own Your Power" as a mark to "build an association with consumers between the phrase 'Own Your Power' and Oprah." The Court largely

agreed, finding that the repeated uses of the phrase and suggestion of future uses supported plaintiffs' theory that Oprah was trying to create a sub-brand around the phrase.

The majority found that "Own Your Power" was on its face not necessarily descriptive of the contents of the magazine. This conclusion was based on a finding that the phrase did not describe the contents of the magazine issue, which included articles entitled "20 Women Who Are Rocking the World" and "The 2010 O Power List." While the "Power List" included biographies of admirable people, it contained no "advice regarding how a reader can become more powerful." The majority suggested that descriptiveness could still be proven through evidence of common use of the phrase or a nexus between the phrase and the magazine content.

At to the final good faith factor, the majority held that plaintiffs pled sufficient facts to plausibly suggest the

defendants became aware of the "Own Your Power" mark when they secured the mark "OWN" for the Oprah Winfrey Network, and proceeded nonetheless to use plaintiffs' mark.

#### Judge Sack's Concurrence

Writing separately, Judge Sack cautioned that the decision should not be read to suggest "a general limitation upon the ability of a publisher in any medium to use a trademarked term, in good faith, to indicate the contents of its own communication – whether by magazine cover, newspaper headline, blog heading, or otherwise."

The use of "Own Your Power" on the magazine cover standing alone would clearly have been a fair use, Judge Sack noted. And he added that all of the uses may be protected as fair use. But at this stage, defendants' use could be seen as part of a campaign of recurring uses, across different media, to appropriate plaintiffs' mark.

Plaintiffs were represented by Patricia Lawrence—Kolaras of The PLK Law Group, P.C., Hillsborough, NJ. Jonathan R. Donnellan and Ravi Sitwala of the Hearst Corp. represented the Hearst defendants. Charles L. Babcock of Jackson Walker L.L.P. also represented Oprah Winfrey.

# **New York Court Quashes Sheldon Adelson's** Third-Party Subpoena to Wall Street Journal

#### By Laura R. Handman and Camille Calman

On May 28, 2013, Justice Donna Mills of the New York Supreme Court granted Dow Jones & Company's motion to quash a third-party subpoena served on the Wall Street Journal by billionaire casino magnate Sheldon G. Adelson. In re Wall Street Journal v. Adelson, 2013 NY Slip Op. 31165(U) (Sup. Ct. N.Y. County May 31, 2013). Justice Mills held that the materials Adelson sought were protected by the qualified privilege granted to non-confidential newsgathering materials by the New York State Constitution and by the Shield Law, New York Civil Rights Law § 79-h, and that Adelson had failed to overcome the privilege under the statute's three-part test.

#### **Subpoena and Underlying Litigations**

Adelson, the chairman and CEO of the Las Vegas Sands Corporation ("LVSC") is embroiled in not one but two litigations in two jurisdictions involving former employee Steven C. Jacobs, who was LVSC's former top executive for its Macau. China operations until he was fired in July 2010. Jacobs has sued LVSC and its majorityowned subsidiary, Sands China, in Nevada state court for wrongful termination. Jacobs v. Las Vegas Sands Corp., No. A627691-B (Nev. Dist. Ct. Clark County).

defamation claim that Jacobs added to his case against LVSC and Adelson, involving statements that Adelson made to the Wall Street Journal about the reasons for Jacobs's dismissal and the suit, has already been dismissed on the grounds that the statements were protected by Nevada's absolute litigation privilege. (Jacobs's appeal of that dismissal is pending in Nevada Supreme Court.)

Merits discovery is currently stayed in the Nevada action while the court determines whether it has jurisdiction over Sands China while jurisdictional discovery continues over whether the parent exercises sufficient control over the subsidiary that the court may exercise jurisdiction. Nevada court sanctioned defendants with a \$25,000 fine and Jacobs's legal fees in connection with a discovery dispute.

During that discovery dispute, the court requested status reports from the parties. Jacobs's June 2012 status report, and his attached Declaration, described numerous categories of documents that he believed would show LVSC's control over Sands China Ltd., and that he believed existed but had not been produced. Among those categories was "LVSC Prostitution Strategy for Macau." In his Declaration, Jacobs wrote:

> **Emails** and documents missing Defendants' production demonstrate LVSC's Executive Management's control direction from Las Vegas over acts of prostitution on Sands China's properties. As

> > background, shortly after my arrival to Macau in May 2009, I launched "Operation Clean Sweep" designed to rid the casino floor of loan sharks and prostitution. This project was met with concern as LVSC Senior Executives informed me that the prior prostitution strategy had been personally approved by Adelson. Missing documents include but are not limited to e-mails and notes between myself and Mike Leven concerning Adelson's direct

Brown and Senior LVSC Executives/Board members confirming the implementation of the strategy and highlighting its "success." Hard copies of these files were kept in my drawer in a folder labeled "Outrageous." Again, these documents and emails will demonstrate control by LVSC executives from las Vegas on matters of great import.

involvement, e-mails between Mark

This statement (the "Prostitution Declaration") was widely reported in the press the day after it was made,

(Continued on page 11)

Justice Mills based her

decision entirely on

**Dow Jones's Shield** 

Law argument, holding

that Adelson failed to

meet any of the three

prongs to overcome the

qualified privilege.

(Continued from page 10)

including but by no means limited to, in the Wall Street Journal. Indeed, Adelson filed a defamation suit in the U.S. District Court for the Southern District of New York against the National Jewish Democratic Council and its top officers for citing the Prostitution Declaration as support for its public call for Mitt Romney and other Republican candidates in the 2012 elections to stop accepting donations from Adelson. Adelson v. National Jewish Democratic Council, No. 12-cv-6052 (S.D.N.Y.).

Adelson also sued Jacobs for defamation in a Florida state court. Adelson v. Jacobs, No. 12-28537 CA 20 (Fla. Cir. Ct. Miami-Dade County). The sole defamatory statement alleged in the complaint is the Prostitution Declaration. Adelson and Jacobs have conducted merits discovery in the Florida action, including depositions of both parties; the terms of their Stipulated Confidentiality Order in the Florida action allow them to use any material they obtain in discovery to be used in the Nevada action.

Following Jacobs's deposition, Adelson issued a subpoena in the Florida action under the Uniform Interstate Deposition and Discovery Act and New York CPLR § 3119 to non-party Wall Street Journal in New York, seeking a deposition of the person with the most knowledge regarding communications between Jacobs and the Wall Street Journal. He also sought all communications between Jacobs and the Wall Street Journal from January 1, 2010

through the present; all documents provided by Jacobs to the Wall Street Journal from January 1, 2010 through the present; and all phone records reflecting calls between Jacobs and the Wall Street Journal from July 1, 2010 through the present.

After the New York motion to quash was filed, but before it was decided, Adelson filed a motion in Florida court seeking a Letter of Request under the Hague Convention, seeking production from Wall Street Journal reporter Kate O'Keeffe (a U.S. citizen based in Hong Kong) of much of the same material that he sought in the New York subpoena and an opportunity to ask her questions about any of her communications with Jacobs. Adelson did not notify the New York court of this Florida motion; nor did he tell the court that, after the New York motion was filed, he had filed a libel suit against O'Keeffe individually in Hong Kong, arguing that he was defamed by an article written in the Wall Street Journal by O'Keeffe and another reporter that called him "a scrappy, foul-mouthed billionaire from working-class Dorchester, Mass."

#### The Parties' Arguments

Dow Jones argued that the subpoena should be quashed because New York's Shield Law provided a qualified privilege as to any non-confidential newsgathering materials, including all of the materials sought by Adelson. (Dow Jones reserved its right to make a subsequent argument that the materials requested by Adelson included confidential material, which is subject to an absolute protection under the Shield Law.) The qualified privilege can be overcome only if the party seeking discovery shows that the material sought is "highly material and relevant," "critical or necessary to the maintenance of a party's claim" and "not obtainable from any alternative source." Material is "critical or necessary" only if

> the plaintiff's claim "virtually rises or falls with the admission or exclusion of the proffered evidence."

> possibly rise or fall on any communications between Jacobs and the Wall Street Journal, because the case falls of its own weight regardless of any material the Wall Street Journal could provide. Specifically, the underlying Florida lawsuit is patently untenable because the Prostitution Declaration is protected, under either Florida

or Nevada law, by the absolute privilege accorded to statements made in the course of litigation proceedings. (Ironically, Adelson himself had successfully invoked the litigation privilege in response to the now-dismissed defamation claim Jacobs filed against him in the Nevada action.) The material is also irrelevant; the subpoena's stated reason for needing this discovery - the assertion that the Prostitution Declaration was "the culmination of a longstanding effort by Defendant Jacobs to smear Plaintiff Adelson's name" - was nowhere mentioned in the Amended Complaint in the Florida action, and the material would shed no light on whether the Prostitution Declaration was false or Jacobs's mental state when he made it. Furthermore, Adelson could not show the materials were unobtainable from

Dow Jones argued that the claim could not

(Continued on page 12)

Page 12 June 2013 MLRC MediaLawLetter

(Continued from page 11)

alternative sources, since he had already sought (and in some cases obtained) the same materials from Jacobs.

Adelson countered that the Prostitution Declaration should not be protected by the absolute litigation privilege because it was not relevant to the subject of inquiry of the Nevada action, and that in such instance, the privilege can be overcome by a showing of express malice. Dow Jones pointed out that, under Florida case law, the Prostitution Declaration was well within the absolute litigation privilege because Jacobs's description of categories of missing documents related directly to the Nevada jurisdictional dispute.

Adelson also argued that the information he sought from Dow Jones was relevant to whether Jacobs exhibited a pattern of long-term leaking of information harmful to Adelson and

bore Adelson express malice. Whether Jacobs "leaked" the Declaration to reporters similarly immaterial, since the Declaration was filed in the public record of a court case that was being closely followed in the press, particularly given Adelson's prominence as a major Republican donor in the 2012 Presidential election cycle. He argued that he was not required to accept at face value Jacobs's testimony and document production, and was entitled to seek thirdparty discovery to supplement the record. He suggested that Jacobs's failure to move to dismiss the Florida action demonstrated that Dow Jones was wrong about the suit's

viability. (Dow Jones suggested in court papers that perhaps Jacobs had not so moved because both parties were using the discovery process in the Florida action to circumvent the Nevada merits discovery stay).

Dow Jones also argued that Adelson had not met the minimum standards for third-party discovery under New York CPLR § 3101(a)(4), which requires that evidence have heightened relevance and be unobtainable from alternative sources before it may be subpoenaed from any non-party in New York.

#### The Court's Decision

Justice Mills based her decision entirely on Dow Jones's Shield Law argument, holding that Adelson failed to meet any of the three prongs to overcome the qualified privilege. Her decision does not discuss whether the underlying Florida lawsuit has merit or whether Adelson met the CPLR standard for non-party discovery.

The decision sets forth the tripartite test under the statute, and held that "[r]espondent Sheldon Adelson has not shown why he is entitled to the material sought, nor the deposition he seeks under any of these criteria. Justice Mills did not find the material sought either highly material or critical to Adelson's Florida suit. Furthermore, even if he had met the first two prongs, Justice Mills found that Adelson "fails to demonstrate that such information is 'not obtainable from any alternative source,' to wit, Mr. Jacobs himself." The court granted the relief requested by Dow Jones.

#### **Current Status**

Adelson's motion to the Florida court requesting the issuance of a Letter of Request under the Hague Convention pending, as does Adelson's remains defamation suit against Kate O'Keeffe in Hong Kong. Adelson has argued that the issuance of a Letter of Request is a mere ministerial act that the court is all but bound to perform; Dow Jones argues that the court is required in every case to determine whether a Letter of Request is appropriate, and that in this case it is not because the discovery requested would be improper under the laws of New York, Florida, Hong

Kong, and under the First Amendment. Dow Jones has provided the Florida court with a copy of the New York decision and urged that the New York decision have collateral estoppel effect, or, at a minimum, inform the Florida court as it considers the discovery demands directed to the Journal's reporter.

Laura R. Handman and Camille Calman of Davis Wright Tremaine LLP, and Jason Conti, Vice President and Associate General Counsel, represented Dow Jones & Co. Sheldon G. Adelson is represented by Kendall Coffey, Daniel F. Blonsky and Benjamin H. Brodsky of Coffey Burlington (Miami) and David M. Olasov of Olasov + Hollander LLP (New York).

Adelson also argued that the information he sought from Dow Jones was relevant to whether Jacobs exhibited a pattern of long-term leaking of information harmful to Adelson and bore Adelson express malice.

# Federal Court Quashes Subpoena Seeking Reporter's Eye-Witness Testimony

#### By Stephen Gikow

In an opinion issued June 11, 2013, Judge Jed S. Rakoff held that the reporter's privilege attaches to a journalist's non-confidential, eye-witness testimony. *Lebowitz v. City of New York*, 12 Civ. 8982. Because the privilege attaches, a subpoenaing party must make reasonable attempts to acquire the information from other available sources, as set forth by the Second Circuit in *Gonzales v. National Broadcasting Company*, 194 F.3d 29.

#### **Background**

The underlying suit was brought by two members of the Occupy Wall Street movement who were arrested in Zuccotti

Park after refusing to get up from a park bench. The City of New York, the principle defendant in the case, sought to call freelance reporter Colin Moynihan to testify as to whether the plaintiffs were given notice that they could not lie down in the park.

As a threshold matter, the City argued that the reporter's privilege did not attach to a journalist's eye-witness account of events because a journalist's observations are not "press materials" within the meaning of *Gonzales*. To support its argument, the City cited two pre-*Gonzales* cases that had held

that a reporter's observations are not entitled to protection.

**District Court Decision** 

Judge Rakoff, however, noted that "most courts have found this argument unpersuasive." Rejecting the City's narrow interpretation, he held that the privilege attaches to a reporter's firsthand observations "so long as [the reporter] gathers information with intent to disseminate to the public."

"[The] cases make plain that the reporter's privilege stems from a desire to protect journalists from being regularly subpoenaed, and thus from being transformed, in effect, into the investigative agents of the court and litigants," Judge Rakoff said in the opinion. "That rationale applies with equal force to information gleaned from personal observations as to information obtained from interviews or other newsgathering activities."

The court also noted that the City's interpretation would create perverse incentives, since "exempting firsthand observations from the scope of the reporter's privilege would severely chill journalists from engaging in valuable firsthand reporting."

When the reporter's privilege attaches to non-confidential information, *Gonzales* says that the party seeking the information must show that the information sought is of likely relevance to a significant issue in the case and that that information is not reasonably obtainable from other sources. Here, Judge Rakoff concluded that the city had not made

sufficient attempts to obtain the information from other sources.

