

**Before the  
FEDERAL COMMUNICATIONS COMMISSION  
Washington, DC 20554**

In the Matter of	)	
	)	CG Docket No. 02-278
Petition of the American Association	)	
for Justice for Waiver of	)	CG Docket No. 05-338
Section 64.1200(a)(4)(iv) of the	)	
Commission's Rules	)	

**TIMOTHY BLAKE'S COMMENTS TO  
PETITION FILED BY AMERICAN ASSOCIATION FOR JUSTICE FOR  
WAIVER OF SECTION 64.1200(a)(4)(iv) OF THE COMMISSION'S RULES**

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Dated: January 13, 2015

On October 30, 2014, the FCC granted “retroactive waivers” of 47 C.F.R. § 64.1200(a)(4)(iv) to certain defendants in private TCPA litigation, and allowed “similarly situated” persons to seek waivers. *In the Matter of Rules & Regulations Implementing the Tel. Consumer Prot. Act of 1991*, 2014 WL 5493425 at ¶ 2 (Oct. 30, 2014) (“2014 FCC Order”). The 2014 FCC Order specifically stated that the FCC would not “prejudge the outcome of future waiver requests,” and that “all future waiver requests [would] be adjudicated on a case-by-case basis.” 2014 FCC Order at ¶ 30 n. 102. As more fully argued below, petitioner American Association for Justice (AAJ) is not a “similarly situated” person, and AAJ’s petition for waiver should properly be denied.

In the 2014 FCC Order, the FCC reemphasized that “senders of fax ads must include certain information on the fax that will allow consumers to opt out, even if they previously agreed to receive fax ads from such senders.” 2014 FCC Order at ¶ 1. However, the FCC found that good cause existed for a limited, retroactive waiver of the FCC’s opt-out requirements, as “some parties who have sent fax ads with the recipient’s prior express permission may have reasonably been uncertain about whether [the FCC’s] requirement for opt-out notices applied to them.” 2014 FCC Order at ¶ 2 (emphasis added). Specifically, the FCC found that the petitioners in those cases were entitled to a waiver because there “[was] nothing in the record [ ] demonstrating that the petitioners understood that they did, in fact, have to comply with the opt-out notice requirement for fax ads sent with prior express permission but nonetheless failed to do so.” 2014 FCC Order at ¶ 26 (emphasis added).

In its petition for waiver, AAJ argues that it is “similarly situated” to the parties who were granted waivers by the 2014 FCC Order, because it “reasonably believed” that “opt-out notices were not required for facsimile advertisements sent with the prior express permission of

the recipients.” See AAJ Petition for Waiver of Section 64.1200(a)(4)(iv) of the Commission's Rules (“AAJ Petition for Waiver”) at 2, n. 9. However, that contention is clearly contradicted by AAJ’s prior actions, statements, and publications, all of which demonstrate that AAJ understood that fully compliant opt-out notices are, and always have been, required for facsimile advertisements sent with the prior express permission of the recipients. As such, AAJ is not “similarly situated” to the parties who were granted waivers by the 2014 FCC Order, and AAJ’s petition for waiver should be denied.

According to AAJ’s website, it is the world's largest trial bar, representing the interests of trial lawyers. Consistent with that mission, AAJ formed the Telemarketing, Spam & Junk Fax Litigation Group (the “AAJ TCPA Group”) to advance the interests of consumers with fax machines, who, as AAJ described them, are “unwitting recipients who bear the expense of wasted paper, toner, ink, and electricity.” See Joseph R. Compoli, *Junk Faxes: Serial Theft in the Modern Business*, 16 Bus. Torts Sec. Newsletter (AAJ) No. 1, at 1 (2008) (“AAJ Junk Fax Article”), attached hereto as Exhibit 1. In continued furtherance of its support of TCPA litigation, AAJ also hosted a TCPA seminar at its 2014 convention, entitled “Recent Developments in TCPA Litigation,” and Joseph R. Compoli, Jr., Chair of the AAJ TCPA Group, has led at least two AAJ “plaintiff-oriented” Continuing Legal Education (CLE) classes covering the TCPA.<sup>1</sup>

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<sup>1</sup>The two CLEs were cited in the American Bar Association’s Communications Lawyer publication and the AAJ TCPA Group’s Chair was referred to as a “plaintiff-oriented lecturer.” Chad R. Bowman, *Litigating Facsimile Advertising*, 26 Media, Information and Communications Law J. (ABA) No. 1, at 19 n. 26 (November 2008), attached hereto as Exhibit 2, (citing *Junk Faxes: Combining Causes of Action Under Federal and State Laws*, 2 Ann. 2007 AAJ-CLE 1829 (July 2007); Joseph R. Compoli, Jr., *Junk Faxes: High-Tech Serial Theft in the Modern Office, and Your Right to Sue the Offender*, 2006 ATLA-CLE 325 (Feb. 2006)).

As noted in AAJ's Petition for Waiver, the AAJ TCPA Group has authored at least six amicus briefs since the passage of the TCPA, which have been filed with various courts. *See* AAJ Petition for Waiver, Ex. A. In an amicus brief filed in 2013, the AAJ TCPA Group advances the position that it has always taken with regards to the TCPA and its opt-out requirements, and that runs directly contrary to AAJ's Petition for Waiver: that proper opt-out notices are required on all facsimile advertising, regardless of the existence of prior express permission. *See* Memorandum of Amicus American Association for Justice/Telemarketing, Spam & Junk Fax Litigation Group In Support of Jurisdiction of Appellants David Fackelman and Swift Print at 9, *Fackelman, et al. v. Micronix, et al.* (Ohio Jan. 14, 2013) (No. 13-0062) ("2013 AAJ Amicus Brief"), attached hereto as Exhibit 3.

In the 2013 AAJ Amicus Brief, the AAJ TCPA Group demonstrated AAJ's knowledge of the proper interpretation of the TCPA to require proper opt-out notices on all facsimile advertising, and explicitly argued:

Subsequent to the passage of the JFPA, the FCC promulgated regulations designed to eliminate any confusion or disputes over whether a fax advertisement was "unsolicited" (sent without express permission) or "solicited" (sent with permission) and faxes sent in the context of an established business relationship. These regulations were mandatory for ALL advertisement faxes, and required that **any and all** fax advertisements must contain an "Opt-Out" notice.

2013 AAJ Amicus Brief at 9 (emphasis in original). The AAJ TCPA Group then erased all doubt regarding its long-held position that the TCPA requires proper opt-out notices on all facsimile advertising, regardless of prior express permission, and continued:

As the FCC succinctly put it in its Amicus Brief: The plain language of 47 C.F.R. §64.1200(a)(3)(iv) requires facsimile advertisements *sent with the recipient's consent* to contain an opt-out notice.

2013 AAJ Amicus Brief at 11 (emphasis in original) (citations omitted).

In its Petition for Waiver, AAJ attempts to distance itself from the actions of the AAJ TCPA Group by claiming that the AAJ TCPA Group failed to follow its procedures for the approval of amicus briefs. *See id* at 2 n. 9. This argument is blatantly disingenuous. AAJ does not, and cannot, deny that it created the AAJ TCPA group and authorized the AAJ TCPA Group to represent and advocate on behalf of AAJ, particularly with regard to its interpretation of the TCPA, the very purpose of the group.

In addition to claiming that the AAJ TCPA Group, comprised of AAJ members and leaders, acted outside its authority and authored and filed the amicus briefs without AAJ's permission, AAJ also claims that "the briefs do not reflect AAJ's past position or belief." *See* AAJ Petition for Waiver at 2, n. 9. The existence of the AAJ Junk Fax Article undermines this claim as it displays AAJ's proper understanding of the TCPA to require proper opt-out notices on all fax advertising, and AAJ cannot distance itself from it, because it approved and published it. The AAJ Junk Fax Article clearly advances the positions taken in the amicus briefs, which demonstrates that despite AAJ's contention to the contrary, the briefs do reflect AAJ's positions.

Having an EBR is only **one part of a five-legged stool**, which also includes voluntary publication or public distribution of the recipients' fax numbers, proper identification of the sender with date and time transmission notice, **conspicuous notice to opt-out of future faxes**, and a 24 hour opt-out toll free phone line. **If any leg is missing, then the stool falls over and the sender is not entitled to send the fax.**

*See* AAJ Junk Fax Article at 4 (emphasis added).

The AAJ Junk Fax Article, amicus briefs, CLE courses, and seminar cited above clearly reflect the position of AAJ, and demonstrate that AAJ understood full well that fully compliant opt-out notices have been required on all fax advertising, regardless of prior express permission. AAJ's subsequent claim that these amicus briefs do not represent the position of AAJ, a claim advanced for the first time in AAJ's Petition for Waiver filed last month, is belied by AAJ's

mission, to expand, not limit consumer protections, and subsequent activities as they relate to the TCPA. Accordingly, AAJ is not “similarly situated” to those parties granted waivers by the 2014 FCC Order, and AAJ’s Petition for Waiver should be denied.

Respectfully submitted,

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# Business Torts Section

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## Letter from the Chair Expand Our Practices

By Colleen Duffy-Smith, San Jose, CA

**H**ello to my business torts colleagues and to those of you who may be considering becoming Business Torts Section members. Our Executive Committee and dedicated members hope to welcome you into our growing Section.

In these times of economic peril, assault on trial attorneys, and "tort reform" agendas in our states and in Washington, it is no wonder that we are looking to expand our practices into new areas of the law. Most importantly, all of your potential clients who



**Colleen Duffy-Smith**

live on main street, including anyone who has a pension or 401k, who is elderly and has seen their life savings dwindle, or who has suffered at the hands of what once were our bedrock financial institutions, may be looking for a practitioner to represent them in resolving consumer, securities, real business, and serious housing problems.

A business torts practice includes everything from securities, elder financial

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Mark your calendars...