Significantly, Judge Rakoff rejected the City's "objectivity" argument – that even though there were at least three other witnesses at the scene, Mr. Moynihan could provide better or more objective testimony and thus should be forced to testify. Once again, Judge Rakoff found the City's position to be unpersuasive.

"[M]erely because a party believes that a journalist is a disinterested witness does not render other witnesses 'unavailable,'" the

Judge wrote. "The hidden assumption in the City's argument – that testimony from an interested witness, whether an associate of the plaintiffs or an employee of the City, is wholly unworthy of belief – is contradicted daily in courts throughout the land."

The court concluded: "The simple fact is that the City, having failed almost completely to pursue the testimony of numerous non-reporter witnesses to the events that Moynihan witnessed, can hardly bootstrap that failure into an argument for breaking the reporter's privilege."

The decision brings much-needed clarity to an unsettled area of law surrounding the reporter's privilege and should help journalists avoid being needlessly dragged into court. It

(Continued on page 14)

The decision brings much-needed clarity to an unsettled area of law surrounding the reporter's privilege and should help journalists avoid being needlessly dragged into court.

Page 14 June 2013 MLRC MediaLawLetter

(Continued from page 13)

is increasingly clear that the reporter's privilege attaches to non-confidential, firsthand observations that are made in the course of newsgathering, and that the *Gonzales* test for non-confidential information can act as a meaningful barrier to unnecessary subpoenas. The court's ruling on objectivity is also significant, since allowing a reporter's objectivity to

defeat the privilege would quickly swallow any protections afforded by the privilege in the first place.

David McCraw, Assistant General Counsel for The New York Times Company, and Stephen Gikow, First Amendment Fellow at The New York Times Company, represented Colin Moynihan. The City was represented by Andrew Lucas of the New York City Law Department.

#### RECENTLY PUBLISHED BY MLRC

#### **Publishing Photos, Images, or Other Illustrations**

A presentation from the Pre-Publication/Pre-Broadcast Committee on the legal issues arising from the use of photos. The presentation consists of two components: a powerpoint to show an audience, and a "script" to explain what is in each slide. The powerpoint can be customized to suit the needs of a particular client. Slides that are not relevant to the organization's needs/issues can be deleted, and other information could be added, if desired.

#### MediaLawLetter May 2013

3d Cir. Reinstates Right of Publicity Suit Over NCAA Football Video Game; Wash. S.Ct. Reinstates Damage Award Over Communism Allegation; Bomb Bystander's False Light Fizzles;SJ in Libel Case Arising Out of Michael Lewis's The Big Short; Texas Newspaper and Source Win Anti-SLAPP Motion on Appeal; Wash. Enacts Uniform Correction and Clarification Law;S.Ct. Upholds Citizen-Requester Only FOIA Provision; Copyright, Fair Use & Orphan Works; YouTube Wins Summary Judgment Again in Battle with Viacom; England's New Defamation Act; The Legal Ethics of Social Networking, and more.

#### MLRC Bulletin 2013 Issue 1: Legal Frontiers in Digital Media

Selected Issues Regarding Patent Infringement Lawsuits Brought by Non-Practicing Entities • Standing Up to Privacy Class Actions • How Clapper Fortifies the Available Defense • The Lanham Act as a Weapon Against Internet Speech • Distinctions With a Difference: Search Engines and Online News Aggregators

#### **Risks and Tips for Digital Images**

The Pre-Publication/Pre-Broadcast Committee's latest paper – Risks and Tips for Digital Images – explores various risks likely to be encountered with the use of digital images and summarizes cases and new issues in this area, all within the framework of a handy checklist full of tips for the expert and general practitioner alike.

#### **Discovery Roadmap**

In 2004, the Pre-Trial Committee, now known as the Litigation Committee, put together a "Discovery Roadmap" to help media law practitioners strategize discovery in defamation/invasion of privacy lawsuits. Since that time, the increased prevalence of electronically stored information (ESI) has transformed the discovery process in a number of ways. The Litigation Committee decided to update the Discovery Roadmap to encompass the unique issues presented by ESI.

# Maryland Court Dismisses Defamation Claims Against Journalism Non-Profit

## Articles Did Not Defame Former Russian Official and His Corporation

#### By Mara J. Gassmann

Judge Charles Peters of the Circuit Court for Baltimore City, Maryland granted a motion to dismiss all claims against Journalism Development Network, Inc. ("JDN") brought by Midland Consult (Cyprus) Ltd. ("Midland Consult") and its founder Maxim Stepanov ("Stepanov"). <u>Stepanov v. Journalism Development Network, Inc.</u>, No. 24-C-12-006399 (Md. Cir. Ct. June 6, 2013).

Midland Consult and Stepanov each asserted a claim for defamation arising from a series of articles published by the

Organized Crime and Reporting Project ("OCCRP"), a program of JDN, a Maryland not-for-profit. In granting the motion and dismissing the complaint, the Court found that the articles, which reported on a system of international money laundering used by organized crime, were not capable of a defamatory meaning and that Stepanov could not personally maintain an action based on statements about his company.

# The Proxy Platform The Invisible Empire of the Diplomat Fullished on Tuesday, 22 November area save at the Proxy Platform, a serious of the Diplomat Fullished on Tuesday, 22 November area save at the Proxy Platform, a serious of the Diplomat Fullished on Tuesday, 22 November area save at the Proxy Platform, a serious of the Diplomat State of the Proxy Platform, a serious of the Diplomat State of the Proxy Platform, a serious of the Diplomat State of the Proxy Platform, a serious of the Diplomat State of the Proxy Platform, a serious of the Proxy Platform, and the Proxy Platform, a serious of the Proxy Platform, and the Proxy Platform, a serious of the Proxy Platform, and the Proxy Platform, a

#### **Background**

Midland Consult, founded by Stepanov, a Russian citizen and former government official, and organized under the laws of Cyprus, is a registration agent in the business of incorporating companies in various jurisdictions. Midland Consult then administers these new corporations until such time that its clients purchase them off the "shelf." Defendant JDN administers OCCRP, an online investigative news reporting organization supported by a network of correspondents located throughout Eastern Europe and Central Asia whose mission is to produce news reports and assemble public records pertaining to organized crime and corruption.

Consistent with this mission, OCCRP published a series of articles on its website, www.reportingproject.net, that reported on the methods by which organized crime utilizes the unsuspecting and the indifferent to launder money throughout the world and thereby further criminal enterprises. The four articles challenged by the plaintiffs were published over a two-day period and described several money laundering schemes and the companies suspected of running them. They focused on what OCCRP described as the "criminal services industry," the people and businesses whose

lawful acts facilitate organized crime, and the ways in which organized crime in turn relies on these industries. Midland Consult and other registration agents that had incorporated companies suspected of money laundering were mentioned as examples of such businesses whose services had been used for criminal ends. The articles also referenced Stepanov as Midland Consult's owner.

Midland Consult and Stepanov thereafter filed suit. The complaint alleged that the articles, by mentioning the plaintiffs' associations with these

companies suspected of laundering money, were defamatory of both plaintiffs. The plaintiffs did not challenge the accuracy of the underlying facts; namely, they did not deny that they had in fact registered or otherwise conducted business with the suspect companies. Instead, Midland Consult and Stepanov alleged that the articles conveyed a defamatory implication by reporting on their associations with these companies without expressly stating that the plaintiffs were innocent of wrongdoing.

JDN moved to dismiss on three independent grounds. First, it argued that to report truthfully on Midland Consult's

(Continued on page 16)

Page 16 June 2013 MLRC MediaLawLetter

(Continued from page 15)

role in the facilitation of organized crime is not equivalent to accusing the plaintiffs of knowingly engaging in criminal activity and is not defamatory as a matter of law. JDN contended that Midland's objection to the truthful publication of its business associations was not cognizable as defamation. Second, JDN moved to dismiss Stepanov's claim on the separate basis that the challenged statements were not "of and concerning" him and that the articles' references to him as the head of Midland Consult were non-actionable. Third, JDN argued that the articles were privileged as fair and accurate reports of records filed in connection with an official proceeding: here, a complaint, which included facts about Midland Consult, that was filed with the Attorney General of Switzerland and triggered an investigation into the alleged laundering of \$230 million stolen from the Russian treasury.

#### **Decision**

Following a close review of each of the challenged articles and noting that plaintiffs did not dispute the facts reported in the articles, the Court found that the statements therein were not reasonably capable of bearing the defamatory implication plaintiffs were alleging, nor did the articles support the necessary conclusion that JDN intended to convey any such implication. The Court understood the articles to have left open the question whether the registration agents that created shell companies knowingly or unknowingly facilitated money laundering. This ambiguity did not support the plaintiffs' claims where the articles never reported that plaintiffs knowingly conspired to commit

crimes, particularly given that JDN twice quoted a Midland Consult representative's denial that the company knowingly participated in criminal activity. Although, the Court stated, some of the statements could be read "*in isolation*" to be defamatory, read as a whole, the publications did not defame plaintiffs. Mem. Op., 6/6/2013, at 9 (emphasis in original).

Although the Court's conclusion as to defamatory meaning was dispositive as to both plaintiffs' claims, the Court nevertheless reached JDN's second argument to hold that the challenged statements were not "of and concerning" Stepanov, warranting dismissal on this basis as well. Applying *Norman v. Borison*, 192 Md. App. 405 (2010), *aff'd* 418 Md. 630, 17 A.3d 697 (2011), the Court found the challenged statements, which were not made about Stepanov individually but rather were descriptions of his business relationship with his company, were "not remotely defamatory." Mem. Op., 6/6/2013, at 12.

Finally, the Court declined to apply Maryland's fair report privilege, deciding that a private party's complaint to a foreign government prior to any government action was not an official proceeding covered by the privilege.

This was the second dismissal of a case filed in the United States by these plaintiffs against journalists reporting on Midland Consult's connections to suspected money launderers. *See Stepanov v. Dow Jones & Co.*, No. 150534/2012 (N.Y. Supreme Ct. Apr. 18, 2013).

JDN was represented by Jay Ward Brown, Michael D. Sullivan and Mara J. Gassmann of Levine Sullivan Koch & Schulz, LLP. Plaintiffs were represented by Josh N. Bennett and Ilena Alvarez of the Law Firm of Josh N. Bennett, Esq., P.A. and by Neal C. Baroody of Baroody & O'Toole.

#### MLRC Bulletin 2013 Issue 1

### Legal Frontiers in Digital Media

Selected Issues Regarding Patent Infringement Lawsuits Brought by Non-Practicing Entities

Standing Up to Privacy Class Actions: How *Clapper* Fortifies the Available Defense

The Lanham Act as a Weapon Against Internet Speech

Distinctions With a Difference: Search Engines and Online News Aggregators

Fair Use and Implied License Issues in AP v. Meltwater

# Former Russian Official and Company Strike Out in New York

In April, a New York trial court dismissed a similar complaint by Maxim Stepanov and Midland Consult over an article in *Barron's* magazine discussing a multi-million dollar Russian tax fraud. <u>Stepanov v. Dow Jones & Company</u>, <u>Inc.</u> No. 150534/2012 (N.Y. Sup. Apr. 10, 2013).

#### **Background**

In April 2011, *Barron's* published an article titled *Crime and Punishment in Putin's Russia*. The article detailed a \$230 million Russian tax fraud involving the Moscow tax bureau, a group posing as a hedge fund called Hermitage Capital, and other entities involved in money laundering and other illegal activities. According to the article, it was the largest tax fraud in Russian history.

Stepanov and Midland Consult sued alleging that a mention of his name and company falsely implied that Midland Consult was connected to shell companies used to launder money and other wrongdoing. Stephanov also objected to the article's description of him as a diplomat, arguing instead that "he served in the government long before Vladimir Putin assumed a leadership role in the Russian government."

#### **Motion to Dismiss**

For purposes of the motion to dismiss, the trial court treated plaintiffs as private figures, but found that the case involved obvious matters of public concern – major international tax fraud – therefore New York's gross irresponsibility fault standard applied.

The court then found that plaintiffs had failed to plead a cause of action for defamation per se because they did not claim any statements in the article were false on their face, but rather that the article omitted facts that would have clarified that plaintiffs were not connected to the tax fraud. For example, plaintiffs complained that *Barron's* did not disclose that Olga Stepanova, a woman identified as directly involved in the tax scheme, was not related to plaintiff Maxim Stepanov. Similarly, plaintiffs argued that the article should have reported that Stepanov left government long before President Putin came to power. The court rejected each of these arguments among others. It held that "because the express statements are not capable of a defamatory meaning, plaintiffs have failed to state a claim for defamation per se."

The court also rejected plaintiffs' alternate argument that these statements were defamatory by implication. The articles could not reasonably be read to accuse plaintiffs of wrongdoing – and plaintiffs provided no support to show that defendants intended or endorsed a defamatory meaning. Moreover, the article could not reasonably be read to suggest that plaintiffs were involved in the money laundering efforts of other companies mentioned in the report.

Finally, in an interesting fair report privilege issue, the court declined to apply the privilege, Civil Rights Law § 74, to a money laundering complaint filed with the Attorney General of Switzerland. The complaint was a source document for the article, but the court expressed policy concerns with extending the privilege to foreign country proceedings.

Defendant was represented by Laura R. Handman and Camille Calman of Davis Wright Tremaine LLP in New York. Plaintiffs were represented by Larry Hutcher and Steven Skulnik of David Hutcher & Citron LLP in New York.

# Pastor Investigated by Anthony Family Cannot Sue National Enquirer for Defamation

### Article as a Whole Not Capable of Defamatory Meaning

#### By Deanna K. Shullman

A Florida appellate court affirmed dismissal of a defamation lawsuit against *The National Enquirer* that arose out of reporting on the Casey Anthony case because the statements were not defamatory and were in any event privileged. *Grund v. American Media, Inc.*, No. 4D1201880 (Fla. 4<sup>th</sup> DCA June 20, 2013), *aff'ing, Grund v. American Media, Inc.*, No. 50-2011-CA-015526 (15<sup>th</sup> Jud. Cir. Fla. 2011). The appellate court unanimously affirmed without opinion the trial court's decision

to dismiss the action with prejudice.

#### **Background**

Between June 2008, when Florida toddler Caylee Anthony was reported missing, and July 2011, when the child's mother was acquitted of charges of murder stemming from the child's death, few in Florida or beyond had not heard about the Casey Anthony case. *The National Enquirer*, along with dozens of other national and local publications, covered extensively

the investigation into the little girl's disappearance and death and the prosecution of the girl's mother for murder. *The National Enquirer's* coverage included an October 2009 article headlined, "Inside Casey Anthony Police File: Bizarre Twist in Caylee's Murder, Minister Subject of inquiry in possible HUMAN SACRIFICE."

The article reported on the contents of records the Orange County State Attorneys' Office obtained from the local sheriff's office in the course of the investigation into the death of the toddler and the prosecution of the girl's mother.

The prosecutors' office released the records to the public, including *The National Enquirer*, pursuant to Florida public records law.

The article reported that Cindy Anthony, the mother of then-accused murderer Casey Anthony (and grandmother of the murdered child) asked her private investigator in an email to look into the background of Pastor Richard Grund, the father of the former fiancé of Casey Anthony, to see if the pastor could be connected to Caylee's murder. The article

quoted the elder Anthony as wondering whether Grund was "crazy enough to do something to Caylee" because "[p]eople do crazy things like [human] sacrefice (sic) for their strange beliefs."

The article reprinted the email containing Cindy Anthony's statements to the private investigator. The article further reported that the private investigator found no evidence to link Pastor Grund to the child's disappearance and that the police were convinced Casey Anthony, already behind bars and awaiting trial, was the killer.

Nearly two years after the article was published, Pastor Grund sued

The National Enquirer for defamation, alleging that the article accused him of murdering Caylee Anthony and also disparaged his religious beliefs. The National Enquirer moved to dismiss the case because the statements were not defamatory as a matter of law and because the statements were protected by Florida's fair report privilege, which protects publishers against liability for accurately summarizing the contents of public records.



(Continued on page 19)

(Continued from page 18)

Pastor Grund disagreed, arguing at the dismissal hearing that the statements were indeed defamatory and that the fair report privilege did not apply because the documents were merely public records in a government agency's files and were not "official" documents, like court records or search warrants or probable cause affidavits. Absent some sort of official action specifically related to the Anthony family email, Grund argued, the privilege did not apply. Grund did not claim that the article inaccurately described the contents of the public records being reported on.

#### **Trial Court Ruling**

The trial court, The Honorable Lucy Chernow Brown presiding, rejected Grund's arguments as to both issues. As to the issue of whether the statements were defamatory, the

trial court found "there is not a statement anywhere in this article that Grund is responsible for the death of Caylee when viewed as a whole." The Court further found that the statements pertaining to Grund's religious beliefs likewise were not defamatory.

The Court also disagreed with Grund's argument that the fair report privilege did not apply because the records reported on

did not contain the official statements of a government agency, or reflect that official action was taken based upon the email. The Court found that the article was clear that it was reporting on official case documents from the prosecutor's files, that there was no allegation that *The National Enquirer*'s summary of those documents was inaccurate, and that "there is no difference in reporting on what the official case file of the Orange County prosecutor's office has on the Caylee Anthony case than reporting on a probable cause affidavit or police report" because both documents naturally would contain hearsay statements of people involved in the case. The fair report privilege, therefore, insulated AMI from liability, even if the article could be construed as defamatory.

The trial court dismissed the complaint on both bases with prejudice. Grund appealed, abandoning his claims directly based on religious disparagement and instead focusing on the statements he claimed accused him of being involved in the murder of Caylee Anthony.

#### **Appellate Court Argument**

As in the trial court, Grund argued the statements were defamatory and that the privilege did not apply. *The National Enquirer* urged the appellate court to consider the article as a whole, as the trial court had, in determining whether it was capable of defamatory meaning because the article made clear the Grund never was found to have any connection to the toddler's death. *The National Enquirer* also urged the appellate court to reject Grund's claims that the privilege did not apply absent "official action."

The National Enquirer relied on several Florida cases that had protected reporting on matters such as statements made

by inmates during jailhouse interviews as described in arrest warrants and probable cause affidavits, notes of phone calls seized by police during execution of a search warrant and recounted in court records, and statements of a convicted prostitute recounted during the deposition of a police officer. To protect reporting on these matters simply because they were described during a court proceeding or included in a

statement made by police but to deny protection to statements culled from a state prosecutors' investigative file would elevate form over substance in determining whether to apply the privilege and would create a distinction not previously recognized in the law.

The Fourth District Court of Appeal heard oral argument on May 14, 2013. It issued its affirmance without opinion on June 20, 2013. Grund may seek rehearing by early July.

Deanna Shullman is a partner in Thomas & LoCicero PL's Lake Worth, FL office. She, along with Cameron Stracher, Tom Curley and Chad Bowman of Levine Sullivan Koch and Schulz, LLP, represented American Media, Inc. in both the trial and appellate courts. Plaintiff was represented Douglas Roberts, Stearns, Roberts & Guttentag, Fort Lauderdale, FL.

# Release Bars Libel and Related Claims Against Mob Wives Reality Show

### Reinforces Broad Reach of Appearance Releases

#### By Yonatan S. Berkovits and Elizabeth A. McNamara

In June, a New York trial court dismissed libel and related claims brought by a local plastic surgeon, Dr. Andrew M. Klapper, against the producers of the reality show *Mob Wives*, on which the doctor had appeared. The doctor's suit was targeted not at the statements made about him on the show itself, but at similar statements made by one of the show's stars during television and radio appearances promoting the show. The court held that because the promotional statements were inextricably linked to the doctor's appearance on *Mob Wives*, his claims against the producers of the show were completely barred by the appearance release he signed as a condition of his appearance

on the program. <u>Klapper v.</u> <u>Graziano</u>, No. 16939/2012 (N.Y. Sup. June 13, 2013).

#### **Background**

In 2011, Renee Graziano, one of the stars of the popular VH1 reality show *Mob Wives*, underwent a plastic surgery procedure known as a "full body lift." The surgery was performed by plastic surgeon Dr. Andrew M. Klapper, and was

filmed by the *Mob Wives* cameras for use on the show. Before appearing on *Mob Wives*, Dr. Klapper signed an Appearance Release in which he agreed not to sue the producers for any claim "arising out of or related to" his appearance on the show.

Unfortunately, Ms. Graziano did not receive the "lift" she wanted and Dr. Klapper did not obtain the promotional kick he no doubt desired. The surgery went awry and Ms. Graziano suffered serious complications. As is common with reality television, her difficult recovery from the surgery

became the subject of a storyline on *Mob Wives*' second season. As part of that storyline, Ms. Graziano made numerous statements about the surgery Dr. Klapper performed, including on-air claims that she "flat-lined" and "almost died" and that the experience had been a "plastic surgery nightmare." In television and radio appearances advertising and promoting *Mob Wives*, Ms. Graziano largely repeated her statements from the show.

Dr. Klapper brought suit in New York Supreme Court for Kings County, alleging that Ms. Graziano's statements in her promotional appearances defamed him. He sued the producers of the show (including VH1, Viacom, The Weinstein Company, Electus and others) for defamation as

well as tortious interference with contractual relations and prospective business relations. Dr. Klapper also sued Ms. Graziano and another individual, Debra Rossi, whom he accused of making defamatory statements about him that informed Ms. Graziano's comments.



#### **Motion to Dismiss**

The court granted the producers'

motion to dismiss, holding that the Appearance Release signed by Dr. Klapper was a complete bar to the claims against the producers. The two individual defendants, Ms. Graziano and Ms. Rossi, were not party to the motion.

In opposition to the motion, the plaintiff made three principal arguments. First, the doctor argued that the Appearance Release only barred claims based on statements made on the show itself, but did not apply to statements made in promotional appearances. Second, he maintained that

(Continued on page 21)

The court's decision

strongly reinforces

principles supporting a

broad reach for

appearance releases

and the common sense

reasons why they

should be applied to

future actions.

(Continued from page 20)

because only one of the producers, Left/Right, Inc., was a signatory to the release, the release did not apply to the other producers. Although the release, by its terms, also covered Left/Rights' "affiliates" and "assigns," Dr. Klapper argued that these categories did not encompass the other producers. Third, Dr. Klapper relied on a line of New York cases holding that courts look harshly upon agreements to exempt a party from the consequences of its future tortious acts and that such agreements are subject to enhanced scrutiny.

The court's decision strongly reinforces principles supporting a broad reach for appearance releases and the common sense reasons why they should be applied to future

actions. The court held that advertising and promotion "are unequivocally addressed in the Appearance Release" and that such activities "are integral to the production and promotion of the program." The opinion noted that, for plaintiff to claim "he had no idea" the release applied to promotional "is disingenuous" activities and that advertising and promotional uses "must be reasonably expected by Dr. Klapper or any other participant [on a reality show] who signs a release."

The court also found Dr. Klapper's argument that the release applied only to

Left/Right but not to the other producers to be without merit. Upon review of the agreements governing the relationships among the producers, which the producers submitted as documentary evidence in support of their motion, the court concluded that "all the corporate defendants are affiliates, assignees or designees of Left/Right, Inc. and thereby entitled to the protection of the Appearance Release."

Of most significance, the court distinguished the line of cases holding that agreements to release a party from the consequences of its future tortious acts should be carefully scrutinized. The court found that those cases generally involved "parties seeking to insulate themselves from

negligence which results in some form of bodily injury." These cases, the court pointed out, often imposed "a higher level of scrutiny due to a special relationship between the parties." In contrast, the relationship between a reality show participant and the show's producers did not involve any special relationship and no bodily injury was alleged.

Instead, the court found that "the closest parallel" was to "the few decisions involving movie and television productions in which the participant has sued alleging that they were misled or fraudulently induced into appearing in the production. In those cases the existence of a release signed by the participant has been found to bar the lawsuit." Citing, among other cases, Psenicksa v. Twentieth Century

> Fox Film Corp., 2008 WL 4185752 enhanced scrutiny. emphasized that the "outlandish expected."

> (S.D.N.Y. 2008), the well-known case involving the film Borat, the court held that the Appearance Release Dr. Klapper signed was fully enforceable and not subject to The court also provocative" nature of reality television is well known and that choosing to appear on a reality show came with both risks and benefits. Dr. Klapper "bargained for the chance for publicity," the court wrote, "with the possibility that the outcome might not be

Finally, the court turned to a provision of the Appearance Release requiring that the releasor be responsible for attorneys' fees incurred by the producers "in connection with any claim or lawsuit brought in violation of this agreement." Finding that "the language of the provision is explicit and understandable," the court held that Dr. Klapper was liable for "the reasonable legal fees of the corporate defendants in defending this action and Dr. Klapper is bound by the terms of the agreement he signed."

Elizabeth A. McNamara of Davis Wright Tremaine, LLP was counsel for the producers in this case, along with Yonatan S. Berkovits. Barry Levin represented the plaintiff.

# Court Affirms Anti-SLAPP Dismissal of Oakland Mayoral Candidate's Defamation Claim

# Column Questioning Whether Candidate Was Running as a Spoiler is Opinion

#### By Joshua Koltun

In a recent unpublished decision, the California Court of Appeal upheld the trial court's dismissal on a special motion to strike (Anti-SLAPP Motion) of a defamation complaint that a former candidate for Mayor in Oakland brought against the East Bay Express newspaper and its columnist and editor. *Hodge v. East Bay Express*, 2013 Cal.App.Unpub. LEXIS 2892, 2013 WL 1768972 (Cal. App. 2013).

questions regarding the motives of a candidate who is running for mayor."

Reviewing Hodge's evidence, the Court ruled that she had not made a prima facie showing that the statements she challenged in Gammon's column were defamatory. She had not "demonstrated that the opinions expressed by Gammon—an Express writer who was a frequent and vocal critic of Perata—were based on provably false facts." As the Court explained,

#### **Background**

Petitioner-Plaintiff Marcie Hodge, had previously been elected a trustee of a local community college. In 2010 she ran for Mayor of Oakland. On September 29, 2012, Respondent-Defendant East Bay Express published a column Respondent-Defendant Robert Gammon entitled The Baffling Mayoral Bid of Marcie Hodge, ("Column"), which questioned whether Hodge was running for mayor as a favor to a leading candidate, Don Perata, in an effort to siphon off African-American votes from other, more viable mayoral candidates.



### Anti-SLAPP Analysis

Plaintiff did not dispute that Respondents had met the first prong of California's Anti-SLAPP statute, C.C.P. § 425.16, namely that the Column arose from an issue of "public interest." The Court noted that it had "no doubt that the public in Oakland and beyond would be interested in

Gammon never purported to definitively know the answers to the questions he posed regarding appellant's motives in running for mayor. He simply offered a subjective and perhaps unjustified theory about a possible connection between appellant's 2010 run for mayor and Perata, based on fully disclosed facts. ... Any reasonable Express reader would necessarily understand both that the statements in question were part of Gammon's subjective opinion about appellant's run for mayor and that the reader was "free to accept or reject"

Gammon's opinion that appellant was running as a spoiler, "based on their own independent evaluation of the facts."

Hodge submitted testimony that she had had no communications with Perata and denied that Perata or his (Continued on page 23)

(Continued from page 22)

ally, Ignacio De La Fuente, had "found" her or were behind her candidacy. The Court held that Gammon's statements constituted protected opinion based on disclosed facts, following the *Restatement Second of Torts*, § 566. The conclusion was further supported, under the "totality of the circumstances" test, by the fact that the statements were "were written in the context of a political campaign and appeared in a regular column in which, as appellant acknowledges, Gammon regularly wrote about Perata and questioned his motives and actions."

The Court ruled that Gammon's statements that Perata/De La Fuente had "helped," "found" or "were behind" Hodge in

the past were based on disclosed matters, including Gammon's opinion that De La Fuente had made it clear that he wanted another councilwoman, against whom Hodge had unsuccessfully run, out of office, that Perata's donors had "helped bankroll" Hodge's campaign, and that his campaign manager had managed Hodge's message as well. The Court reasoned that "That appellant was not personally acquainted with Perata does not mean that he did not support her run."

With regard to the suggestion that Hodge had run for Mayor as a "favor" to Perata, the Court noted that Gammon had reported Hodge's denial that she had received Perata's assistance, but noted that other African-American politicians thought that Hodge was running to siphon black votes

from two other candidates. Hodge did not deny that Gammon had accurately reported her own denial and the statements of the other's opinions.

The Column questioned where Hodge had obtained the money she spent on her campaign, noting that her campaign appeared to be "swimming in cash." Hodge submitted testimony that she "was not funneled any money to run the campaign," claiming that she had loaned herself money out of her own savings, repeating an assertion she had made at the time and which had been reported by Gammon. Gammon reported, however, that Hodge's campaign disclosures showed "no job, no investments, and no other income that

pays more than \$500 a year." The Court ruled that Gammon had relied on undisputed facts to raise questions about her campaign, and was entitled to express his suspicions about the likely source of funds.

Hodge challenged a statement by Gammon that she "won't take the time to prepare for a debate," a statement that the Court ruled was subjective opinion based on her performance in the debate. The Court commented, moreover, that many of Gammon's statements were in the nature of rhetorical hyperbole, such as that Hodge "completely flopped" in the debate.

The Court ruled that Gammon's statement that Hodge "seems to be mostly targeting black voters" was couched in

language of "apparency," and was based on certain undisputed facts concerning Hodge's campaign advertising.