**AAJ 2009  
Winter Convention**  
February 7-11  
Sheraton New Orleans  
New Orleans, Louisiana

## Junk Faxes: Serial Theft in the Modern Business

By Joseph R. Compoli Jr., Cleveland, OH

**I**n response to a surge of complaints from consumers and businesses, Congress enacted the Telephone Consumer Protection Act (TCPA) in 1991.<sup>1</sup> Since millions of junk faxes are sent every year, the majority of TCPA lawsuits involve that portion of the statute.

The scope of the problem was succinctly summarized in 1991 by South Carolina Senator Ernest Hollings: "[t]hese machines are out of control, and their use is growing by 30

percent every year. It is telephone terrorism and it has got to stop."<sup>2</sup>

Advertising by fax is more than merely irritating. It also represents an unfair shifting of the cost of advertising from the advertiser to the unwitting recipients who bear the expense of wasted paper, toner, ink, and electricity.

*continued on page 2*

*Junk Faxes cont. from page 1*

Every customer obtained via junk fax is one lost to a law abiding competitor.

### Why Pay for Ads When You Can Junk Fax?

Generally, the owners of fax machines are more likely to be upscale consumers who have more disposable income than the average customer. They are, therefore, a very desirable target audience. National databases containing more than 20 million fax numbers are readily available for purchase by anyone. Investing in easily affordable software allows junk faxers to winnow down their recipients so that they can narrowly and specifically tailor their fax advertisement campaigns.

The cost savings over direct mail is staggering—a few pennies compared to about 45 to 50 cents per mail piece, without factoring the time saved in stuffing envelopes. A fax campaign targeting one million con-

sumers, costing \$500,000 if sent by U.S. mail, would only cost \$20,000 by fax broadcasting.

Studies report the American public owns from 25 million to 50 million fax machines, with a distribution of more than 22 million of those numbers available to solicitors. Due to the potential marketing impact and its cost efficiency, faxing is an appealing form of advertisement for many businesses.

Taking a conservative estimate of 40 million machines in the U.S. today and a low estimate that each machine receives only two junk faxes per week at cost of 10¢ per fax, each year this unscrupulous practice is stealing \$400 million annually from recipients who do not consent to such advertising.

Business owners are virtually unanimous in the view that they do not want their fax lines tied up by advertisers trying

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#### Back issues of Business Torts Section Newsletters can be found on our Web site at [www.justice.org/sections/businesstorts](http://www.justice.org/sections/businesstorts).

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*Junk Faxes cont. from page 2*

to send messages and they do not want to pay for the printing of another business's advertisements. Extensive research has revealed no case of a company (other than those advertising via fax) that opposed legislation restricting advertising via fax.

A congressional report, written in 1991, spells out the problem. Representative Edward Markey made the situation even clearer during the Congressional debate, which led to the enactment of the TCPA:

[U]nlike junk mail, which can be discarded, or solicitation phone calls, which can be refused or hung up, junk fax ties up the recipient's line until it has been received and printed. The recipient...incurs the high cost for supplies before knowing whether the message is either wanted or needed.<sup>3</sup>

### **TCPA: Private Right of Action for Damages**

The TCPA makes it unlawful for anyone "to use any telephone facsimile machine, computer, or other device to send an unsolicited advertisement to a telephone facsimile machine."<sup>4</sup> The statute defines the term "unsolicited advertisement" to mean "any material advertising the commercial availability or quality of any property, goods, or services which is transmitted to any person without that person's prior express invitation or permission."<sup>5</sup>

As a remedy, the TCPA grants any recipient of an unsolicited junk fax a private right of action for \$500 damages per violation.<sup>6</sup> The statute further authorizes an award of up to three times that amount (\$1,500) if the fax was sent "knowingly" or "willfully."<sup>7</sup> Each faxed advertisement is a separate violation of the TCPA. In addition to damages, the TCPA also authorizes private citizens to obtain an injunction against any future violations of the statute.<sup>8</sup>

### **Exclusive State Court Jurisdiction**

The TCPA authorizes a lawsuit to be brought in any state court. Congress intended for state courts to have exclusive

jurisdiction.<sup>9</sup> Any state court of general jurisdiction, including small claims courts, can hear a TCPA case.

A handful of recent federal court decisions have carved out a few very narrow exceptions where the state court's exclusive jurisdiction does not apply. These decisions were based on diversity, when one claimant's claims exceed \$75,000, and on the Class Action Fairness Act, where the total claims exceed five million dollars. It is possible, therefore, that a TCPA case can be heard in, or removed to, a federal court.<sup>10</sup> However, early TCPA cases filed in federal courts resulted in bad decisions.

Luckily, the holdings in these decisions have been overturned or otherwise rejected by subsequent rulings, but the lesson is simple: Keep TCPA cases out of federal court.

### **Class Actions**

The majority of courts, including most appellate decisions, permit class actions on TCPA claims, effectively overriding the erroneous decisions in *Kenro Inc. v. Fax Daily, Inc.*<sup>12</sup> and *Forman v. Data Transfer, Inc.*<sup>13</sup> Defendants will often claim that Congress did not intend to allow class certification of TCPA claims. This is untrue.

The United States Supreme Court dealt



**Joseph R. Compoli Jr.**

directly with this issue in *Califano v. Yamasaki*.<sup>14</sup> In the *Yamasaki* case, the Court held that a class action may be certified, with respect to a claim under any federal statute, in the absence of a "clear expression of congressional intent" to prohibit class action lawsuits. When it enacted the TCPA, "Congress was certainly cognizant of the fact that class actions were part of the existing body of law."<sup>15</sup>

### **Junk Fax Prevention Act of 2005**

As a result of multi-million dollar class action verdicts and court decisions finding insurance coverage under the "advertising injury" portion of general business insurance policies, a motley combination of interests, including insurance companies, marketing associations, the National Federation of Independent Business (NFIB), and the U.S. Chamber of Commerce, lobbied Congress to water down the TCPA.

In April 2004, the Republican dominated Congress introduced HR 4600 into the House and its companion SB 2603 into the U.S. Senate. The Orwellian-named 2004

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*Letter from the Chair cont. from page 1*

abuse, intellectual property, breaches of fiduciary duty, fraud, misrepresentation, and antitrust. In short, a business tort is an injury to one's business or property caused by the negligent or intentional wrongful conduct of another. That "other" person can be a business entity or an individual.

Those in our membership practice in large urban centers and small towns all across America. They seek justice on

behalf of individuals, businesses, and classes of persons. I am pleased to say that my involvement in AAJ's Business Torts Section has permitted me to get to know some of the brightest and best in our profession.

Please immerse yourself in all of the educational and professional rewards that are available to you through your membership and association with our Section. I look forward to meeting each of you this year. ■

*Junk Faxes cont. from page 3*

Junk Fax Prevention Act (2004 JFPA) had nothing to do with junk fax prevention. To the contrary, it attempted to create a broad exemption to the requirements that an advertiser “obtain prior express permission” before transmitting an advertisement via facsimile. The 2004 JFPA created an ill-defined and very broad “established business relationship” (EBR) exemption.

The new EBR defense would have made it virtually impossible to obtain relief under the 2004 JFPA. For example, under the 2004 JFPA, shopping at the local supermarket could have created EBRs with every company whose products were bought and all their affiliates. HR 4600 breezed through the House of Representatives. Once it reached the U.S. Senate as companion bill SB 2603, consumer groups, along with AAJ’s public affairs, helped mobilize opposition. Ultimately, Senator Boxer of California placed a “hold” on the bill and it was amended in committee, thereby killing it.

After a major overhaul of SB 2603 on

July 9, 2005, President Bush signed into law Senate Bill 714. This bill, again called the Junk Fax Prevention Act of 2005 (JFPA), was the first major amendment to the TCPA since its enactment in 1991. The JFPA added an “established business relationship” exemption to the EBR between the merchant and the recipient.

Even though the JFPA added the EBR exemption on unsolicited advertisement faxes, what “creates” an EBR under the JFPA was more precisely defined than under the 2004 version. It is defined as “a prior or existing relationship formed by a voluntary two-way communication between a person or entity and a residential and business subscriber with or without an exchange of consideration.” Affiliates and subsidiaries are not included in that definition.

The JFPA only applies to advertisement faxes transmitted after Congress enacted the statute and expressly limited the EBR’s application. The Federal Communications Commission (FCC) clarified the provisions of the 2005 Junk Fax Prevention Act by its orders issued April 5, 2006, and cod-

ified on August 1, 2006.<sup>16</sup> Specifically, the FCC reiterated its previous orders, subsequent to its 1992 publication, that the 1991 TCPA “did not expressly exempt persons with whom the sender had an EBR” and that the TCPA left “the commission without discretion to create exemptions.”

Having an EBR is only one part of a five-legged stool, which also includes voluntary publication or public distribution of the recipients’ fax numbers, proper identification of the sender with date and time transmission notice,<sup>17</sup> conspicuous notice to opt-out of future faxes, and a 24 hour opt-out toll free phone line. If any leg is missing, then the stool falls over and the sender is not entitled to send the fax.