The Court ruled that Gammon's statement that Hodge's "short tenure on the [Community College] board has been plagued with scandal" was protected opinion. Gammon had relied on undisputed evidence showing articles and editorials in local newspapers discussing Hodge's use of a district credit card, and in the context of these underlying facts, Gammon's statement that her tenure had been "plagued with scandal," was "rhetorical hyperbole' based on disclosed facts."

Gammon's claim that Hodge had been "publicly admonished" by her board colleagues was challenged on the grounds that Hodge had never been formally

censured. The Court ruled that Gammon's statement was supported because the comments by her colleague "certainly could be described as an admonition." The Court also ruled that describing the comment as an admonition was a privileged report of a public proceeding that captured the "gist and sting" of the comment.

Having thus disposed of all of the challenged statements, the Court of Appeal did not reach other contentions, such as that Gammon had not acted with actual malice.

Joshua Koltun is a solo practitioner in San Francisco (www.koltunattorney.com). He represented Defendants in the Hodge case.

based on fully

disclosed facts."

# Intrusion Claim Against Documentary Filmmaker Dismissed

#### By Trisha M. Rich

After nearly three years of litigation, the intrusion upon seclusion case against documentary film company *Kartmequin Films* and anti-gang violence organization CeaseFire has been dismissed. *Luten v. Kartemquin Films*, Case No. 10 L 9181, Cook County, IL, Circuit Court (Case Management Order, June 5, 2013).

#### **Background**

The plaintiffs in *Luten* sued Kartemquin Films, a Chicago -based documentary film company, three individual cameramen, the anti-gang violence organization CeaseFire (a

division of the University of Illinois), and two of CeaseFire's directors, following the March 2010 funeral of Annie Gibson Bacon. Bacon was the mother of nine children, including plaintiff Elnora Luten and former gang leader (and now federal prisoner) Jeff Fort. The other plaintiff in the case was Mustaafa Naji Fort, the son of Elnora Luten, and Bacon's grandson.

Jeff Fort was an early political leader in Chicago's gang scene, and co-founded Chicago's notorious Black P. Stones gang; Fort also went on to later found the El Rukn gang. In 1987, Fort was the first American convicted of terrorism, after conspiring with Muammar Gaddafi to sell arms to Libya,

with the purpose of engaging in acts of domestic terrorism. Despite this past acts and current incarceration, Fort retains a strong following in many Southside Chicago neighborhoods, where he is revered to this day. Fort is currently housed in a supermax prison in Colorado, under a no human contact order.

In part because of Fort's cult-like following, Bacon's funeral was a very public event. The funeral was attended by approximately 1,500 individuals, and included a number of high profile speakers, including Congressman Bobby L. Rush (D-IL), a purported friend of the family. Another of the

Matthews is a high profile member of Chicago's anti-gang violence community, who went on to star in Kartemquin's documentary film, *The Interrupters*. As a personal favor, Matthews had requested that the Kartemquin cameramen film Bacon's funeral, so that she could send a copy of the funeral footage to her father. A second film crew, requested by other family members, also attended and recorded funeral footage. Following the funeral, plaintiffs brought suit alleging

attendees was Ameena Matthews, Jeff Fort's daughter.

Following the funeral, plaintiffs brought suit alleging intrusion upon seclusion and intentional infliction of emotional distress. The plaintiffs alleged that the cameramen entered the church and filmed footage of the plaintiffs grieving, and of the deceased. The plaintiffs further alleged

that they were unaware at the time of the filming that the cameramen were not part of the second film crew they hired, and only learned later that the cameramen were part of another group. Plaintiffs alleged that the defendants "committed an act of unauthorized intrusion and prying upon the seclusion" by "making [an] unauthorized film or videotape of the funeral and of [plaintiffs'] grief." Plaintiffs alleged that the footage of their grieving constituted "private facts." Although the plaintiffs alleged in their complaint that the filming took place during the funeral at the church, in the presence of another film crew, the court refused to dismiss the intrusion upon

seclusion claim.

Several witnesses including the plaintiffs
themselves - confirmed
that filming occurred
only in the church, and
only in the presence of
hundreds of other
attendees. Ultimately, it
became clear to all
parties that a claim of
tortious intrusion could
not survive.

#### **Agreement to Dismiss**

However, this past month, following protracted discovery, the court entered an order dismissing the case, pursuant to an agreement reached by the parties. While the agreement itself is confidential, it was procured after testimony from several witnesses - including the plaintiffs themselves - confirmed that filming occurred only in the church, and only in the

(Continued on page 25)

(Continued from page 24)

presence of hundreds of other attendees. Ultimately, it became clear to all parties that a claim of tortious intrusion could not survive.

The decision in *Luten* comes just a few months after the Illinois Supreme Court, in October 2012, first recognized the tort of intrusion upon seclusion, in *Lawlor v. North American Corp. of Illinois*, 2012 Ill 112530 (2012). Although each of the state's appellate court divisions (and in fact, most of the other states) had already recognized the tort, the Illinois Supreme Court had specifically declined to do so prior to *Lawlor*.

#### **Illinois Intrusion Law**

Under Illinois law, tortious intrusion plaintiffs must show four elements: (1) an unauthorized intrusion or prying into the plaintiff's seclusion; (2) the intrusion must be offensive or objectionable to a reasonable person; (3) the matter upon with the intrusion occurs must be private; and (4) the intrusion must cause anguish and suffering. Schiller v. Mitchell, 357 Ill.App.3d 435, 440 (2nd Dist. 2005). The third element of the tort is a predicate for the other three; unless the matter is private, no claim can stand. Busse v. Motorola, Inc., 351 Ill.App.3d 67, 72 (1st Dist. 2004). Even prior to the Lawlor case, the Illinois Supreme Court had noted that any successful claim for would require a highly offensive intrusion. Lovgren v. Citizens First Nat'l Bank of Princeton, 126 Ill.2d 411, 416-17 (1989). In Lovgren, the Supreme Court noted some examples that might form the basis for a tortious intrusion claim: "invading someone's home, an illegal search of someone's shopping bag in a store, eavesdropping by wiretapping; peering into the window of a private home; and persistent and unwanted telephone calls." Lovgren, 126 Ill.2d at 417.

The most important of the required elements is the presence of private facts. *Busse*, 351 Ill.App.3d at 72. When determining whether something is a "private fact," courts have looked for the presence of personal information about people that is *private*. *Busse*, 351 Ill.App.3d at 69. Illinois courts have found that cell phone data, including names, telephone numbers, addresses, or social security numbers, are not "private facts" under this analysis. *Busse*, 351 Ill.App.3d at 72; *see also, Cooney*, 943 N.E.2d at 32 (social security numbers are not private facts); *Geisberger v. Willuhn*, 72

Ill.App.3d 435, 439 (1st Dist. 1979) (matters of public record, such as names and birth dates, are not private facts).

Illinois courts have, however, found that the unauthorized, covert video surveillance of medical examinations likely constituted private facts. *Acuff v. IBP, Inc.*, 77 F.Supp.2d 914, 920 (C.D. Ill. 1999). Likewise, in *Johnson v. Kmart Corp.*, the court found that an issue of fact existed as to whether private facts were at issue where the defendant hired private detectives to pose as employees, and gather data and personal information about current employees that included health problems, family problems, romantic interests, sex lives, future work plans, and criticism of the defendant. *Johnson v. Kmart Corp.*, 311 Ill.App.3d 573, 577-580 (1st Dist. 2000). The plaintiffs' theory in *Luten*, that "private grieving" constitutes private facts, remains substantively untested.

Intrusion upon seclusion also requires that the plaintiff actually be secluded; there has to be an unauthorized intrusion or prying into the plaintiff's seclusion. Schiller, 357 Ill.App.3d at 435. Under Illinois law, examples of "secluded places" have included medical exam rooms, restrooms, and private homes. See, Acuff, 77 F.Supp 2d at 92, Benitez v. KFC Nat'l Mgmt. Co., 305 Ill.App.3d 1027, 1033 (2nd Dist. 1999), and Lovgren, 126 Ill.2d at 417. Further, Illinois courts have found tortious intrusion claims to exist where parties have intruded upon the "the solitude or seclusion of another." Burns v. Masterbrand Cabinets, Inc., 369 Ill.App.3d 1006, 1012 (4th Dist. 2007). For instance, in Burns, an appellate court found that a claim for tortious intrusion survived dismissal where a private investigator sought entry into the plaintiff's home under false pretenses, brought a hidden camera into the plaintiff's home, and recorded the interaction.

#### **New Cases Testing Boundaries**

A new Illinois case, filed in April 2013, provides a unique interpretation of the facts required to meet the elements of intrusion upon seclusion. *John Doe v. Jane Doe*, Case No. 1:13-cv-02790, currently pending in the United States District Court for the Northern District of Illinois, alleges that the plaintiff, a recent college graduate residing in Chicago, Illinois, met the defendant on the internet and that they had interacted via Skype. During these communications, the plaintiff "engaged in sexual conduct," that was viewable to

(Continued on page 26)

Page 26 June 2013 MLRC MediaLawLetter

(Continued from page 25)

the defendant. The plaintiff alleges that, without his authorization, consent, or knowledge, the defendant recorded audio and video of the sexual conduct.

The plaintiff alleges that the defendant then demanded the sum of \$200.00 from the plaintiff, in exchange for not making the recording public. When the plaintiff did not comply, the defendant allegedly posted the recording to at least one pornographic website, and identified the plaintiff by name in the postings. While the plaintiff has been able to remove the offending material, he filed the suit against the still-anonymous defendant, alleging violations of the federal wiretap act, the Illinois eavesdropping statute, public disclosure of private facts, and intrusion upon seclusion.

With respect to the intrusion claim, the plaintiff alleges that he "consider[s] his Skype electronic and oral communications to be private." This appears to be the first case in Illinois where a plaintiff bases his claim on images he himself disseminated. A recent ruling by Judge Ronald A. Guzman may indicate the court's unwillingness to extend the tort's boundaries to encompass this type of conduct. On June 5, 2013, he denied plaintiff permission to proceed as a John Doe. In ordering the plaintiff to file an amended complaint in his own name or dismiss the suit, the court noted: "[The plaintiff] is an adult who voluntarily transmitted sexual conduct to a stranger over the internet, and his embarrassment is not a sufficient basis for proceeding anonymously."

While tortious intrusion upon seclusion cases have historically been used infrequently and somewhat narrowly in Illinois, recent cases like *Luten* and *John Doe* show plaintiffs are beginning to bring these claims more often, and in a significantly wider range of settings. What remains to be seen is how the courts will view these more aggressive claims - through the narrow lens that has historically applied only to actual intrusions into private places, such as medical exam rooms, restrooms, and private homes, or with a more plaintiff-friendly view, that would include, for instance, filming a plaintiff's "private" grieving, in full view of hundreds of other individuals. A more plaintiff-friendly environment, coupled with the ease of use and near universal application of the cell phone camera, guarantees that this is a tort with a potent future.

Trisha M. Rich and Robert Pickrell, of Holland & Knight LLP's Chicago office represented the defendants in Luten v. Kartemquin Films. The plaintiffs were represented by Stephen L. Richards.



# ©2013 MEDIA LAW RESOURCE CENTER, INC. 520 Eighth Ave., North Tower, 20 Fl., New York, NY 10018

#### **BOARD OF DIRECTORS**

Susan E. Weiner, Chair
David S. Bralow
Marc Lawrence-Apfelbaum
Karole Morgan-Prager
Lynn B. Oberlander
Gillian Phillips
Kenneth A. Richieri
Mary Snapp
Kurt Wimmer
Robert P. Latham (DCS President)

#### **STAFF**

**Executive Director** 

Sandra Baron

**Staff Attorneys** 

Maherin Gangat

David Heller

Michael Norwick

**Production Manager** 

Jacob Wunsch

**MLRC Administrator** 

Debra Danis Seiden

MLRC Fellow

Lindsey Davis

**MLRC Institute Fellow** 

Dorianne Van Dyke

**Interns** 

Scott Lipschitz, Yenu Wodajo

# Catholic School Principal's Libel Claim Against Daily News Dismissed

# "Firebrand" and "Principal of Hate" Deemed Protected Opinion

A New York trial court dismissed a libel complaint against the New York Daily News over a series of articles reporting on a Catholic school principal's racial views. *Borzellieri v. Daily News*, No. 11731/12 (N.Y. Sup. April 22, 2013) (McDonald, J.). The court held that the complained of statements were expressions of opinion and plaintiff failed to plead actual malice.

#### **Background**

In July 2011, the Daily News published an article titled "Principal of Hate," the first of several about the principal of a Bronx Catholic School. The article revealed that then Principal Frank Borzellieri had released books that included articles written by him and published by an alleged white supremacist group, the New Century Foundation. In the articles, Borzellieri wrote that "diversity is a weakness" and the rising black and Hispanic populations in America will lead to the "New Dark Age." Borzellieri's works also included a book titled "Lynched: A Conservative's Life on a New York City School Board." The book touted that Borzellieri speaks "the truth about the racial, cultural and educational issues that are destroying this country." The problem, according to the Daily News, was that Borzellieri was principal of a school in the Bronx comprised mostly of black and Latino students.

In breaking the story about Borzellieri, the Daily News described him as "a firebrand educator with ties to a white supremacist group." The article also revealed that a local church official knew of plaintiff's views but hired him anyway. In subsequent articles, the Daily News published updates about the investigation and firing that followed. Borzellieri sued for defamation, claiming his past writings "do not reveal race hatred or White Supremacy; they were principled conservatism and libertarianism."

#### **Motion to Dismiss**

The trial court granted the New York Daily News and its reporters' motion to dismiss, holding that plaintiff, as a limited purpose public figure suing over matters of opinion, did not have any recourse for injury to his reputation.

The court held the terms "principal of hate" and "firebrand" were statements of opinion because they were incapable of "being objectively characterized as true or false." Each reader would assess plaintiff's character differently based on his or her own subjective views and "a reasonable reader would have concluded that he or she was reading and/or listening to opinions, and not facts, about the plaintiff." Therefore, subjective characterizations of plaintiff's behavior made in the article are non-actionable opinion.

Secondly, the court held that while liability may be found when the critical facts that are given for the opinion are false, plaintiff did not deny making the statements or committing the acts described in the articles. Thus plaintiff's assertion that "they do not reveal hatred or White Supremacy" is just that, another opinion.

Finally, the court held that plaintiff was a limited purpose public figure "by publishing his writings and entering the public forum to influence public opinion" and that he "voluntarily acted to influence the resolution of a public controversy." The trial court rejected plaintiff's argument that his writings were ancient history and, therefore, could not be used to establish him as a public figure. It noted that Borzellieri published his book "Lynched" in 2009, the same year he was hired as principal at Mount Carmel.