The JFPA has opened new causes of action for sending a junk fax without proper identification of the sender, for improper date/time/telephone number on the transmission, for failing to provide a 24 hour fax opt-out phone number on the fax, and for any violation of record keeping requirements established by the JFPA. ■

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#### Notes

1. 47 U.S.C. § 227 (2005) (limiting telemarketing and junk fax advertising).
2. 137 CONG. REC. S16204-01 (daily ed. Nov. 7, 1991).
3. 135 CONG. REC. E1462-02 (daily ed. May 2, 1989).
4. 47 U.S.C. § 227(b)(1)(C).
5. *Id.* at (a)(4).
6. *Id.* at (b)(3)(B).
7. *Id.* at (b)(3)(C).
8. *Id.* at (b)(3)(A).
9. See *Compoli v. AVT Corporation*, 116 F. Supp. 2d 926 (N.D. Ohio 2000); *Dun-Rite Const. Co. v. Amazing Tickets, Inc.*, 2004 WL 3239533, at \*2 (6th Cir. 2004).
10. See, e.g., *Accounting Outsourcing, LLC v. Verizon Wireless Pers. Comm. L.P.*, 329 F. Supp. 2d 789 (M.D. La. 2004); *Brill v. Countrywide Home Loans, Inc.*, 427 F.3d 446 (7th Cir. 2005).
11. *Kenro Inc. v. Fax Daily, Inc.*, 962 F. Supp. 1162 (S.D. Ind. 1997); *Forman v. Data Transfer, Inc.*, 164 F.R.D. 400 (E.D. Pa. 1995) (holding that class actions are inappropriate for TCPA claims).
12. 962 F. Supp. 1162 (S.D. Ind. 1997).
13. 164 F.R.D. 400 (E.D. Pa. 1995).
14. 442 U.S. 682 (1979).
15. See *Haynes v. Logan Furniture Mart Inc.*, 503 F.2d 1161, 1164 (1974).
16. The FCC regulates the phone lines and it is the administrative agency of TCPA.
17. 47 U.S.C. § 227(d)(2).

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# The Lessons of IndyMac

By Garrett W. Wotkyns, Phoenix, AZ

When asked how he went bankrupt in Hemingway's great novel *The Sun Also Rises*, Mike Campbell famously remarks that it happened "gradually and then suddenly." So it has gone, ironically, with America's banking system. Although recent months have seen a striking succession of major bank failures, those failures happened gradually as much as suddenly.

One of the latest household names to go under is IndyMac Bank, a former giant of American mortgage lending whose reins the federal government took in July. The fate of IndyMac is worth pondering, for it reveals some deeply buried roots of America's current banking crisis and underscores a key legal issue faced by consumers pursuing business tort actions against federally chartered lenders.

IndyMac was, until recently, America's

largest federally chartered savings bank. Both rights and duties flow from federal savings bank charters. These charters give federal savings banks the right to make mortgage loans "without regard" to state laws purporting to regulate their lending activities.<sup>1</sup> This concept, of course, is known as "federal preemption" of state law. (By contrast, mortgage lenders without federal savings bank charters must comply with both federal and state lending laws.) They also put these banks under the duty of obeying what is supposed to be one of



**Garrett W. Wotkyns**

the most thorough regulatory regimes around, which is administered by the federal Office of Thrift Supervision (OTS).<sup>2</sup>

Like many things in the banking business, this all sounds complex, official, and vaguely reassuring. In fact, the federal savings bank regulatory regime is all those things. Yet America's largest federal savings bank, IndyMac,

just imploded in the second-largest bank failure in American history on the watch of

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Richmond, VA*

*Lessons of IndyMac cont. from page 5*

one of America's most powerful banking regulators. This naturally leads one to wonder: How could this happen? Isn't this scenario exactly what, as the Supreme Court put it in a key preemption decision, federal regulation from a bank's cradle to its corporate grave is designed to prevent?<sup>3</sup>

To listen to the OTS, one might think that interference with its exclusive regulation of IndyMac caused the bank's failure. On June 26, 2008, Senator Charles E. Schumer (D-NY) sent a letter to the OTS and several other federal agencies expressing his concern that IndyMac might have "serious problems" with its loan holdings and his worry that it could fail if federal regulators did not act quickly.<sup>4</sup> In response, federal regulators did not act quickly—but IndyMac's customers did, pulling \$1.3 billion out of IndyMac accounts in the days following the release of Senator Schumer's letters to the public.<sup>5</sup>

The Director of the OTS, John M. Reich, identified Senator Schumer as a cause of IndyMac's demise. Although the bank was already in "in distress" before Schumer sent his letters on June 26, Mr. Reich stated, the deposit run following the letters "pushed

IndyMac over the edge." Never one to be outdone, Senator Schumer replied that Mr. Reich "should be spending less time playing politics and more time doing his job."<sup>6</sup>

In truth, Mr. Reich and Senator Schumer are probably both right—yet both miss the key point of the IndyMac contretemps. The federal savings bank laws enforced by Mr. Reich explicitly excuse IndyMac and its ilk from complying with state laws concerning mortgage lending. By and large, state laws concerning mortgage lending are much more protective of consumers and restrictive of lenders like IndyMac than federal lending laws.<sup>7</sup> Federal savings banks recognize this, which is why they are willing to pay millions annually in federal banking charter fees for the privilege of avoiding state laws.<sup>8</sup>

This arrangement works reasonably well as long as the Director of the OTS makes use of his sweeping powers over the IndyMacs of the world. But when he does not, calamity can ensue. The risk that "captured,"<sup>9</sup> laissez-faire, or simply disinterested regulators at the OTS will do too little to protect America's economy from dangerous savings bank lending and consumers from federal savings bank predation is not an academic fantasy. It is a structural feature

of our savings bank system itself, with its emphasis on "federal preemption" of state lending laws.

The IndyMac saga has shown that this system needs fixing. While those federal savings banks that remain solvent will surely resist, they ought to be required to do what the rest of us do—comply with both federal and state laws in our everyday lives. An additional layer of regulatory oversight by state governments and courts could have done much to check the risky mortgage lending practices that have led IndyMac and other savings banks into financial ruin and left many American homeowners in the lurch. Whatever costs such additional supervision might impose on federal savings banks will surely pale in comparison to the estimated four to eight billion dollars that IndyMac's forthcoming receivership will cost taxpaying Americans. ■

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#### Notes

- 12 C.F.R. § 560.2(a) (2008).
- The Home Owners' Loan Act (HOLA), 12 U.S.C. § 1461, and its implementing regulations comprehensively govern the lending activities of federal savings banks. Enacted in 1933, HOLA is "a product of the Great Depression of the 1930's, [and] was intended 'to provide emergency relief with respect to home mortgage indebtedness' at a time when as many as half of all home loans in the country were in default." *Fid. Fed. Savings & Loan Ass'n v. de la Cuesta*, 458 U.S. 141, 159 (1982) (citations omitted). HOLA empowered what is now the OTS to authorize the creation of federal savings banks, to regulate them, and to preempt conflicting state law with its regulations in some situations.
- Fid. Fed. Savings & Loan Ass'n*, 458 U.S. at 145.
- See CNNpolitics.com, Schumer: *Don't Blame Me for IndyMac Failure*, July 13, 2008, available at <http://www.cnn.com/2008/POLITICS/07/13/indymac.schumer/> (last viewed September 8, 2008).
- Id.*
- Id.*
- See, e.g., Vincent Di Lorenzo, *Federalism, Consumer Protection and Regulatory Preemption: A Case for Heightened Judicial Review*, 10 U. PA. J. BUS. & EMP. L. 273, 273 (2008).
- See, e.g., Keith R. Fisher, *Toward a Basal Tenth Amendment: A Riposte to National Bank Preemption of State Consumer Protection Laws*, 29 HARV. J.L. & PUB. POLY 981, 1028–29 (2006).
- Id.*

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*Document Library cont. from page 7*

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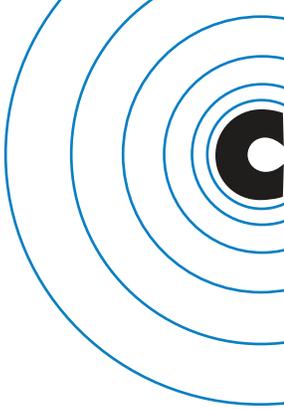


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## Litigating Facsimile Advertising

CHAD R. BOWMAN

To the surprise of many observers, facsimile marketing has emerged in recent years as a significant area of legal risk for companies, including media companies, that communicate with customers and potential customers through this medium.<sup>1</sup> As the *Wall Street Journal* noted in a 2006 article, a plaintiff-friendly federal statute has led to “a string of large judgments and settlements,” with one attorney characterizing a proliferation of fax marketing class actions as “powerball for the clever.”<sup>2</sup> Indeed, a state appellate court recently noted that although Congress did not intend federal telemarketing law to create “a cottage industry for litigation[,] . . . this is precisely what has transpired.”<sup>3</sup>

For the most part, this phenomenon has occurred in state trial courts and resulted in settlements and unpublished orders, with the occasional reported decision. As a result, fax marketing can easily be overlooked as a key compliance risk area. But the liability trend has not escaped the attention of insurers. Following extensive litigation in recent years over insurance coverage for claims under the Telephone Consumer Protection Act (TCPA),<sup>4</sup> insurance policies now often contain express exclusions for such claims.<sup>5</sup>

Congress amended the TCPA through the Junk Fax Prevention Act of 2005 (JFPA) to ensure that companies can, in many circumstances, send marketing faxes to their existing and former customers.<sup>6</sup> Nonetheless, a lasting legacy of the statute has been a wave of litigation by an increasingly organized plaintiffs bar.<sup>7</sup> Indeed, the then Association of Trial Lawyers of America (now the American Association for Justice) added a new litigation group in 2005 that “focuses on . . . lawsuits under the TCPA.”<sup>8</sup> This article offers an overview

of the nuts and bolts of litigation over fax marketing, principally as a primer for defense counsel new to the topic.

### Legislative History and Purpose

The term *junk fax*, like *junk mail* or e-mail *spam*, describes unwanted advertising communications through a particular medium—here, the facsimile machine. However, the law governing faxes is more restrictive than provisions specific to mail, e-mail, or voice telemarketing in that it bans fax marketing absent permission or a prior relationship and provides a private right of action against violators.

The stronger enforcement mechanism is due in large part to the state of technology in 1991 when Congress first enacted legislation. Although the fax machine was considered an “office oddity during the mid-1980s,” by the late 1980s it had become “a primary tool for business to relay instantaneously written communications and transactions.”<sup>9</sup> In the world before e-mail, facsimile transmissions offered senders a means of instant communication for a fraction of the cost of mail.