As a limited purpose public figure, plaintiff's complaint lacked factual allegations that the writers knew their statements were false, or published with reckless disregard. Accordingly, the court dismissed plaintiff's complaint against the Daily News, its writers, and its parent company.

# **Supreme Court to Review Defamation Immunity** for Airlines That Report Potential Threats

#### By Jerrold J. Ganzfried

On June 17, the U.S. Supreme Court granted cert. to review a defamation case involving national security issues. <u>Air Wisconsin Corp. v. Hoeper</u> The case also has potential implications for First Amendment doctrine.

#### **Background**

In order to strengthen the security of the nation's aviation system after September 11, 2001, Congress enacted the Aviation and Transportation Security Act (ATSA). Recognizing that airlines and their employees may receive information useful in assessing potential threats, the Act requires that certain information be reported to the Transportation Security Administration (TSA).

As a means of ensuring that all relevant threat information is conveyed to TSA, the Act provides immunity from all liability, including liability for state-law defamation, to airlines and their employees who report potential security threats. The statutory grant of immunity is broad, subject only to an exception for statements made "with actual knowledge that the disclosure was false, inaccurate, or misleading" or "with reckless disregard as to the truth or falsity of that disclosure." 49 U.S.C. §44941(b).

The case now before the Supreme Court tests the meaning of that immunity provision with respect to Air Wisconsin's communications with TSA. Air Wisconsin reported its concerns about the air travel of an about-to-be-terminated pilot who, as a Federal Flight Deck Officer (FFDO), was authorized to carry a TSA-issued firearm. Having failed three aircraft proficiency tests, the pilot faced a re-test with termination of his employment the inevitable consequence of a fourth failure. During the final testing, which the pilot failed, he became very upset and directed angry outbursts against the test administrator. An Air Wisconsin manager who had been briefed on the incident communicated to TSA that the pilot's employment had been terminated, that there

was concern about the pilot's mental stability, and that the pilot (who was heading to the airport for a flight home) might be armed.

#### **Defamation Damage Award**

The pilot sued Air Wisconsin for defamation and won a verdict of approximately \$1.4 million. By a vote of 4-3, the Colorado Supreme Court affirmed the verdict, held that Air Wisconsin was not entitled to immunity, and also held that the First Amendment did not protect Air Wisconsin from the defamation judgment.

The majority opinion did not independently assess whether Air Wisconsin's statements were true. Nor did the

majority of the Colorado Supreme Court hold that Air Wisconsin should have remained silent. Instead, the majority denied immunity based on a preference for Air Wisconsin to have used slightly different words to express legitimate concern about the pilot's behavior. In the court's view, instead of saying that the pilot "was terminated today," "was an FFDO who may be armed," and that airline employees were "concerned about his mental stability," Air Wisconsin would have been entitled to immunity if it had said that the pilot "knew

he would be terminated soon," "was an FFDO pilot," and "had acted irrationally at the training three hours earlier and 'blew up' at the test administrators."

# Although cert. was not granted to decide what standard of review the First Amendment requires in defamation cases, the case still has potential Constitutional ramifications.

#### Cert. Petition

Air Wisconsin filed a petition for a writ of certiorari, seeking review in the United States Supreme Court on two issues: (1) Whether a court can deny ATSA immunity without deciding whether the airline's report was true; (2) Whether the first Amendment requires a reviewing court in a defamation case to make an independent examination of the

(Continued on page 29)

June 2013

Page 29

(Continued from page 28)

record before affirming that a plaintiff met its burden of proving a statement was true.

Amicus briefs supporting certiorari were filed by DRI—The Voice of the Defense Bar, the Reporters Committee for Freedom of the Press, the International Air Transport Association, and Congressman John L. Mica (Chair of the House Transportation and Infrastructure Committee). In response to the Court's invitation to file a brief expressing the views of the United States, the Solicitor General supported certiorari only on the issue of statutory immunity.

In the government's view, it was error to reject statutory immunity without first determining whether the Air Wisconsin statements were false. On this point, the government amicus brief explained that "a proper falsity analysis under ATSA should include a materiality component, under which the court asks whether a fully accurate statement would have had a qualitatively different impact on the law enforcement recipient than the possibly-exaggerated or technically incorrect statement that was actually made."

Supreme Court review was warranted, the government urged, because the analysis of the Colorado court "may chill other air carriers from timely providing the government with critical information about threats to aviation security." Since, in the government's assessment, the case should be resolved on the basis of statutory immunity, there is no reason to reach the First Amendment standard-of-review issue, especially where this case presents "an atypical context involving

information provided confidentially to a government agency, a non-media defendant, and a specialized statutory scheme of immunity."

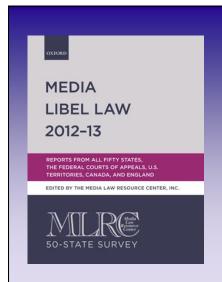
In granting certiorari, the Supreme Court limited its review to the statutory question, but with the gloss offered by the Solicitor General: "Whether ATSA immunity may be denied without a determination that the air carrier's disclosure was *materially* false."

The inclusion of materiality may well focus attention on whether there is any legal significance to the slight difference between the particular words Air Wisconsin used and the variations that the Colorado Supreme Court would have preferred.

Although cert. was not granted to decide what standard of review the First Amendment requires in defamation cases, the case still has potential Constitutional ramifications. Because the statutory immunity provision of ATSA echoes the language of *New York Times Co. v. Sullivan*, the Supreme Court's upcoming decision could be highly illuminating.

The case will be argued during the October 2013 Term of the Supreme Court, with a decision expected in 2014.

Jerrold J. Ganzfried is with the Washington D.C. office of Holland & Knight LLP. He and Judith R. Nemsick, with the firm's New York City office, filed an amicus curiae brief for DRI-The Voice of the Defense Bar in support of the petition for a writ of certiorari. Air Wisconsin Airlines is represented by Peter D. Keisler, Sidley Austin LLP, Washington, D.C. The plaintiff is represented by Scott A. McGath, Overturf McGath Hull & Doherty P.C., Denver, CO.



Now available from MLRC and Oxford University Press

## MEDIA LIBEL LAW 2012-13

Media Libel Law 2012-13 is a comprehensive survey of defamation law, with an emphasis on cases and issues arising in a media context.

www.medialaw.org

# Court Grants District of Columbia's Anti-SLAPP Motion Against Former Employee

#### By Leslie Paul Machado

Last month, a District of Columbia judge became the second Superior Court judge to grant a motion under DC's anti-SLAPP statute. *Payne v. District of Columbia*, Case No. 2012 CA 6163B (D.C. Sup. Ct. May 28, 2013). Previously, an anti-SLAPP motion was successfully obtained by the defendants in *Lehan v. Fox* (discussed in December 2011 MediaLawLetter), while Redskins' owner Dan Snyder voluntarily dismissed his libel suit after the defendants filed an anti-SLAPP motion (discussed in September 2011 MediaLawLetter).

The *Payne* suit had its origins in the termination of Eric Payne, a former contracting director in DC's Office of the Chief Financial Officer. In response, Mr. Payne brought a wrongful termination suit in federal court.

After he was deposed in that federal court action, DC's then Chief Financial Officer, Natwar Gandhi, allegedly wrote in an email to a reporter that Mr. Payne was terminated because of his "poor performance issues," and allegedly told another reporter that Mr. Payne was terminated because he was "a very poor manager." Mr. Payne then filed suit in DC Superior Court, alleging that these were "false, derogatory and defamatory" statements and asserting claims for defamation, false light, intentional infliction of emotional distress and "constitutional defamation."

The defendants filed an anti-SLAPP motion, asserting that the suit fell within the scope of the DC anti-SLAPP statute because the comments were made "in connection with an issue under consideration or review by a . . . judicial body [i.e. the pending federal court wrongful termination suit]" or, alternatively, because they were "in a place open to the public or a public forum in connection with an issue of public interest." They argued that Mr. Payne could not show – as was his burden – that he was likely to succeed on the merits because the challenged statements were by a public official about matters within the perimeter of his duties, and were thus privileged:

because Mr. Payne was an employee of the Office of Chief Financial Officer, Dr. Gandhi's

official duties included informing the public about Mr. Payne and the circumstances of his departure, particularly after Mr. Payne had so vigorously inserted his own self-serving narrative directly into the public discourse. Alternatively, Dr. Gandhi's statements concern the *decision to fire* Mr. Payne, which in itself was within Dr. Gandhi's official duties.

In response, Mr. Payne argued that the statute should not apply because he was not a well-heeled individual aiming to punish a private person, which, he argued, was the purpose of the anti-SLAPP act. Mr. Payne also argued that Mr. Gandhi's statements were: (a) "ministerial" and thus not subject to any immunity (under DC law, if an official's function is "ministerial," there is no immunity; however, if it is "discretionary," the immunity applies); or (b) made with malice, sufficient to overcome any privilege.

The *Payne* court's opinion first found that the suit arose from protected activity because the challenged statements were made in connection with a pending lawsuit and on an issue of public interest ("actions by a government agency, a government official and a government employee's conduct"). Accordingly, it turned to whether Mr. Payne could show that he was nevertheless going to prevail on the merits.

The court held that Mr. Payne would not prevail on the merits because the challenged statements were privileged as a matter of law and that privilege was not overcome or lost. It also found that the alleged statements "do not rise to the level of outrageousness to state a cognizable claim for [intentional infliction of emotional distress] and that the claim for "constitutional defamation" failed as a matter of law.

Two things are particularly interesting about the *Payne* opinion. First, it implicitly rejected Mr. Payne's argument that the anti-SLAPP statute was somehow inapplicable because this was not a "traditional" SLAPP suit. A similar argument had been <u>successful</u> in <u>persuading another Superior Court judge to deny an anti-SLAPP motion</u>, with that court concluding that:

(Continued on page 31)

June 2013

Page 31

(Continued from page 30)

it is clear that Dr. Huntington is not seeking to chill or repress constitutionally protected speech, but is simply seeking to redress wrongs created by the unfounded and hateful claim filed by Dr. Newmyer. . . . Unlike a traditional SLAPP suit, there is no economic bullying here, and Dr. Huntington is certainly not a "large private interest aiming to deter common citizens from exercising their political or legal rights."

Second, although the *Payne* court granted the anti-SLAPP motion, it applied a lower standard of review. Under the DC anti-SLAPP statute, once the moving party makes a *prima facie* showing that the claim at issue arises from an act in furtherance of the right of advocacy on issues of public interest, the court must grant the motion unless the

responding party shows that the claim "is likely to succeed on the merits."

However, the *Payne* court applied California's "probability of success" standard because it found "no published decisions in this jurisdiction that have assessed the applicable standard of review."

In many of the other cases under the DC anti-SLAPP statute, the parties have sparred over the standard of review, with several of the parties opposing anti-SLAPP motions arguing that California's probability standard applies, while movants have emphasized that DC's selection of the term "likely" to succeed imposes a different, and heavier, burden.

Leslie Paul Machado is a partner at LeClair Ryan in Alexandria, Va. Plaintiff was represented by Donald M. Temple. Defendants were represented by Sarah L. Knapp and Keith D. Parsons from the District of Columbia Attorney General's Office.

## **MLRC UPCOMING EVENTS 2013-14**

MLRC LONDON CONFERENCE September 23-24, 2013 | London, England

MLRC ANNUAL FORUM November 13, 2013 | New York, NY

MLRC ANNUAL DINNER
November 13, 2013 | New York, NY

LEGAL ISSUES CONCERNING HISPANIC AND LATIN AMERICA MEDIA May 10, 2014 | Miami, FL

MLRC/NAA/NAB MEDIA LAW CONFERENCE Setpember 17-19, 2014 | Reston, VA

www.medialaw.org

# Nevada anti-SLAPP Statute Amended to Provide Broad Protection for Public and Press

On June 3, 2013, Nevada Governor Brian Sandoval signed into law a revised anti-SLAPP statute that significantly broadens the scope of protection for the public and press. The amendments come into effect on October 1, 2013. The full text of SB 286 as enacted by Governor Sandoval can be found here.

Marc Randazza, of the Randazza Law Group in Las Vegas, spearheaded the legislative initiative which had the support of the Nevada Press Association and local media. Nevada State Senator Justin Jones presented the bill in the Nevada state house. Marc Randazza's pitch to legislators was that "in addition to protecting free speech, it would help Nevada's efforts to snag technology jobs that were leapfrogging the state from California to Utah."

According to Marc, "these changes bring Nevada into line with California, Oregon, Washington, Texas, and the District of Columbia as having the most comprehensive and progressive anti-SLAPP statutes in the nation."

He summarized the main changes as follows:

- Expands the Breadth and Scope of Protected Speech. The new law expands protected conduct to include any "communication made in direct connection with an issue of public interest in a place open to the public or in a public forum," so long as the statement is truthful or made without knowledge of falsehood.
- Allows For an Immediate Appeal of a Denied Anti-SLAPP Motion. The new law modifies NRS 41.650 so that a
  movant is immune from any civil action—not just liability—from claims arising from his or her protected speech, which
  allows for an immediate appeal.
- **Expedites Judicial Consideration of Anti-SLAPP Motions**. Under the new law's changes, the time for a court to rule on a motion after filing is reduced to 7 judicial days from 30 after the motion is served upon the plaintiff.
- Creates a \$10,000 Stick to Deter Frivolous Claims. In addition to allowing for a movant's recovery of costs and attorneys' fees, the bill amends NRS 41.670 to allow the court to discretionarily award a successful movant up to \$10,000 in addition to his or her reasonable costs and attorneys' fees. This serves as a significant disincentive and warning for those who might wish to pursue censorious litigation.
- Creates SLAPP-Back Provision to Prevent Frivolous Anti-SLAPP Motions. The bill amends 41.670 so that a court
  denying a special motion to dismiss must award the claimant to successfully defeat the anti-SLAPP motion his or her
  costs and reasonable attorneys' fees upon finding that the anti-SLAPP motion was "frivolous or vexatious." I believe this
  is necessary, lest the anti-SLAPP law become a barrier to justice for those with supportable claims.
- Retains Key Elements from Nevada's Existing Laws. While the bill represents a massive change to Nevada's anti-SLAPP laws, Nevada's existing statutes had a number of powerful provisions that were unique among anti-SLAPP provisions are fortunately still intact. The Nevada Attorney General, or the "chief legal officer or attorney of a political subdivision" in Nevada may still "defend or otherwise support the person against whom the action is brought." NRS 41.660(1)(b). SB 286 also retains the successful anti-SLAPP movant's right to bring a separate action against the defeated plaintiff for compensatory damages, punitive damages, and the attorneys' fees and costs for bringing the new action.