Early facsimile machines were slow, receiving and printing transmissions a few lines at a time onto expensive rolls of waxy paper.<sup>10</sup> Unwanted “junk faxes” did more than fill postal boxes with easily discarded advertisements. As Congress observed, commercial faxes tied up the dedicated telephone lines of recipients, preventing other transmissions from getting through, and chewed up expensive paper and ink.<sup>11</sup> Thus, facsimile marketing “shifts some of the costs of advertising from the sender to the recipient” and also “occupies the recipient’s facsimile

(Continued on page 19)

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# Plan Now to Attend Forum's Conference

GUYLYN CUMMINS

I am very excited to be chair of the ABA Forum on Communications Law this coming year. I am particularly excited about the Forum's annual conference on February 5–7, 2009, at the Westin Kierland Resort in Scottsdale, Arizona. We do hope you can join us.

All of our past conferences have been tremendously successful, and we believe the upcoming conference will be exciting and thought provoking. The program will feature three plenary sessions, all of which promise to be extremely informative, interesting, and practical.

The keynote panel on Friday, February 6, will be one of our traditional historical retrospective plenary sessions, this time looking at the momentous *Westmoreland v. CBS* and *Sharon v. Time* public figure libel cases. Both cases were tried at the same time in the same courthouse twenty-five years ago. The panel also will consider whether (and why) there has been a decrease in the number of libel suits filed against the media today.

Our second panel on Friday morning will evaluate how the media covered the 2008 election, with an in-depth look at whether the criticism directed at it was valid, and whether the Internet and blogosphere have changed election reporting permanently. Given the exciting election, this promises to be one of the best panels covering this topic.

On Saturday, February 7, we will present another retrospective plenary session. It will consider the leading copyright/fair use case of *Harper & Row v. The Nation*, a suit which arose out of a magazine's premature publication of three hundred words from President Ford's memoirs, albeit about the key passage in the book.

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Guylyn Cummins

The panel will also discuss whether the Internet marketplace has changed the rules of fair use.

We will also offer small group workshops that are specially designed to facilitate discussion on key issues by all of our attendees. This is one of the highlights and one of the reasons lawyers find our conference to be so useful to them in their everyday practice. Our

recurring workshops will again cover hot topics in libel and privacy, newsgathering, and the Internet. We will also offer six different workshops, once each, covering ethics, insurance, advertising and promotions, subpoenas, e-discovery and entertainment—all extremely timely and current topics.

Rather than a traditional keynote address, the Friday luncheon features a candid dialogue between Arizona Governor Janet Napolitano and Sue Clark-Johnson, former president of the Gannett Newspapers, chair of the Newspaper Association of America, and publisher of *The Arizona Republic*. They will discuss the respective rights and duties of public officials and the press—and share their thoughts on elevating the performance of both.

The conference is also the setting for our separate young lawyers Media Advocacy Workshop, an all-day practicum on Thursday, February 5, run by the Forum's Training and Development Committee. More information on the workshop can be found at [www.abanet.org/forums/communication/home.html](http://www.abanet.org/forums/communication/home.html). If you want to participate in the Media Advocacy Workshop, just separately register for it.

In addition, the conference will include meetings of the Forum's Women in Communications Law group, Teaching Media Law Committee, and of the TIPS Media, Privacy, and Defamation Law Committee. Clearly, this conference is the place to be in February.

Beyond the excellent substantive program, the conference affords us the

opportunity we so infrequently have to spend time with our colleagues and families in an informal setting and to enjoy the golf, tennis, and other first-class facilities that will be available to us at the Westin Kierland Resort & Spa. We have arranged a variety of social activities as well as our annual competitions in golf and tennis. We are hopeful that many of your children will attend; they will again have an opportunity to be a "Libel Lawyer for a Day" and argue a case to a panel of distinguished (but kindly) judges.

The culmination of the Forum's inaugural First Amendment and Media Law Moot Court Competition will take place on Thursday, February 5. The Competition is designed primarily to expose minority law students to the Forum on Communications Law and the practice of media law. The preliminary rounds will be held in the morning and the final round will be held from 3:15 pm to 4:45 pm. Everyone is welcome to attend the final round of oral argument.

If you wish to attend, click on the ABA Forum of Communications Law brochure on the ABA website at [www.abanet.org/forums/communication/home.html](http://www.abanet.org/forums/communication/home.html). We look forward to seeing you in February.

Finally, stay tuned for our upcoming events and committee projects and goals. A federal Reporter Shield Law promises to be at the top of our list of things to do. 

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# Privacy: A Tort by Any Other Name

HEATHER ROGERS AND FIONA CAMPBELL

*Private faces in public places*

*Are wiser and nicer*

*Than public faces in private places*

—Dedication, in W. H. AUDEN, *THE ORATORS: AN ENGLISH STUDY* (1932)

The Claimant, for reasons best known to himself, enjoyed having his bottom shaved—apparently for its own sake rather than because of any supposed Nazi connotation. He explained to me that while this service was being performed he was (no doubt unwisely) “shaking with laughter.” I naturally could not check from the DVD, as it was not his *face* that was on display.<sup>1</sup>

Albeit without reference (or apology) to W. H. Auden but in similar, frequently droll terms throughout his recent judgment, Mr. Justice Eady dismissed the *News of the World*’s defense to a claim by motor racing Formula One President Max Mosley following publication of articles and photographs that depicted him engaged in sadomasochistic sexual activities, described by the newspaper as a “Nazi orgy.”<sup>2</sup>

Mosley sued successfully for breach of confidence and/or unauthorized disclosure of personal information, said to infringe his rights of privacy as protected by Article 8 of the European Convention on Human Rights and Fundamental Freedoms (the Convention). The day after the High Court ordered the tabloid to pay £60,000 in damages plus costs (estimated at over half a million pounds per party), the claimant issued a new claim of defamation for the injury to his reputation arising from the newspaper’s false imputations of Nazism, dishonesty, and hypocrisy.

## When Libel Lacks the Lash

For decades, English libel law was the cause célèbre of those criticized in the media, but this favorite cause of action now has a rival, if not a substitute. As

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the law pertaining to Article 8 develops apace, claimants wishing to keep out of the public domain embarrassing and defamatory, albeit true, information about themselves have resorted to this alternative cause of action. Why risk losing a defamation suit before a jury (where truth is an absolute defense to an otherwise actionable publication) and render oneself subject to the vagaries of the jury’s moral code when claimants can now add to their weaponry a civil suit relating to breach of privacy?

Indeed, under Mr. Justice Eady’s *Max Mosley v. News Group Newspapers Ltd.* decision, Mosley has the benefit already of a determination of the facts, thus removing from the jury an opportunity to consider or take into account those tricky truths that might have encouraged any “right-thinking member of the public” to recoil with distaste or disapproval and thus deny Mosley a remedy for his allegedly tarnished reputation.

As the famous 1970s comedy *No Sex Please, We’re British*<sup>3</sup> commentates, the level of prurience and sexual proclivity practiced in private by the British populace, while feasting on a diet of shameless titillation dished up by its tabloid media, is matched only by its propensity to stereotype culturally and view all nationalities east of Dover as promiscuous, permissive, and pretentious.

Britain’s laws, though, are far more worthy of comment. Any introduction of European principles or philosophies promoting the protection of private or personal information was resisted assiduously by media interests for decades because they regard Convention-based moral, privacy, or reputational rights as prohibitionist and inimical to England’s proud imperial tradition of free trade, if not free speech. Either that or no one told the Brits that the war is over and they’d joined the European Union.

How ironic then that the *Mosley* decision, which identifies so many elements of national and cultural stereotyping, should confirm how far Britain has come down the road to Strasbourg since the unhappy case of actor Gordon Kaye, best known for his starring role

in the British TV comedy *‘Allo, ‘Allo* as the hapless René Artois. The character, among other things, was embroiled in the Nazi looting of valuable “art” (a cuckoo clock and a painting, *Fallen Madonna with the Big Boobies*) while the Germans occupied his village in France during World War II.<sup>4</sup>

In March 1990, Gordon Kaye sought relief for the *Sunday Sport*’s intrusion into his privacy by the publication of photographs and an alleged interview.<sup>5</sup> The tabloid newspaper (described by the Court of Appeal with an almost audible sniff of disdain as “renowned for far-fetched scoops and containing advertisements for pornographic material”) gained access to his private hospital room, ignoring the notices prohibiting such entry. The newspaper purported to interview Kaye at length—although he was lying semiconscious in a hospital bed at the time, recovering from brain surgery following an accident—and took photographs using flash photography before being ejected by security staff. Contorting itself to afford Kaye a remedy and injunctive relief (“malicious falsehood” did the trick), the Court of Appeal was, however, constrained to rule that there was at that time no actionable right of privacy in English law.

Lord Justice Bingham (who later joined the House of Lords Judicial Committee as Lord Bingham of Cornhill) recorded as follows:

Any reasonable and fair-minded person hearing the facts [of this case] would in my judgment conclude that these defendants had wronged the plaintiff. I am therefore pleased to be persuaded that the plaintiff is able to establish, with sufficient strength to justify an interlocutory order, a cause of action against the defendants in malicious falsehood. Had he failed to establish any cause of action, we should of course have been powerless to act, however great our sympathy for the plaintiff and however strong our distaste for the defendants’ conduct.

The case nonetheless highlights, yet again, the failure of both the Common Law of England and Statute

to protect in any effective way the personal privacy of individual citizens. This has been the subject of much comment over the years, including by Professor Markesinis (the German Law of Torts, Second Edition 1990, page 316) where he writes:

“English Law, on the whole, compares unfavourably with German Law. True, many aspects of the human personality and privacy are protected by a multitude of existing torts but this means fitting the facts of each case in the pigeon-hole of an existing tort and this process may not only involve strained constructions; often it may also leave a deserving plaintiff without a remedy.”

The defendants’ conduct towards the plaintiff here was a “monstrous invasion of his privacy.” . . . If ever a person has a right to be let alone by strangers with no public interest to pursue, it must surely be when he lies in a hospital recovering from brain surgery and in no more than partial command of his faculties. It is this invasion of his privacy which underlies the plaintiff’s complaint. Yet it alone, however gross, does not entitle him to relief in English Law.

. . . We cannot give the plaintiff the breadth of protection which I would, for my part, wish. The problems of defining and limiting a tort of privacy are formidable, but the present case strengthens my hope that the review now in progress may prove fruitful.

Three months later, in June 1990, that hoped-for review by the Calcutt Committee recommended to Parliament a formulation of a statutory tort of privacy, clearly defined yet flexible enough to deal with the wide range of unforeseeable circumstances that might arise.<sup>6</sup> Yet no privacy statute was passed. With the impetus of a combination of Article 8 of the Convention, decisions of the European Court of Human Rights (ECtHR) in Strasbourg, and the Human Rights Act 1998, it was left to the judges to bring about changes in the law.<sup>7</sup>

### The Laws, They Are A-Changin’

Article 8 of the Convention guarantees the right to respect for privacy, with Article 8(1) providing that *everyone*, including private citizens and public figures, paupers and princes, has the right to respect for private and family life, home, and correspondence. Article 8(2)

sets out the limited circumstances in which that right can be restricted. Article 8 imposes not only a negative but also a positive obligation on the state to respect and, therefore, to promote the interests of private and family life.<sup>8</sup>

In 2003, the Strasbourg court found that the United Kingdom had violated Article 8 by failing to offer any remedy to Geoffrey Peck.<sup>9</sup> Peck had been filmed by local (government) authority CCTV cameras as he walked, in some distress, through the streets of Brentwood. He had attempted to commit suicide by cutting his wrists with a kitchen knife (in the street, but not on camera). CCTV images were subsequently published in the media, but his legal claims were rejected out of hand.

Yet it was not this decision against the UK but an ECtHR ruling against Germany on an application brought by Caroline von Hannover, Princess of Monaco,<sup>10</sup> that continues to have the biggest impact on the UK’s domestic law. Germany had developed a sophisticated and nuanced privacy law, which attempted to strike an appropriate balance between the competing rights to privacy and freedom of expression. However, the ECtHR held that German law was insufficient and noncompliant with Convention standards in failing to afford Princess Caroline a remedy for invasion of her privacy when photographs were published of her dining at a street café with members of her family.<sup>11</sup>

The Strasbourg court rejected the argument that there should be no restriction on the publication of photographs taken in a public place, holding that the right to privacy existed even in public places. As it stated, “There is . . . a zone of interaction of a person with others, even in a public context, which may fall within the scope of ‘private life.’”<sup>12</sup> In addition, it held that there was “no doubt” that “the publication by various German magazines of photos of the applicant in her daily life either on her own or with other people falls within the scope of her private life.”<sup>13</sup> The photographs had been taken of the princess in public places, but they nonetheless related solely to her private life.<sup>14</sup>

Even though Princess Caroline was a public figure who had been the subject of years of media coverage, she had a right to privacy. There was no reason to impose any restriction on her right to privacy under Article 8(2) because there

was no public interest in the publication of the photographs and articles, which were devoid of any contribution to political or public debate.<sup>15</sup> The ECtHR took a narrow and high-minded view of what constituted the public interest in this context:

. . . The Court considers that a fundamental distinction needs to be made between reporting facts—even controversial ones—capable of contributing to a debate in a democratic society relating to politicians in the exercise of their functions, for example, and reporting details of the private life of an individual who, moreover, as in this case, does not exercise official functions. While in the former case the press exercises its vital role of “watch-dog” in a democracy by contributing to “impart[ing] information and ideas on matters of public interest”, it does not do so in the latter case.<sup>16</sup>

The *von Hannover v. Germany* decision also hints that it may be necessary to go even further to protect an individual’s rights under Article 8(1), at least as far as photographs or other images are concerned. In its decision, the ECtHR referred expressly to the positive obligation of the state to comply with its positive obligation under the Convention “to protect private life and the right to control the use of one’s image.”<sup>17</sup> The development of “image rights” is interesting and important but still at the embryonic stage. The wider question of the protection of privacy is, however, coming of age in Britain.<sup>18</sup>

### At Last, the Beginning . . .

Under the Human Rights Act 1998 (HRA) (in force in October 2000), the English court, as a “public authority,” has an obligation to act “compatibly” with certain Convention rights, including Article 8 (HRA § 6). It is also required to take into account decisions of the ECtHR (HRA § 2), including *von Hannover*. The transformation of domestic law in relation to the protection of “private information”<sup>19</sup> has come about by treating the rights protected by Article 8 as being “absorbed” into the cause of action for breach of confidence to create what is, in effect, a new tort of “misuse of private information.”<sup>20</sup> The Court of Appeal has made clear that Articles 8 and 10 are “the very content of the domestic tort that the English court has to enforce” and that

where the complaint is of the wrongful publication of private information, the court has to decide two things.

First, is the information private in the sense that it is in principle protected by article 8? If “no,” that is the end of the case. If “yes,” the second question arises: in all the circumstances, must the interest of the owner of the private information yield to the right of freedom of expression conferred on the publisher by article 10?<sup>21</sup>

The landmark domestic decision *Naomi Campbell v. MGN Ltd.*<sup>22</sup> was decided after the HRA came into force but before the ECtHR decided *von Hannover*. The House of Lords recognized that supermodel Naomi Campbell’s claim against a tabloid newspaper, which had published an article and photographs about her attendance at Narcotics Anonymous meetings, did not fit easily into the traditional analysis of the cause of action for breach of confidence, so it devised a new cause of action for “misuse of private information” or the “unjustified publication of private information.” The essence of that claim was the publication, without consent, of information about which a person had a “reasonable expectation of privacy.”<sup>23</sup> The court ruled that the newspaper was entitled to reveal the fact of Campbell’s drug addiction given her previous false public denials of drug use. The article, however, included details relating to her treatment, as well as a photograph of Campbell, taken in the street, emerging with others from a Narcotics Anonymous meeting. Campbell won on liability and was awarded damages of £3,500 (a tiny fraction of the legal costs, which amounted to over £1 million on the claimant’s side alone) and an injunction.

The case revealed striking differences in approach among the judges and demonstrated that the decision could have gone either way. A total of nine judges considered the case, five of whom would have found for the newspaper. The trial judge was in Campbell’s favor, the Court of Appeal was 3–0 the other way, and the decisive and final decision for Campbell was by 3–2 majority in the House of Lords. The critical factor in that decision turned out to be the publication of the photograph taken in the street, an issue about which the judges took very different views:

- Lord Nicholls thought that the photograph added nothing of an

essentially private nature and noted that Campbell had expressly made no complaint about the taking of the photograph.<sup>24</sup>

- Lord Hoffmann considered that individuals could not object to being photographed in the street but that the publication of such a photograph showing the individual in a state of severe embarrassment or distress might infringe privacy.<sup>25</sup>
- Lord Hope considered that the real issue was whether publicizing the content of photographs taken in the street would be “offensive” and whether the public’s right to be informed justified dissemination of a photograph taken without authorization. The photographs of Campbell were not pictures of a street scene in which she happened to appear but were “taken deliberately, in secret and with a view to their publication in conjunction with the article and, in the context, were a gross interference with her privacy.”<sup>26</sup>
- Baroness Hale noted that the mere fact that a photograph was taken covertly did not make the information contained in it confidential; “the activity photographed must be private.” A photograph of Campbell in the street, going about her daily business, such as making a trip to the store for a bottle of milk, would not have infringed her privacy; but in the context of this article, a connection to her Narcotics Anonymous meeting meant that her privacy was invaded.<sup>27</sup>
- Lord Carswell’s decision to agree with Lord Hope and Baroness Hale resulted in the decision going in Campbell’s favor.<sup>28</sup>

The outcome of this narrow and finely balanced difference of judicial opinion about the editorial decision to publish the text and photographs was that the newspaper received an injunction and the massive bill for both parties’ legal fees.

#### **Get the Picture? Yes, but Can We See It?**

Precisely what the legal standards are on the publication of photographs of individuals taken in the street remains a vexed question. After *Naomi Campbell*, Sir Elton John failed to prevent the *Daily Mail* from publishing a photograph

taken as he walked from his car into his London home.<sup>29</sup> In that case, the judge held that the photograph was equivalent to one showing him “popping to the shops for some milk.” But this may be a transitional position, overly favorable to the media. *Naomi Campbell* was decided before the Strasbourg decision in *von Hannover*, which clearly envisages greater privacy rights relating to photographs of individuals taken in public places than had been previously afforded by English law.<sup>30</sup> A later Court of Appeal observed that a decision in favor of Campbell would have been more readily reached in the light of *von Hannover*:

Very extensive argument and discussion was seen as required before Ms Campbell was able to enjoin the publication of photographs of her in the public street, and then only because of their connexion with her medical condition. Had the House had the benefit of *Von Hannover* a shorter course might have been taken.<sup>31</sup>

There is no doubt that photographs have a special place in the development of privacy rights. Photographs and other recordings have long been regarded as particularly intrusive. An application for an injunction in a case involving the exposure of sexual conduct in a tabloid newspaper (a children’s television presenter was photographed during a drunken visit to a Mayfair brothel) resulted in the court banning the publication of the photographs but permitting the publication of the story of what had taken place.<sup>32</sup> Photographs may also be “special” in the sense that prior publication may be no defense to a privacy claim: each subsequent publication of a photograph showing subjects in their private lives, e.g., “a film star, . . . photographed with the aid of a telephoto lens, lying naked by her swimming pool,” may be a “fresh intrusion” into privacy.<sup>33</sup> However, as the judge’s decision refusing to grant Mosley an interim injunction to prevent the publication of “intrusive and demeaning” material demonstrates, once material has received widespread publicity, it may have entered the public domain to such an extent that there is nothing left for the law to protect.<sup>34</sup>