# Court Nixes Hollywood Happy Ending for Entertainment Companies Using Unpaid Interns

# Interns Should Have Been Classified as Employees under Federal Labor Law

#### By Linda Auerbach Allderdice

On June 7, 2013, the movie "The Internship" was released in theatres as a comedy about unpaid interns trying to get ahead in the corporate world. In the story, Vince Vaughn and Owen Wilson, two salesmen who were displaced by technology, competed to receive coveted internships at Google so they would be considered for a real job. Whether or not the unpaid internships passed muster under state and federal employment regulatory laws was not part of the script. But, a few days later, on June 11, 2013, the U.S. District Court for the Southern District of New York, by the Hon. William H. Pauley III, issued a decision ensuring that a

different script would be written for unpaid interns at Fox Searchlight and Fox Entertainment Group. <u>Glatt v. Fox Searchlight</u>, Case No. 11-Civ.-6784.

In *Glatt*, the court ruled on crossmotions for summary judgment on the merits of claims under the Fair Labor Standards Act (FLSA) as well as a motion for class certification under state and federal law. The court ruled that the two unpaid interns who worked on the production for the film *Black Swan* should have been classified as "employees" under the FLSA and, therefore, they were entitled to be paid for all hours worked.

Additionally, despite that the interns only worked directly for the production company, Lake of Tears, Inc., the court further held that Fox Searchlight, the film's financier and distributor, was a "joint employer" for purposes of the FLSA. This decision is likely to have far reaching consequences for employers who hire, and rely upon, unpaid interns. Failure to properly analyze an intern's job duties and responsibilities can result in liability under the FLSA, as well as increasing the risk of state wage and hour class actions and collective actions under the FLSA. In fact, within ten days of the *Glatt* ruling, unpaid interns at Gawker filed a lawsuit alleging

similar claims of mistreatment and violation of the employment laws.

#### Background

Black Swan began as a collaboration between director Darren Aronofsky and producer Scott Franklin. Aronofsky and Franklin incorporated Lake of Tears, Inc. for the purpose of producing Black Swan, and entered into a Production Agreement with defendant Fox Searchlight. Fox Searchlight provided financing for the film and owned the distribution rights to Black Swan.

Two plaintiffs, Glatt and Footman, were unpaid interns who worked for Lake of Tears on the production of *Black Swan* in New York. The plaintiffs worked mostly in the production company's back office, learning "how it watermarked scripts or how the photocopier or coffee maker operated." They obtained documents for personnel files, picked up paychecks for coworkers, tracked and reconciled purchase orders and invoices, and traveled to the set to get managers' signatures. In addition, they performed basic administrative work, such as drafting cover letters, organizing file cabinets, making photocopies, running errands, assembling

office furniture, arranging travel plans, taking out the trash, ordering lunch, answering phones and making deliveries. For all practical purposes, the unpaid interns worked as office staff.

#### The Fair Labor Standards Act

The plaintiffs challenged their classification as unpaid interns under the FLSA, arguing that they were "employees" - and not by contrast "trainees" whose work is only for the trainee's benefit without any "immediate advantage" to the

(Continued on page 34)

The two unpaid interns who worked on the production for the film Black Swan should have been classified as "employees" under the FLSA and, therefore, they were entitled to be paid for all hours worked.

Page 34 June 2013 MLRC MediaLawLetter

(Continued from page 33)

employer -and, therefore, they were entitled to be paid for the work that they performed including overtime.

To analyze plaintiffs' classification, the court looked to the fact sheet (U.S. Dep't of Labor Fact Sheet #71 (April 2010)) produced by the U.S. Department of Labor listing six factors the DOL uses to determine whether an individual is an employee who must be paid, or an intern who is not an employee:

- The internship, even though it includes actual operation of the facilities of the employer, is similar to training which would be given in an educational environment;
- The internship experience is for the benefit of the intern:
- The intern does not displace regular employees, but works under close supervision of existing staff;
- The employer that provides the training derives no immediate advantage from the activities of the intern; and on occasion its operations may actually be impeded;
- The intern is not necessarily entitled to a job at the conclusion of the internship; and
- The employer and the intern understand that the intern is not entitled to wages for the time spent in the internship.

The plaintiffs conceded that they were not expecting to be paid for their work and that they knew they would not be entitled to jobs at the conclusion of the internship. The court gave short shrift to this fact, noting that the "FLSA does not allow employees to waive their entitlement to wages." Instead, the court focused on the "totality of the circumstances" and looked at the actual tasks performed before concluding that they were improperly classified as unpaid interns. The court held that "[t]hey worked as paid employees work, providing an immediate advantage to their employer and performing low-level tasks not requiring

specialized training." In short, the plaintiffs were "employees" under the FLSA.

The court further found that the tasks performed by the unpaid interns would otherwise have been done by a paid employee. As the court found, "The benefits [the interns] may have received – such as knowledge of how a production or accounting office functions or references for future jobs – are the results of simply having worked as any other employee works, not of internships designed to be uniquely educational to the interns and of little utility to the employer."

#### Fox Searchlight is a Joint Employer under the FLSA

In addition to finding that the plaintiffs were employees, the court held that Fox Searchlight was a "joint employer" under the FLSA. The FLSA allows for the possibility of joint employers, and "all joint employers are responsible, both individually and jointly, with all the applicable provisions of the [FLSA]." 29 C.F.R. §791.2(a). The court noted that, "[w]hen it comes to 'employer' status under the FLSA, control is key." The court found that Fox Searchlight retained both formal and functional control over the plaintiffs' actual employer, Lake of Tears, and therefore Fox Searchlight was additionally liable under the FLSA.

Under the production agreement, Lake of Tears was required to obtain approval from Fox Searchlight before hiring key production staff, and Fox Searchlight retained "unbridled" power to fire anyone working on the production of Black Swan. Even though Fox Searchlight did not actually hire the line producers or department heads, the fact that it retained the "ability" to do so and in fact exercised such rights in other productions was enough to satisfy this requirement for the court. Fox Searchlight retained strict control over the production's financing, and required prior approval for any cost overruns. Fox Searchlight executives also closely monitored the shooting schedule, effectively exercising control over it. Lake of Tears was a singlepurpose entity established solely for the production of Black Swan, and no other productions. The court found that the production crew was not tied to Lake of Tears, which everyone knew would cease operations as soon as the film was delivered to Fox Searchlight. In effect, the court held that Fox Searchlight exercised significant control over the production, "[a]nd in the end, it is all about control."

(Continued on page 35)

June 2013

Page 35

(Continued from page 34)

# Certified Class Under Rule 23 – Conditional Class under FLSA

One of the plaintiffs sought to certify a class of unpaid interns at several of Fox's corporate divisions, including Fox Filmed Entertainment, Fox Group, Fox Networks Group, and Fox Interactive Media (renamed News Corp. Digital Media). The court found that the numerosity requirement was met as there were at least 40 unpaid interns. The court rejected defendants' argument that the class size was "far too indefinite and speculative," noting that defendants could not capitalize on their own inability to produce accurate information.

The court further found that the other elements of class certification – adequacy of class representative, predominance of class-wide issues, and superiority of a class action to resolve issues – weighed in favor of certification. At the same time, the court granted conditional certification under the FLSA, in line with the separate and different procedural requirements under the FLSA as opposed to the general federal class action requirements under Rule 23.

#### **Practical Implications**

The hiring of unpaid interns is not just a cultural phenomenon marked by the release of Hollywood comedy. It raises serious issues of compliance with state and federal regulatory employment laws, and the prospect of liability by way of class relief. With the filing of another unpaid intern lawsuit so soon after the Fox Searchlight decision, the use of unpaid interns must be carefully scrutinized in order to avoid the risk of litigation. The decision not to pay interns must hold up under the six-factor test outlined by the DOL. This is a fact specific inquiry and failure to properly classify an unpaid intern can be very costly due to the FLSA's double damages provisions and potential class action implications. A thorough analysis before an unpaid internship begins is worthwhile to avoid liability after the unpaid internship has ended.

Linda Auerbach Allderdice is with the Los Angeles office of Holland & Knight LLP. David J. Santeusanio and Brian M. Doyle with the firm's Boston office assisted in the preparation of this article. Plaintiffs are represented by Outten & Golden, LLP, New York, NY. Fox Searchlight is represented by Proskauer Rose LLP, New York, NY.



#### MediaLawLetter Committee

Michael Berry, Co-Chair

Russell T. Hickey, Co-Chair

Dave Heller, Editor

Robert D. Balin

Katherine M. Bolger

Tom Clyde

Robert J. Dreps

Judith Endejan

John Epstein

Rachel E. Fugate

Michael A. Giudicessi

Karlene Goller

David Hooper

Leslie Machado

Michael Minnis

Deborah H. Patterson

Bruce S. Rosen

Indira Satyendra

# **Court Lifts Injunction Barring Release of Physician-Identifying Medicare Records**

### Ruling Allows HHS to Consider Whether FOIA Requires Access to Trove of Data Offering Unique Insights Into Medicare Program

#### By Laura R. Handman and Ronald G. London

The U.S. Court for the Middle District of Florida has vacated an injunction that for over 30 years restricted the release of physician-identifying Medicare reimbursement data by the Department of Health and Human Services (HHS) and its Center for Medicare Services (CMS). The ruling removes a long-standing barrier that the press and public faced with regard to access to Medicare data that facilitates key insights into a federal program that accounts for more than an estimated half-trillion dollars, representing nearly 15% of all federal spending.

The ruling in Florida Medical Ass'n v. Department of Health, Education, & Welfare comes nearly two-and-a-half years after Dow Jones & Company, and then Real Time Medical Data moved to intervene in the decades-old case to seek vacatur of the injunction. Florida Medical Ass'n v. Department of Health, Education, & Welfare, 2013 WL 2382270, at \*7 (M.D. Fla. May 31, 2013). The court issued the injunction in 1979, through then-Senior District Judge Scott (now deceased), after HHS-predecessor the Department of Health, Education and Welfare (HEW) released a 1977 list of doctors and physician groups that received \$100,000 or more in Medicare reimbursements, correlated by named service provider. See Florida Medical Ass'n v. Department of Health, Education, & Welfare, 479 F. Supp. 1291 (M.D. Fla. 1979).

Florida Medical Association (FMA), later joined by the American Medical Association (AMA), sued to enjoin similar future releases, under the federal Privacy, Trade Secrets, and Freedom of Information Acts, and various constitutional theories. Judge Scott held that physicians' privacy interests in the amount of Medicare reimbursements received sufficiently outweighed the public interest in the information, so that the Privacy Act barred disclosure, which could thus not be required by or allowed under the FOIA. The court therefore granted the injunction, which remained in place and was followed by HHS and CMS ever since, including as recently as FOIA litigation in 2007-2009 in *Consumers*'

Checkbook Center for the Study of Services v. HHS, 554 F.3d 1046 (D.C. Cir. 2009). However, in Consumers' Checkbook, at least one judge suggested that, upon a sufficient showing of how, e.g., physician-identifying CMS data would serve the public interest in targeting Medicare fraud and waste, a release of records might be possible.

Dow Jones and Real Time Medical moved to intervene in the case over 30 years later, after the Eleventh Circuit Court of Appeals held the injunction could not be challenged collaterally, but rather could be lifted only by the court, and in proceedings in the case, from which it originally issued. See Alley v. HHS, 590 F.3d 1195 (11th Cir. 2009). The district court allowed FMA v. HEW to be reopened, and reassigned it to Judge Howard, who granted intervention motions and allowed intervenors to seek vacation or modification of the 1979 injunction under Federal Rule of Civil Procedure 60(b). See FMA v. HEW, 2011 WL 4459387 (M.D. Fla. Sept. 26, 2011).

In moving to vacate, Dow Jones explained how, in the decades since 1979, Medicare fraud mushroomed into what former Attorney General Janet Reno called the nation's second leading crime problem, with HHS estimating 8.6% of all Medicare spending is illegitimate. Dow Jones proffered declarations by its editors and investigative reporters detailing research and reporting behind the Wall Street Journal's Secrets of the System news series, a 2011 Pulitzer Prize finalist that used limited CMS data to expose suspicious Medicare billing activity. The Journal was able to purchase only 5% of the data, subject to restrictions, dictated by the 1979 injunction, that individual doctors could not be identified. The Journal staff detailed in their declarations how these restrictions limited what they could uncover and what they could report. Nonetheless, the series was able to bring to light the government's often inadequate efforts to mine its data to prevent improper Medicare billing, and to identify regulatory loopholes and other economic incentives that encourage some doctors to disregard patients' best

(Continued on page 37)

(Continued from page 36)

interests in favor of unnecessary or high-cost procedures. Dow Jones also offered the Declaration of Malcolm Sparrow, Professor of the Practice of Public Management at Harvard University's John F. Kennedy School of Government. Based on over a decade-and-a-half Medicare fraud study, Dr. Sparrow explained the value that the data in CMS's files offered for providing a window into the efficacy of the Medicare program.

Following Dow Jones's filing, HHS changed course and argued that the injunction should be lifted, to allow the agency to revisit the balance of privacy and public interests under current circumstances. See generally FMA v. HEW, 2013 WL 2382270, at \*6. The court agreed. Judge Howard granted the Rule 60(b) motions, holding vacatur was required because "it is beyond dispute" that, as precedent clarified after its issuance, the 1979 injunction provided relief not authorized by the Privacy Act, upon which Judge Scott relied. Id. at \*26. Specifically, several years after the injunction issued, courts clarified that the Privacy Act allows injunctive relief in only two contexts, i.e., wrongful withholding of documents from a person to whom they pertain, and wrongful refusal to amend an individual's record upon his/her request. Id. at \*19 (discussing Clarkson v. IRS, 678 F.2d 1368 (11th Cir. 1982), and Edison v. Department of the Army, 672 F.2d 840 (11th Cir. 1982)).

The court also held that the 1979 injunction had not been grounded in the FOIA, and that neither the FOIA nor the Administrative Procedure Act (APA), which allow judicial relief from specific agency FOIA actions, authorize the kind of sweeping, forward-looking injunctive relief granted in *FMA v. HEW. Id.* at \*24-25. Rather, the court held, "while the APA authorizes a court to enjoin a specific final agency decision," it "does not afford a vehicle for enjoining possible future agency actions." *Id.* at \*25. In this context, FOIA and/or APA review may control the release or withholding of only particular agency records.

The "broad, forward reaching" 1979 injunction, the court held, "which bars HHS from *ever* 'disclosing *any* list of annual Medicare reimbursement amounts, for *any* years,' goes far beyond the relief available under the APA." *Id.* "Such far reaching relief was not authorized under the APA" in 1979, the court held, "nor is it appropriate now." *Id.* Accordingly, as the analytical Privacy Act foundation on which the 1979 injunction rested had become bad law, its

"continued enforcement, lacking in a legal basis, is no longer equitable." *Id.* at \*26.