The latest Court of Appeal decision on privacy and photographs is *Murray v. Big Pictures (UK) Ltd.*<sup>35</sup> The picture agency, Big Pictures (UK) Ltd. (BPL), had taken with a long-lens camera and

sold for publication a color photograph of nineteen-month-old David, son of celebrated *Harry Potter* author J. K. Rowling, being pushed in a buggy down an Edinburgh street by his parents. The photograph showed “David’s face in profile, the clothes he was wearing, his size, the style and colour of his hair and the colour of his skin.” It also showed his father pushing the buggy, and his mother walking alongside it. The photograph was taken without their knowledge or consent; in fact, the parents made clear in correspondence, before publication, that they positively objected to the publication of any photographs of David.<sup>36</sup>

### Photographs and other recordings have long been regarded as particularly intrusive.

David’s parents started proceedings in the child’s name, alleging infringement of his right to privacy under Article 8 of the ECtHR. They also made a claim under the Data Protection Act 1998, a statute of such convoluted drafting that it is the source of pain to practitioners and courts alike. BPL applied to strike out the claim. The judge did so, entering judgment in BPL’s favor. In his view, even taking all the facts alleged in the claimant’s favor, BPL’s case was plainly correct and bound to succeed. But the Court of Appeal took a different view, finding the claim “arguable” and allowing the appeal. Although the judge had given permission to appeal on the ground that the case raised an important point about the relationship between the decisions of the House of Lords in *Naomi Campbell* and the ECtHR in *von Hannover*, a point on which he was 100 percent correct, the Court of Appeal decided that because this was an appeal in a striking-out case (not after trial), it was not necessary to analyze the decision in *von Hannover* in any detail. It did, however, say that its views, as expressed in the judgment, were consistent with *von Hannover*.<sup>37</sup>

This was a lost opportunity to clarify the law on a point of practical everyday importance to a wide range of media. In

the absence of a definitive view from the court about the limits of privacy rights in connection with photographs in public places, the law remains up in the air, leaving both claimants and defendants uncertain of their rights. That said, the *Murray* case, which involved photographs of a child of celebrity parents with no redeeming public interest element, hardly presents the most promising set of facts to produce a decision in favor of media publication and freedom of expression. This is particularly true if, as assumed at the strike-out stage, this was not an isolated case of a newspaper taking one photograph and publishing it. Photographers had been outside the child’s home in the period before the publication of the photographs, and this was no chance event. Arguably, at the least, this is very different from a famous person being photographed while on an errand.

#### Privacy: Not Just Pictures

In the first case to go to trial after the recognition of a right to prevent the misuse of private information, Loreena McKennitt, the Canadian folk singer, sued over a book by a former friend and colleague that divulged detailed private information about, among other things, her home, her private life, and her grief at the death of her fiancé. Mr. Justice Eady found for McKennitt, granting an injunction to prevent further publication of the book and awarding damages. The Court of Appeal upheld the decision.<sup>38</sup>

The court rejected (unsurprisingly, on the facts) all of the author’s arguments to justify publication of private material. The events recounted in the book were not “shared experiences” entitling the writer to tell her own story; rather, the story being told belonged, in reality, only to McKennitt,<sup>39</sup> and any Article 10 rights had to yield to the claimant’s Article 8 rights.<sup>40</sup> The author’s attempt to establish that McKennitt, by virtue of revealing information within a zone of her private life, had a greatly reduced expectation of privacy with respect to other information in that same zone also failed. This argument was particularly unpromising because McKennitt had given very limited disclosure about the deaths of her fiancé, his brother, and a friend in a tragic accident only as part of an effort to raise money for a charity to be set up in their memory. Unsurprisingly, especially when

considering a book full of information garnered when McKennitt confided in someone she thought was a close friend, the court accepted that she was entitled to decide what private information to disclose.<sup>41</sup> The public interest arguments were dismissed without much trouble.<sup>42</sup>

Significantly, the court recognized that a claimant’s rights in a privacy case are not limited to true private facts; these rights can also cover “false private information.”<sup>43</sup> A defendant cannot deprive the claimant of a privacy remedy by showing that the information in question was untrue. The old view that the publication of false information could only be the subject of a defamation claim (not a breach of confidence or privacy claim) was overthrown. An abuse of process argument might be raised only if the “nub” of the case was a complaint about false allegations and if it could be shown that a claim had been brought in confidence, rather than libel, in order to avoid the rules of the tort of defamation (in particular, the rule in *Bonnard v. Perryman*, which effectively prevents the grant of an interim injunction to prevent publication of a defamatory story that the publisher will defend as true).<sup>44</sup>

The next misuse of private information case brought before the Court of Appeal was the claim by the Prince of Wales against the tabloid *Mail On Sunday*<sup>45</sup> after it published extracts from his private travel journals. Prince Charles had distributed the journals on a limited and confidential basis only to his friends. However, they were leaked to the newspaper by a former employee, who was bound by a contractual duty of confidence. The Prince of Wales received summary judgment in his favor (again, an indication that the relevant law is now clear), and this time it was upheld by the Court of Appeal.

Although the court treated this as a traditional breach of confidence case, it accepted that Prince Charles had rights of privacy and confidence with respect to his travel journals.<sup>46</sup> The court summarily rejected the newspaper’s attempts to argue that publication was in the public interest on a number of different grounds.<sup>47</sup> Considering the correct approach to the public interest, the court emphasized that it was not enough that the information was a “matter of public interest”; rather, where information has been received in confidence, the question is “whether, in all the

circumstances, it is in the public interest that the duty of confidence should be breached.”<sup>48</sup> The fact that there is a contractual obligation of confidence may be of significance; however, the extent to which a contract would add weight to a duty of confidence arising out of a “confidential relationship” would depend on the facts of the case.<sup>49</sup>

### Private Rights Versus Public Interest

In a misuse of private information case, the court will embark on a two-stage process of analysis:

1. It must identify whether there is a reasonable expectation of privacy such as to engage Article 8 at all.<sup>50</sup>
2. If yes, the court must balance the competing Convention rights under Articles 8 and 10, applying the test of proportionality to each.

In performing this parallel analysis, neither Article 8 nor Article 10 “has as such precedence over the other.” Where they come into conflict, “an intense focus on the comparative importance of the specific rights being claimed in the individual case is necessary.”<sup>51</sup>

This balancing exercise involves wider public interest issues. It includes an evaluation of the perceived merits of the public interest arguments based specifically on the facts and circumstances of the case (rather than general arguments of principle). In *Naomi Campbell*, the claimant conceded a public interest in exposing the truth and putting the record straight.<sup>52</sup> More recently, in *X & Y v. Persons Unknown*,<sup>53</sup> Mr. Justice Eady accepted that the role of the press includes “putting the record straight” when a person has previously presented a false public picture. Toulson and Phipps make the following observations regarding hypocrisy:

If a person has not set out to present a false picture, it is not part of the watchdog role of the press to seek to obtain information about their private life and then put it to them in order to place them in the dilemma of admitting it (thereby giving voluntary disclosure), refusing to comment (thereby seeming to be evasive) or denying it (thereby risking publication in order to rebut denial).<sup>54</sup>

The court will closely scrutinize a justification for publication of personal information advanced on the grounds not that the person concerned has made false factual statements but that he has

been guilty of hypocrisy in advocating a set of standards and behaving differently. In media cases, the court is likely to consider what the public is entitled or even ought to know.

In *Mosley*, Mr. Justice Eady had “little difficulty” in concluding that there was no public interest in revealing video footage of the claimant, although he indicated that had the facts been different, there might have been a valid public interest argument.<sup>55</sup>

... if it really were the case, as the newspaper alleged, that the Claimant had for entertainment and sexual gratification been “mocking the humiliating way the Jews were treated,” or “parodying Holocaust horrors,” there could be a public interest in that being revealed at least to those in the FIA to whom he is accountable. He has to deal with many people of all races and religions, and has spoken out against racism in the sport. If he really were behaving in the way I have just described, that would, for many people, call seriously into question his suitability for his FIA role. It would be information which people arguably should have the opportunity to know and evaluate. . . .<sup>56</sup>

Unfortunately for *News of the World*, the evidence showed no such mocking behavior—only private sexual practices.

### Prior Restraint

Applications for injunctions to prevent the publication of private information are regular occurrences. The application is often made in private, and any proceedings issued are listed anonymously with the claimant identified only as AAA or some similarly inventive initial. Some comfort to the media derives from the fact that claimants at the interim stage must establish that they are “likely” to succeed at trial.<sup>57</sup> The court must take into account (among other factors) the importance of freedom of expression as well as the extent to which publication would be in the public interest.<sup>58</sup>

The perceived merits of the case, even at the early stage, are of crucial importance. In *CC v. AB*, Mr. Justice Eady granted an injunction to prevent an aggrieved husband from disclosing through the mass media details of the adulterous relationship between his wife and her married lover. There was, he held, a legitimate “expectation of privacy” in an adulterous relationship.

Having applied an “intense focus” to the facts of the case and competing rights (Articles 8 and 10) and applying the proportionality test, the judge held that it was necessary to impose an injunction to prevent disclosure to the media but that the defendant was entitled to discuss these matters with relatives, friends, doctors, or counselors.<sup>59</sup>

In yet another case involving celebrities but not the public interest, the court granted an injunction to prevent disclosure of confidential details of the state of their marriage.<sup>60</sup> Celebrities in the public eye have a reasonable expectation of privacy even if they had been the subject of previous articles in the public domain.<sup>61</sup> The court found that there is a real distinction between people who

**Courts are likely to consider that the public is entitled or even ought to know.**

are “publicity seekers” and people who, like the first claimant, are contractually bound to give interviews because they promote products or services.<sup>62</sup> A media organization that wishes to argue that a celebrity has waived his or her privacy rights by virtue of being the subject of publicity will require strong evidence if it is to have any prospects of success.

The final and best example of the modern approach to the grant of an interim injunction in a privacy case comes from *Browne v. Associated Newspapers Ltd.*<sup>63</sup> The case was heard in private (both the original application and on appeal) with the claimant identified as “Z” (on the grounds that anonymity was required in the interests of justice). The identity of the claimant was revealed to be Lord Browne, chief executive of BP, with a spectacular burst of publicity after the delivery of the Court of Appeal decision. The fact that he had lied to the court in a witness statement made to support his injunction claim resulted in his public shame and resignation from his post. Had the story been published, he could scarcely have suffered more.

The claim arose after Lord Browne’s former partner, a younger and less financially secure man, sold a story to the *Mail on Sunday*, including details of private conversations involving leading political figures, the fact of the prior relationship

between them, as well as misuse of company property (a laptop computer). An injunction was initially granted with respect to some of the information, but a higher court found a sufficient degree of public interest in the story to refuse the injunction. Because the story would not have made sense without revealing the fact of Lord Browne's otherwise private former relationship, that fact, too, was permitted to be published.<sup>64</sup>

### Finally, How Much Is a Privacy Claim Worth?

The £60,000 awarded to Max Mosley is the first really substantial award of damages by a court to a claimant for a privacy claim. Previous awards by the court had been in the low thousands of pounds, although settlements in media cases had been much higher, particularly in cases of celebrity photographs. For example, in May 2008, it was reported that Elizabeth Hurley, her husband Arun Nayar, and Hugh Grant received an apology and a total of £58,000 in damages from photographic agencies BPL and Elliot Press SARL for photographs covertly taken of them holidaying in the Maldives in a private resort. The photographs had appeared in two Sunday newspapers (against which separate claims had been brought) and been offered to other publications.<sup>65</sup> In due course, a tariff for privacy damages may come to approximate that of general damages for libel (presently viewed as having a ceiling of around £215,000).

### Traps for Young Players: Don't Try This at Home

Those publishing or broadcasting in the UK may also face complaints not to the court but instead to institutional or government regulators for breach of applicable codes, each of which is formulated to regulate the media's conduct while balancing the competing Convention rights under Article 8 and Article 10.

The Editors' Code of Practice sets out the standards to be applied in the newspaper and periodical industry. It is enforced by the Press Complaints Commission (PCC), the newspaper and periodical industry's self-regulator, which has a majority of lay members. Adjudication by PCC is without prejudice to a complainant's right to litigate.<sup>66</sup>

The regulator for the broadcasting industry, Office of Communications (Ofcom),<sup>67</sup> supervises licensing conditions

and oversees broadcasters' compliance with various sections of the broadcasting code relating to fairness and privacy. These latter sections differ from other sections of Ofcom's code in that they regulate how broadcasters treat individuals and organizations directly affected by programs, rather than what the general public sees or hears as viewers or listeners. Ofcom's public duty is to ensure that broadcasters avoid any unwarranted infringement of privacy in connection with obtaining material included in programs.

It is difficult to discern bright lines of principled analysis in rulings of either PCC or Ofcom, although a library of precedents is rapidly developing in each office. PCC has manifested a greater lag in adopting or acknowledging common law developments, apparently holding out against the incoming tide of greater protection for privacy rights; on the other hand, the outcome of complaints to Ofcom suggests a consistent requirement for a real public interest justification for any incursion into privacy rights, no matter how slight. It remains to be seen what effect recent case law will have on decision makers' application and interpretation of the respective codes. In the meantime, each decision turns on its specific facts, apparently depending on which beach or street the complainant happened to be photographed or filmed and their level of celebrity or notoriety.

So, as English law moves down the road to Strasbourg and modifies, if not abandons, its mercantilist traditions in favor of respect for the private and personal realm, certain media interests will need to reconsider their day jobs. If neither public faces in private places nor private faces in public places are fair game, then perhaps the very beach that enchanted so many a long lens may provide a more viable career option. Ah, what further encouragement will the Brits need to take off their clothes at the first glimmer of sunlight? 

### Endnotes

1. *Max Mosley v. News Group Newspapers Ltd.*, [2008] EWHC 1777 (Q.B.).

2. *Id.*

3. *No Sex Please, We're British* was a farce written by Alistair Foot and Anthony Marriott, first staged in London's West End, involving a misdirected mail order to Scandinavia that deluged a happily married couple living in an uptight community with a flood of unwanted

pornography. It also alluded to Britain's second favorite pastime of moaning about one's mother-in-law, which was practically the only misconduct of which Mosley did not stand accused by *News of the World*.

4. Smut and discrimination abound, making the U.S. series *Hogan's Heroes* look positively politically correct. Mosley could be forgiven his lack of confidence in a jury's ability to discern the differences between Nazi role play and his SM games given that the entire nation had tuned in for a decade to view similar antics being performed by Herr Flick, the local Gestapo officer, and his "flexible" subordinate Private Helga Geerhart, attired in leather lingerie with attendant whip and cane while prancing about and shouting in fake German accents, language that even Mr. Justice Eady was prepared to concede (*Id.* para. 59) as having, to many English ears at least, a "harsh and guttural" sound, thus better disposing it to use in games of domination and punishment ("Apparently Russian might have also been suitable, but unfortunately none of the participants spoke Russian."). The sexual allure of the Russian language was famously celebrated in the British hit film *A Fish Called Wanda*.

5. *Kaye v. Robertson & Anor*, [1991] F.S.R. 62 (A.C.).

6. CALCUTT COMM., REPORT OF THE COMMITTEE ON PRIVACY AND RELATED MATTERS, 1990, Cm. 1102. As Mr. Justice Eady noted in his judgment in the *Browne v. Associated Newspapers Ltd.* case, [2007] EMLR 515, it was "ironic" that the committee had been warned by publisher Robert Maxwell, some eighteen months before his downfall, that "a law of privacy would lead to many a rogue going undetected."

7. The first-instance judge responsible for many of the decisions in this developing area of law is the Honorable Justice Eady, who, while in practice at the bar, had been a member of the Calcutt Committee. See *supra* note 6 and accompanying text.

8. *X & Y v. Netherlands*, (1985) 8 E.H.R.R. 235; *McKennit v. Ash*, [2008] Q.B. 73, [9] (A.C.).

9. *Peck v. UK*, [2003] EMLR 15. The ECtHR also found the UK to have violated Article 8 in *Wainwright v. UK*, (2007) 44 E.H.R.R. 40, after the House of Lords held, once again, that there was no right to privacy in English law; the case involved searches of visitors to prison. See *Wainwright v. Home Office*, [2004] 2 A.C. 406, [28]-[35] (H.L.)

10. *von Hannover v. Germany*, (2006) 43 E.H.R.R. 7.

11. *Id.*

12. *Id.* at [50].