Lifting the 1979 injunction does not mean, however, that HHS and CMS will or must release immediately any physician-identifying Medicare reimbursement records. Rather, the court held, vacatur simply leaves HHS free to determine whether factual circumstances and/or FOIA law or other legal standards and precedents have changed sufficiently since 1979 as to require releases of physician-identifying Medicare data. The court instructed that Dow Jones, Real Time Medical, and/or others interested in the data "will have to submit a FOIA request for specified information."

At that time, HHS can decide whether the balance of interests has sufficiently changed to require disclosure. If HHS maintains its prior stance, the FOIA requestor can seek review in court to attempt to compel disclosure, and those with a privacy interest can intervene in favor of withholding, if desired. Alternatively, if HHS believes changed circumstances warrant disclosure, it can order as much, and those with privacy interests can seek an injunction under the APA as to the information requested and designated for release. Dow Jones showed, both in its series and in support of vacatur, the critical evidence of Medicare waste, fraud and abuse that access to CMS electronic data can help detect. The advent of electronic billing, electronic data, and more sophisticated analytical tools have enhanced what the public can learn from the data. At the same time, reimbursement is now based not on what individual physicians charge, but the rates set and published by HHS. This evidence demonstrates that the balance of interests has changed significantly, not only since 1979, but even from the arguments advanced more recently in the Consumers' Checkbook case. The AMA has until August 2, 2013, to appeal the vacatur decision.

Laura R. Handman and Ronald G. London of Davis Wright Tremaine LLP; Michael G. Tanner, Tanner Bishop, and Jason P. Conti, Vice President and Associate General Counsel represented Intervenors Dow Jones & Co.; Victor L. Hayslip of Burr & Forman LLP, represented Intervenors Jennifer Alley and Real Time Medical Data; Jack R. Bierig of Sidley Austin LLP, represented Florida Medical Association and American Medical Association; and James C. Luh of the U.S. Department of Justice, represented the Department of Health and Human Services, f/k/a Department of Health, Education and Welfare.

# Nevada District Court Dismisses Negligence Claims Against Match.com

### Dating Website Not Liable for Attack on Plaintiff

All of Match.com's

conduct must trace

back to the publication

of third-party user

content or profiles.

Late last month the Nevada federal district court dismissed negligence-based claims against the dating website, Match.com. *Beckman v. Match.com*, 2:13-CV-97, 2013 WL 2355512 (D. Nev. May 29, 2013) (Mahan, J.). Section 230 protected Match.com from claims that it was partially responsible for severe injuries plaintiff suffered at the hands of a man she met through the dating website. Moreover, even if the claims didn't fall within Section 230 immunity, the complaint still failed to state a claim upon which relief could be granted.

#### Background

Plaintiff Mary Kay Beckman subscribed to Match.com's online dating service in August 2010. Shortly after, she met

Wade Mitchell Ridley on the website and began interacting with him online. That September they began dating, and their relationship lasted for ten days before she broke it off. After ending the relationship, Beckman received various "threatening and harassing" messages from Ridley and was ambushed and viciously attacked by him in January 2011. Two years later, Beckman filed suit against Match.com.

Plaintiff's complaint contained five causes of action for which she hoped to find Match.com liable: (1) negligent misrepresentation; (2) negligence (failure to warn); (3) negligence; (4) negligent infliction of emotional distress; and (5) deceptive trade practices pursuant to 15 U.S.C. § 45(a)(1).

#### **District Court Decision**

The court held that plaintiff lacked standing to bring a federal deceptive trade practices claim and all her state law claims were barred by Section 230. Alternatively plaintiff's allegations failed to meet the <u>Iqbal/Twombly</u> plausibility standard required to survive a motion to dismiss.

The court first addressed the plaintiff's deceptive trade practice claim, finding that the FTC is empowered to enforce the statute and there is no private right of action. Thus plaintiff had no standing for her federal law claim.

#### Section 230 Analysis

Plaintiff's negligence and negligent infliction of emotional distress claims were barred by Section 230 because they were clearly premised on content posted by a third party. As the court explained, these claims "seek to hold Match.com liable for its decision to publish Ridley's user profile" but "publishing a user's profile is within the ambit of protection afforded under the CDA." *See, e.g., Doe v. SexSearch.com*, 502 F.Supp 2d 719, 727 (N.D. Ohio 2007) *aff'd*, 551 F.3d 412 (6<sup>th</sup> Cir. 2008).

The claims for negligent misrepresentation and failure to warn focused more specifically on Match.com and not on the profile of Ridley. In essence, plaintiff claimed that Match.com breached a duty to warn users of the inherent dangers of using its website. But this attempt to plead around Section 230 was rejected. As the court explained:

The problem with plaintiff's attempt to focus on Match.com's alleged failure to warn or alleged negligent misrepresentation is that all of Match.com's conduct must trace back to the publication of third-party user content or profiles. Match.com is a website that publishes dating profiles. There is nothing for Match.com to negligently misrepresent or negligently fail to warn about other than what a user of the website may find on another user's profile on the website.

Plaintiff may attempt to focus the alleged

wrongdoing on Match.com, but what plaintiff is actually alleging is that she was eventually harmed

(Continued on page 39)

(Continued from page 38)

because of third-party content published by Match.com on its website.

#### Negligence Claims Also Fail as a Matter of Law

To be thorough, the court then addressed whether plaintiff had adequately pled her state law negligence claims. The court accepted that the plaintiff and Match.com were in a business relationship for purposes of a negligent misrepresentation claim, but her allegations did not meet the strict particularity standard required to plead fraud. As argued by Match.com, plaintiff did not identify a single specific misstatement, let alone when, where, and how any such misstatement were made.

The general negligence claims failed because under the circumstances the website owed no duty to plaintiff to control the dangerous conduct of another or to warn about dangerous conduct. Under Nevada law an exception exists when (1) there is a special relationship between the parties; and (2) the harm created by the defendant's conduct is foreseeable. Plaintiff argued that as a "paying subscriber" there was a special relationship. The court disagreed citing a recent Texas case in which it was held that the relationship of Match.com to its customers is not "special" but is instead an "ordinary commercial contract relationship" *Robinson v. Match.com*, *L.L.C.*, 3:10-CV-2651-L, 2012 WL 3263992 (N.D. Tex. Aug. 10, 2012).

Finally, the court explained that NIED (negligent infliction of emotional distress) requires "extreme and outrageous conduct" under Nevada law. None of the defendant's conduct (or lack thereof) came anywhere near rising to the level required to state a claim.

Plaintiff was represented by Marc A. Saggese, Saggese & Associates, LTD., Las Vegas. Defendant was represented by Craig R. Anderson, Marquis & Aurbach, Las Vegas, NV.



### MLRC LONDON CONFERENCE

September 23-24, 2013 | Stationers' Hall, London

Highlights of this year's conference include:

The Leveson Inquiry: Analysis of New Press Regulation Proposals
The Practical Impact of the Defamation Bill
Where Publishers Fear to Tread: World Hot Spots for the Press
Privacy Law Developments: Press Liability After Leveson
Newsgathering Challenges: The Fate of Investigative Journalism
Data Protection and the Right to Be Forgotten
Copyright Reform Legislation
Contempt of Court and the Internet

# S.D.N.Y. Denies Class Certification in Mass Copyright Claim Against YouTube

#### Individualized Facts in Action Make Class Action Unsuitable

Last month, the Southern District of New York denied copyright plaintiffs' motion for class certification on the grounds that allowing the case to proceed as a class action would create a "Frankenstein monster," demonstrating continued reluctance by the court to allow mass copyright claims to proceed as a class action. *Football Ass'n Premier League Ltd. v. YouTube, Inc.*, 07 CIV. 3582 LLS, 2013 WL 2096411 (S.D.N.Y. May 15, 2013) (Stanton, J.).

#### **Background**

This case arises out of a complaint filed by the Football

Association Premier League and other parties against YouTube in 2007 for copyright infringement. They claimed that although YouTube had subsequently taken down infringing clips from their videosharing platform after receiving notice, the or music compositions subsequently re-uploaded and remained online due to a lack of monitoring efforts by YouTube. YouTube, they said, had a duty to engage in monitoring efforts even before a notice under §512(c) is sent in order to maintain the safe harbor, and that if they had engaged in ordinary monitoring schemes already available to them they would have caught and prevented the re-uploads.

The first time this case was addressed in this court, in response to a 2009 motion on the pleadings filed by YouTube, the court held that punitive damages were unavailable to the plaintiffs and that statutory damages for foreign works could only be obtained under the "live broadcast exemption" of §411(c) of the Copyright Act. Football Ass'n Premier League Ltd. v. YouTube, Inc., 633 F. Supp. 2d 159, 168 (S.D.N.Y. 2009).

In the most recent decision, the Southern District of New York held that this claim could not proceed as a class action, and stated that the notion that the court's resources were equipped to handle such a claim is "flattering but unrealistic."

#### Standards to Allow Class Action to Proceed Not Met

In the most recent decision, the Southern District of New York held that this claim could not proceed as a class action, and stated that the notion that the court's resources were equipped to handle such a claim is "flattering but unrealistic."

In the courts view, copyright claims against service providers are not well suited to be class actions, given that for each claim the court must determine "whether a copyright holder gave notices containing sufficient information to permit the service provider to identify and locate the infringing material so that it could be taken down."

This becomes more complicated, the court stated, in light of the fact that each individual copyright claim has unique elements that determine whether infringement actually occurred. "One piece of music is unlike another," the court explained, "and is untouched by what infringes the other." Furthermore, the strong justification of economic concerns that often support class action certification was not present in a claim under the Copyright Act because of the statutory damages available to each party which are "designed to give litigation value to each case."

In order for a class action to be certified it must be examined under the standards

established by the Rule 23 of the Federal Rules of Civil Procedure. The court held that although the parties are numerous, the individual cases are neither sufficiently "typical" nor "common" to pass muster under 23(a). The court also expressed concerns that it would be extremely difficult to identify the parties in the class, and harder still to tie each party to individual copyrighted material effectively. In addition, evidence of YouTube's knowledge (or lack thereof) regarding each individual infringement must also be put forward in order to meet the standard set by the Second

(Continued on page 41)

June 2013

Page 41

(Continued from page 40)

Circuit in *Viacom Int'l, Inc. v. YouTube, Inc.*, 676 F.3d 19 (2d Cir. 2012). Given these factors, the court stated that not only would a class action not be "superior" in this instance, as required by 23(b), it would in fact be inferior to simply handling the cases separately. As to the other requirement of 23(b), that of "predominance," the court found that common issues only predominated on a "superficial" level and that the commonalities of copyright claims do not extend far enough for a class based on these alone to be practicable.

The plaintiffs attempted to avoid the problem of factual variation (and thus one of the main reasons copyright class actions are disfavored) by separating the claim into two subclasses and two "issue" classes respectively. The first

subclass, the Repeat Infringement Class, was found completely ineffective by the court given that it relied on the assumption that YouTube was required to engage in affirmative monitoring, a proposition at odds with the Second Circuit's decision in *Viacom*.

The second subclass, the Music Publisher Class, was found to be "no more than a diverse and unmanageable aggregation of individual claims, better dealt with separately." As to the issue classes, Judge Stanton stated that he had already addressed these issues sufficiently in his recent *Viacom* opinion. 07 CIV. 2103 LLS, 2013 WL 1689071, \*5-9 and \*9-11 (S.D.N.Y. Apr. 18, 2013)

For all of these reasons, the court denied the motion for class certification.

#### RECENTLY PUBLISHED BY MLRC

#### **Publishing Photos, Images, or Other Illustrations**

A presentation from the Pre-Publication/Pre-Broadcast Committee on the legal issues arising from the use of photos. The presentation consists of two components: a powerpoint to show an audience, and a "script" to explain what is in each slide. The powerpoint can be customized to suit the needs of a particular client. Slides that are not relevant to the organization's needs/issues can be deleted, and other information could be added, if desired.

#### MediaLawLetter May 2013

3d Cir. Reinstates Right of Publicity Suit Over NCAA Football Video Game; Wash. S.Ct. Reinstates Damage Award Over Communism Allegation; Bomb Bystander's False Light Fizzles;SJ in Libel Case Arising Out of Michael Lewis's The Big Short; Texas Newspaper and Source Win Anti-SLAPP Motion on Appeal; Wash. Enacts Uniform Correction and Clarification Law;S.Ct. Upholds Citizen-Requester Only FOIA Provision; Copyright, Fair Use & Orphan Works; YouTube Wins Summary Judgment Again in Battle with Viacom; England's New Defamation Act; The Legal Ethics of Social Networking, and more.

#### MLRC Bulletin 2013 Issue 1: Legal Frontiers in Digital Media

Selected Issues Regarding Patent Infringement Lawsuits Brought by Non-Practicing Entities • Standing Up to Privacy Class Actions • How Clapper Fortifies the Available Defense • The Lanham Act as a Weapon Against Internet Speech • Distinctions With a Difference: Search Engines and Online News Aggregators

#### **Risks and Tips for Digital Images**

The Pre-Publication/Pre-Broadcast Committee's latest paper – Risks and Tips for Digital Images – explores various risks likely to be encountered with the use of digital images and summarizes cases and new issues in this area, all within the framework of a handy checklist full of tips for the expert and general practitioner alike.

# **Second Circuit Affirms Conviction of Blogger for Threatening Three Judges**

### Blog Post Constituted a "True Threat" Against Judges

A divided federal appeals court upheld the conviction of blogger Harold Turner for threatening to assault or murder three Seventh Circuit judges. The totality of the evidence, when viewed in context, was found to be sufficient to make out a "true threat" and leave the final determination in the hands of the jury. *United States v. Turner*, 11-196-CR, 2013 WL 3111139 (2d Cir. June 21, 2013) (Livingston, Cogan, Pooler, JJ.).

#### **Background**

Turner is the owner and operator of the website halturnershow.com, popular with many violent white

supremacist groups. In June of 2009, Turner wrote a lengthy blog post on his website in response to the Seventh Circuit's decision in National Rifle Association v. Chicago, where a panel held that the Second Amendment did not apply to states or municipalities. Turner's post stated that all three of the judges who were on the panel in that case, Judges Easterbrook, Bauer, and Posner, "deserve to be killed" and that their "blood would replenish the tree of liberty." The post also contained several references to the 2005 murder of the family of Judge Lefkow, a judge from the Northern District of Illinois.

This original post was followed shortly after by information on the judges work locations, and promises that their personal addresses would be published. Although their personal addresses were never actually posted, they were found on Turner's computer during later investigations. Several weeks later Turner was arrested and indicted under charges of "threaten[ing] to assault and murder three United States judges with the intent to impede, intimidate, and interfere with such judges while engaged in the performance of official duties" in violation of 18 U.S.C. § 115(a)(1)(B).

Turner argued at trial that his "statements were mere political hyperbole and did not amount to a threat of violence," but the jury disagreed and returned a guilty verdict. Turner appealed the conviction on three major grounds. First, he stated that the trial evidence was insufficient to establish that he actually made a "true threat" towards the judges. Second, he argued that the jury instructions on the First Amendment were improper. Finally, he challenged various government statements and evidentiary rulings as prejudiced,

#### **Second Circuit Ruling**

The Second Circuit affirmed the conviction on the

grounds that the evidence was sufficient for a reasonable person to find that all of the requirements of § 115(a)(1)(B) were met, including finding a true threat. Writing for the majority, Judge Livingston explained that the jury properly decided whether the given writings constituted a threat. In addition, the court held that none of Turner's additional claims relating to the district court's jury instructions and procedures constituted plain error.

The Second Circuit affirmed the conviction on the grounds that the evidence was sufficient for a reasonable person to find that all of the requirements of § 115 (a)(1)(B) were met, including finding a true threat.

#### Blog Posts a "True Threat"

§ 115(a)(1)(B) requires both objective and subjective elements, which each feature into one of its prongs. The objective prong looks at whether the defendant "'threaten[ed] to assault...or murder' a federal judge", while the subjective prong is concerned with whether defendant "inten[ded] to impede, intimidate, or interfere with such... judge[s]...while engaged in the performance of official duties." Turner did not contest the sufficiency of the evidence at trial to meet the subjective prong, but instead argued that the blog posts were not a "true threat" and as such

(Continued on page 43)

Judge Pooler dissented

arguing that Turner's

statements were not

true threats, and were

protected under the

First Amendment.

(Continued from page 42)

must be protected under the First Amendment.

The test for determining whether a "true threat" is present in the Second Circuit is an objective one, and looks at whether an "ordinary, reasonable recipient who is familiar with the context of the [communication] would interpret it as a threat of injury." The majority held there was sufficient evidence that Turner's posts were not mere political speech, but were instead violent threats against the judges' lives. Turner's references to previous attacks on judges and their families, even going so far as to imply a causal connection between his own statements and the actual murders, were sufficient to allow the jury to infer that Turner intended to harm the Seventh Circuit judges.

Turner argued there was no "true threat" because he never

directly expressed an intent or willingness to take action himself. The majority was unconvinced, stating that there should not be a literal focus on the communication alone without a consideration of context. A direct statement of intent need not be made with "the grammatical precision of an Oxford don" in the courts view, and the fact that Turner's language on its face appears to refer to third parties does not preclude the finding of a true threat.

Turner's "lengthy discussion of killing the three judges, his reference to the killing of Judge Lefkow's family, and his update the next day with information regarding how to locate Judges Easterbrook, Bauer, and Posner," taken together, were more than sufficient evidence to allow a reasonable jury to find a true threat. Because of this, the court found it unnecessary to consider whether Turner's posts amounted to incitement of imminent lawless action.

#### **Dissent Would Have Found Blog Protected**

Judge Pooler dissented arguing that Turner's statements were not true threats, and were protected under the First

Amendment. Although she began from the same test as the majority, her dissent focused on the distinction between communications that are threats and "other forms of speech that may intimidate, menace, or coerce but are protected." Before getting to the true threat analysis, Judge Pooler argued, the communication in question must already be in the "form of a threat." This is because true threat analysis "presupposes that the speech at issue is a purported threat and only evaluates its seriousness."

Judge Pooler found that several factors indicated that Turner's statements were not "true threats."

The fact that the communication in this case was not a personal letter or email but a public blog post weighed in favor of deeming Turner's statements political advocacy. This is in accordance with the principle that a "purported

threat" must be directed towards the victim and not a third party

In addition, the lack of evidence that Turner intended to be personally involved in any sort of attack suggested his blog post fell within the category of statements "informing someone that he or she is in danger from a third party... even where a protestor... further indicates political support for the violent third parties" and is not in of itself a threat. Judge Pooler concluded that the blog

posts should be considered political advocacy which only loses First Amendment protection when it rises to the level of "incitement."

Because Turner was not charged with incitement, Judge Pooler declined to address whether Turner's statements actually constituted incitement.

Turner was represented by Richard H. Dolan (Ronald G. Russo, David Wikstrom, Harvey M. Stone, Elizabeth Wolstein & David J. Katz, on the briefs), Schlam Stone & Dolan LLP, New York, NY. The Government was represented by William R. Ridgway, Assistant United States Attorney, for Patrick J. Fitzgerald, United States Attorney for the Northern District of Illinois, Chicago, IL.

MLRC will be closed for Independence Day July 4th and 5th. We'll be back Monday, July 8th.

# **Keeping Your Discovery Obligations Under Control**

By Bradley H. Ellis, Frank J. Broccolo and Leah E. Abeles

When a client receives document requests, attorneys usually focus upon information sitting in their client's file cabinets and electronic devices. However, attorneys should also consider whether they have an ethical duty to seek documents in the possession of third-parties. In federal court, Rules 34 and 45 of the Federal Rules of Civil Procedure govern the scope of documents that may be requested of a party or non-party during discovery. *See* Fed. R. Civ. P. 34(a), 45(a)(1)(A). Under both of these rules, the responding party need only produce documents in its "possession, custody, or control." *Id.* Although determining whether a document is in your client's possession or custody is a relatively straightforward inquiry, the more encompassing "control" standard remains a subject of debate, discussion, and continued litigation.

For example, assume that you are representing a newspaper in a defamation action concerning an article written by a free lance journalist, who is not a defendant. If you receive a document request seeking any documents relating to the publication of the article, do you have an ethical duty to seek documents from the third-party journalist as well?

The first step in resolving this issue is to determine how federal courts in your District have interpreted the "control" standard. Courts in the Second Circuit, for instance, have taken a relatively broad view of the concept of "control," holding that a party has control over documents in the possession of a third-party "if the party has the practical ability to obtain the documents from another,

irrespective of his legal entitlement." Golden Trade, S.r.L. v. Lee Apparel Co., 143 F.R.D. 514, 525 (S.D.N.Y. 1992); Shcherbakovskiy v. Da Capo Al Fine, Ltd., 490 F.3d 130, 139 (2d Cir. 2007) (addressing a party's practical ability to obtain documents when determining whether they were in its "control"); In re NASDAQ Market-Makers Antitrust Litig., 169 F.R.D. 493, 530 (S.D.N.Y. 1996). The Ninth Circuit, by contrast, has defined "control" more narrowly, expressly rejecting the "practical ability to obtain documents" as the test for whether a party has control of the documents. See In re Citric Acid Litig., 191 F.3d 1090, 1107-08 (9th Cir. 1999). Under Ninth Circuit precedent, a party does not have control of a third-party's documents unless it has the legal right to obtain them upon demand. See United States v. Int'l Union of Petroleum & Indus. Workers, 870 F.2d 1450, 1452 (9th Cir. 1989).

Thus, if a newspaper and journalist executed an agreement whereby the journalist agreed to provide information respecting his or her sources to a newspaper on demand, then the attorney should request documents from the journalist in either Circuit. See e.g., Doe v. AT&T Western Disability Benefits Program, No. C-11-4603

When a client receives
document requests,
attorneys usually focus
upon information sitting in
their client's file cabinets
and electronic devices.
However, attorneys should
also consider whether they
have an ethical duty to seek
documents in the
possession of third-parties.

DMR, 2012 WL 1669882, at \*2 (N.D. Cal. May 14, 2012) (not officially published) (if a contract expressly gives an entity the right to obtain the documents of a third-party, the entity will be deemed to be in control of the third-party's documents). The same might be true if the journalist signed an agreement where he or she agreed to cooperate with the newspaper concerning any litigation, as is common in the book publishing industry. *See, e.g., Golden Trade, S.r.L. v. Lee Apparel Co.*, 143 F.R.D. at 525. However, an agreement pursuant to which the journalist merely agrees to permit a newspaper to review his or her information, without actually providing a copy, will not always satisfy the "control" standard in the Ninth Circuit. *See In re NCAA Student-Athlete Name & Likeness Litig.*, No. 09-cv-01967 CW (NC), 2012 WL 161240, at \*3 (N.D. Cal. Jan. 17, 2012) (not officially published) (contractual term giving NCAA the right to examine documents of member institutions upon request did not give NCAA "control" of the documents because it did not have the contractual right to take possession of the documents).

(Continued on page 45)

June 2013

Page 45

(Continued from page 44)

If no such agreement exists, then the newspaper's counsel might not have any obligation to contact the journalist in the Ninth Circuit. <sup>1</sup> Nevertheless, the absence of any agreement does not necessarily resolve these issues in the Second Circuit, where courts apply a more practical approach. In the Second Circuit, an attorney must also consider whether a principal-agent relationship exists between the parties, and the custom and practice of the parties in their dealings with one another. *See In re Lozano*, 392 B.R. 48, 56-57 (Bankr. S.D.N.Y. 2008). Thus, if a journalist routinely provided information concerning his or her sources to a newspaper upon request prior to the litigation, then, even in the absence of an agreement, an attorney might be obligated to contact the journalist and obtain responsive documents.<sup>2</sup>

In both the Second Circuit and Ninth Circuit, a principal-agent relationship can also be the basis for a party's control over another's documents. *See, e.g., Thomas v. Hickman*, No. 1:06-cv-00215-AWI-SMS, 2007 WL 4302974, at \*14 (E.D. Cal. Dec. 6, 2007) (not officially published); *Am. Rock Salt Co., LLC v. Norfolk So. Corp.*, 228 F.R.D. 426, 457 (W.D.N.Y. 2004). Thus, courts in both circuits have routinely held that a party has control over documents in possession of its counsel. *See, e.g., Ivy Hotel San Diego, LLC v. Houston Cas. Co.*, No. 10cv2183-L (BGS), 2011 WL 4914941, at \*9 (S.D. Cal. Oct. 17, 2011) (not officially published); *Bifferato v. States Marine Corp. of Del.*, 11 F.R.D. 44, 46 (S.D.N.Y. 1951).

It remains to be seen whether a newspaper would be deemed to have control over documents in possession of a journalist on the basis of a principal-agent relationship; however, these considerations are relevant in the event a client publisher engaged an outside law firm to vet a publication, or an attorney represents an author and receives a document request seeking information in the possession of the author's literary agent.

These types of issues warrant careful consideration. As Courts have routinely noted, attorneys have ethical duties to ensure that, absent objection, their clients fully comply with appropriate discovery requests. *See, e.g., In re Haynes*, No. C 10-4642 PJH, 2013 WL 1195524, at \*42 (N.D. Cal. Mar. 22, 2013) (not officially published) (disbarring attorney where, among other egregious conduct, his failure to comply with discovery obligations and court orders caused his client's case to be dismissed); *Szilvassy v. U.S.*, 71 F.R.D. 589, 594 (S.D.N.Y. 1976) (imposing monetary sanctions on attorney for failing to comply with discovery requests).

If counsel are uncertain as to what their and/or their clients' obligations might be, then counsel might choose to identify third-parties that might have responsive documents in their written responses to document requests and expressly state that they will not collect them. Moreover, counsel can also request the information from third-parties and, if those

It remains to be seen whether a newspaper would be deemed to have control over documents in possession of a journalist on the basis of a principalagent relationship.

requests are rejected, then counsel can use that fact to argue that the client does not have any duties respecting the information. *See In re Citric Acid Litig.*, 191 F.3d at 1108 ("Ordering a party to produce documents that it does not have the legal right to obtain will oftentimes be futile, precisely because the party has no certain way of getting those documents.").

Thus, after litigation commences, keeping control of your client's discovery obligations means determining what information your client controls in the first place. As is often the case with discovery, addressing these issues promptly will prevent numerous headaches in the future. Doing so will ensure that your client's discovery responses properly address any burdens that might be entailed in obtaining information held by third-parties. Further, addressing such issues with third-parties promptly, and documenting any practical problems resulting from collection, might assist your client establish that it does not have an obligation to produce this information in the first place.

#### **Notes**

1. Despite the Ninth Circuit's express rejection of the "practical ability to obtain" test for control, some California district courts have nevertheless adopted a version of this standard, compelling production where an entity was without the legal right to obtain a third-party's documents. A key example is *Hitachi*, *Ltd. v. AmTRAN Technology Co., Ltd.*, in which a party to litigation was (Continued on page 46)

Page 46 June 2013 MLRC MediaLawLetter

(Continued from page 45)

required to produce documents in possession of its third-party agent. No. C 05-2301 CRB (JL), 2006 WL 2038248, at \*2 (N.D. Cal. July 18, 2006) (not officially published). While the court's determination of control was based primarily on the principal-agent relationship, the third-party's active participation and financial interest in the litigation was another factor the court considered. *See id.*; *see also Synopsys, Inc. v. Ricoh Co., Ltd.*, Nos. C-03-2289 MJJ (EMC), C-03-4669 MJJ (EMC), 2006 WL 1867529, at \*2 (N.D. Cal. July 5, 2006) (not officially published) (finding control where a party had the practical ability to obtain documents from a third-party that had been actively involved in the litigation and was represented by the same counsel). Other courts have recognized that cases such as *Hitachi, Ltd.* do not square with Ninth Circuit precedent. *See Genentech, Inc. v. Trustees of Univ. of Pa.*, No. C 10-2037 PSG, 2011 WL 5373759, at \*2 (N.D. Cal. Nov. 7, 2011) (not officially published).

2. It is worth noting that it remains an open question whether such an obligation adheres if the documents could be obtained directly from the third-party through service of a subpoena. In *Shcherbakovskiy*, the Second Circuit stated in dicta that it is "fairly obvious that a party . . . need not seek . . . documents from third parties if compulsory process against the third parties is available to the party seeking the documents." 490 F.3d at 138. However, one Court characterized this language as mere "dicta" (*In re Lozano*, 392 B.R. at 58) and, in *Cohen v. Horowitz*, the District Court for the Southern District of New York held that a party could be compelled to produce third party documents absent a subpoena directed to the third-party. No. 07 Civ. 5834 (PKC), 2008 WL 2332338, at \*2 (S.D.N.Y. June 4, 2008).

### **MLRC UPCOMING EVENTS 2013-14**

MLRC LONDON CONFERENCE September 23-24, 2013 | London, England

MLRC ANNUAL FORUM November 13, 2013 | New York, NY

MLRC ANNUAL DINNER
November 13, 2013 | New York, NY

LEGAL ISSUES CONCERNING HISPANIC AND LATIN AMERICA MEDIA May 10, 2014 | Miami, FL

MLRC/NAA/NAB MEDIA LAW CONFERENCE Setpember 17-19, 2014 | Reston, VA

www.medialaw.org