13. *Id.* at [53].
14. *Id.* at [76].
15. *Id.* at [63]-[64].
16. *Id.* at [63].
17. *Id.* at [72].
18. The ECtHR has followed the *von Hannover* decision in a series of cases, including *Sciacca v. Italy*, (2006) 43 E.H.R.R. 20 (the release to the media by the prosecutor's office of an identity photograph violated Article 8). All decisions are available on [www.echr.coe.int](http://www.echr.coe.int).
19. The Court of Appeal in *Douglas v. Hello! (No.3)*, [2006] Q.B. 125, [83], asked, "What is the nature of 'private' information?" and then gave its own answer, "It seems to us that it must include information that is personal to the person who possesses it and that he does not intend shall be imparted to the general public. The nature of the information, or the form in which it is kept, may suffice to make it plain that the information satisfies these criteria." Although that case concerned the unauthorized publication of wedding photographs of Hollywood A-listers Michael Douglas and Catherine Zeta-Jones, the claim was not brought on the basis of any privacy rights; rather, because the right to publish the photographs had been sold to a magazine for a very large sum, the information was treated as commercially confidential information. This may explain why *von Hannover* was not considered on the appeal to the House of Lords, [2008] A.C. 1 (H.L.).
20. See *Naomi Campbell v. MGN Ltd.*, [2004] 2 A.C. 457 (H.L.); *Douglas (No. 3)*, [2006] Q.B. 125, [53].
21. *McKennitt v. Ash*, [2008] Q.B. 73, [11] (A.C.).
22. [2004] 2 A.C. 457.
23. *Id.* at [21], [51], [134]; see *McKennitt*, [2008] Q.B. at [11].
24. *Id.* at [30]-[31].
25. *Id.* at [74]-[75].
26. *Id.* at [122]-[124].
27. *Id.* at [154]-[155].
28. *Id.*
29. *Elton John v. Associated Newspapers*, [2006] EMLR 772.
30. New Zealand has taken a robust approach to street photography. *Hosking v. Runting*, [2004] N.Z.C.A. 34; see *Andrews v. Television N.Z.*, CIV 2004-404-3536 (N.Z.H.C. Dec. 15, 2006) (Allan, J.). Compare *Aubry v. Éditions Vice-Versa Inc.*, [1998] 1 S.C.R. 591 (the high degree of protection for the individual in Canada).
31. *McKennitt v. Ash*, [2008] Q.B. 73, [39] (A.C.).
32. *Theakston v. MGN*, [2002] EMLR 22.
33. *Douglas v. Hello! (No. 3)*, [2006] Q.B. 125, [105] (A.C.).
34. *Mosley v. News Group Newspapers Ltd.*, [2008] EWHC 687 (Q.B.).
35. [2008] EMLR 12. In October 2008, the House of Lords refused to give Big Pictures (UK) Limited permission to pursue an appeal from that Court of Appeal decision.
36. *Id.*
37. *Id.* at [59].
38. *McKennitt v. Ash*, [2008] Q.B. 73 (A.C.). *McKennitt* was awarded "modest" damages of £5,000.
39. *Id.* at [28]-[32].
40. *Id.* at [50]-[52].
41. *Id.* at [53]-[55].
42. The court was skeptical of the argument that public figures were "role models" warranting a general interest in their conduct; it made clear that insofar as there is a conflict between the approaches in *von Hannover* and in *A v. B Plc*, [2003] Q.B. 195 (where the court refused to grant Gary Flitcroft an injunction to prevent publication of stories about his private life on the grounds that as a professional footballer, he was a role model), it is *von Hannover* that represents the correct approach to the balance between Articles 8 and 10. *Id.* at [56]-[66].
43. *McKennitt*, [2008] Q.B. at [78]-[80].
44. That rule may require further consideration where the defamation consists of purely private facts (with no public interest issues). See *Greene v. Associated Newspapers Ltd.*, [2005] Q.B. 972 (A.C.).
45. *HRH Prince of Wales v. Associated Newspapers Ltd.*, [2008] Ch. 57.
46. *Id.* at [24]-[28], [33]-[46].
47. *Id.* at [72], [74].
48. *Id.* at [67]-[69].
49. *Id.*
50. A person can have a reasonable expectation of privacy in relation to information that is purported to be private but is, in fact, invented. See *McKennitt v. Ash*, [2008] Q.B. 73, [80], [86] (A.C.); *P v. Quigley*, [2008] EWHC 1051 (Q.B.) (summary judgment for infringement of privacy with respect to the threatened publication of a novella in which plaintiffs would appear, thinly disguised, as partaking in various unsavory and fictitious sexual activities). Whether there is a reasonable expectation of privacy in any case depends upon an assessment of all the facts and circumstances.
51. *In re S (A Child)*, [2005] 1 A.C. 593, [17] (H.L.). In appropriate circumstances, this includes consideration of the Article 10 rights of anyone, party or not, who would be restrained from publishing the specified category of information. See *X & Y v. Persons Unknown*, [2007] 1 F.L.R. 1567, [6], [22].
52. See *Campbell v. MGN*, [2004] 2 A.C. 457, [24], [58], [151].
53. [2007] 1 F.L.R. 1567, [42]-[49].
54. ROGER TOULSON & CHARLES PHIPPS, CONFIDENTIALITY [7-068], [7-069] (2d ed. 2006).
55. [2008] EWHC 1777 (Q.B.).
56. *Id.* at [122].
57. Human Rights Act § 12(3) (1998). In *Cream Holdings v. Bannerjee*, [2005] 1 A.C. 253, the House of Lords considered what *likely* meant in this context, concluding that it was "flexible" in its meaning.
58. Human Rights Act § 12(4).
59. [2007] 2 F.L.R. 301, [36]-[37]. In assessing the balance, the rights of the vulnerable wife (and children) contrasted markedly with defendant's unpleasant and insulting behavior, including his threat to "put [his wife] in the shit no matter wat [sic]!" and his desire to have revenge upon the adulterers, as well as make a great deal of money by selling the story to the press.
60. *X v. Y*, [2007] 1 F.L.R. 1567.
61. *Id.* at [22]-[39], [42]-[43], [46].
62. *Id.* at [28]-[29]. The case is of some interest on procedural grounds, i.e., the availability of an injunction against "persons unknown" and the information that should be given to the media.
63. [2008] Q.B. 103.
64. *Id.*
65. See [www.guardian.co.uk/media/2008/may/15/privacy.pressandpublishing](http://www.guardian.co.uk/media/2008/may/15/privacy.pressandpublishing).
66. See [www.pcc.org.uk](http://www.pcc.org.uk),
67. See [www.ofcom.org.uk](http://www.ofcom.org.uk).

# Opening Statements: Getting It Right

## Finding the Leitmotif

GARY L. BOSTWICK

Three tips on opening statements—one is about you as a person, one is about the final argument, and the third is about leitmotif. Most advocates call this the “theme,” but I figure you’ll be more likely to remember this tip if I call it something unusual and catchy. Get it?

### You as a Person

Make sure that when you have finished your opening, the jury likes you and trusts you. Whenever twelve to sixteen people are gathered on any occasion, I find it impossible to convince all of them that I am honest and likable, so don’t worry about perfection. Worry about the jury members whom you recognize as leaders, even quiet leaders. If you, the messenger, cannot be trusted, then why believe the message? If the jury doesn’t like you, why will they like your client?

One way to accomplish this objective is to convince the jury that you like and trust them. They need to know you understand how serious this matter is to them and what problems they may face in arriving each day and dealing with the thorny issues. It’s called empathy. No article can explain how to communicate that with any specific jury panel so I won’t try here. But I can say that I practice a Zen meditation routine focused on loving each member of the panel before *voir dire*. You should find your own way. You may not practice in California.

### The Finale

The most important moment to visualize in planning your opening statement is when you stand up and give your final argument. Why? Because that’s where you’re going. You have to keep in mind the elements of proof that will be in the ultimate jury instructions and how you are going to argue them when the evidence is in. So tell the jury in your opening all of the evidence they need to know so that they will vote for you on each of those elements of proof.

But tell it smoothly, like a good joke

or a story you tell to your young child. It has to start at the beginning, move smoothly from element to element, and end up with a moral or a punch line. Always with that final argument in mind.

In *Masson v. New Yorker*, we all knew we were heading toward actual malice. Much of my opening told the story of a hard-working journalist who tried very hard to get it right and why she believed what she wrote. A big issue was that the defendant author had welded together quotes from interviews with the plaintiff over widely disparate times and locations. In opening, I set a series of children’s alphabet blocks on the ledge of the jury box one-by-one, setting down each as I told the jury about where each interview had taken place and when. When the five blocks were placed down on the ledge, they were random nonsense. Then I told the jury how the author, applying her considerable art and skill, had to truthfully rearrange the components of the separate interviews (moving the blocks as I said this) to bring some order and common sense to the matter for all of us, the readers. The blocks I had quickly rearranged now said *story*—in other words, an honest interpretation of chaotic information in an attempt to bring meaning with no actual malice.

### The Punch Line

Now let’s talk about the punch line, the moral, the premise, the leitmotif. This is an art. You should practice finding leitmotifs in your spare time. (Exercise one: What is the leitmotif of each of these: *Letters from Iwo Jima*, *Great Expectations*, *The Wire*, the O.J. Simpson case, the Scopes Monkey Trial, or *The Dark Knight*?) Somehow, you have to try to reduce the crux of the case into just a few words. (“Can you hear me now?” “Where’s the beef?”) They must be understandable to your twelve-year-old daughter or your eighty-five-year-old father. They must not be forced. They *must* be authentic and fit the evidence. Hopefully, they will be clever, but don’t worry too much if this doesn’t quite work. (Better not to be clever than to try and fail.) And remember . . . in your presentation

of the evidence you will demonstrate repeatedly how true your expression of the theme was. You will return to that fact and remind the jury of it in your final argument. (Clarence Darrow said this in the Scopes trial: “We have the purpose of preventing bigots and ignoramus from controlling the education of the United States.” He didn’t do it in the opening statement, but it is one helluva leitmotif.)

In *MacDonald v. McGinnis*, I started off from the very beginning saying “This is a case of a false friend.” The plaintiff was a convicted murderer, the defendant a celebrated author. But our case was about fraud and breach of contract and the story that would unfold was of a person claiming to be a friend and telling the plaintiff that he would be vindicated, even long after the author had decided quite the opposite. The payoff for the author was the plaintiff’s continued cooperation. This leitmotif is archetypal and reaches so far back in human experience that it was a powerful unifying theme. Of course, the evidence had to fit the theme.

So, three things to remember: make them trust and like you, keep your eye on the jury instructions during your opening, and find a leitmotif that makes jurors say, “That hits the nail right on the head.”

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## The Judge, Your Client, and the Victim

STEVEN M. PERRY

### Know Your Judge’s Ground Rules

Trial judges have great discretion when handling disputes that arise during opening statements. Lawyers who are unaware of the judge’s usual approach to such disputes are likely to suffer the consequences. For example:

- **Use of Graphics.** Many judges expect the parties to exchange demonstratives, such as timelines, that might be used in an opening

statement. If you have organized your opening around a timeline or set of story boards, and opposing counsel objects when you try to display them to the jury, you will be in trouble if the judge bars their use.

- **Use of Trial Exhibits.** Don't wait until the first day of trial to find out if the trial judge permits the display of trial exhibits (as opposed to a verbal description) during an opening statement. If the judge permits the display of exhibits, less is more. Avoid the temptation to display every useful exhibit in your case. Less is more. And if, as is common, the parties are required to exchange, prior to the opening, the exhibits they intend to display, be sure to have the ability to display the exhibits chosen by the plaintiff. If plaintiff's counsel ignores critical passages from a document, you will want the opportunity to blow that passage up in your own opening. Finally, if there are dangerous exhibits whose use you want to minimize, bring a motion *in limine* to exclude them from evidence. While many judges will defer final rulings on admissibility until trial is underway, the motion improves your chances of obtaining an order that bars the use of the challenged exhibits during the opening.
- **Use of Depo Clips.** Media trials often involve individual plaintiffs suing media corporations, which means that the plaintiff's counsel may have had more deposition targets and a correspondingly broader menu of damaging depo clips to choose from. Depo clips, when carefully cut, arranged, or both in a montage format, can have a great impact in opening, especially if there are Generation X and Y jurors on your panel. Defense counsel should consider a motion *in limine* to exclude the use of depo clips in opening, on the grounds that: (1) showing a clip three separate times (in opening, during trial, and in closing) gives the testimony undue emphasis; and (2) the federal rules and many state rules make deposition excerpts subject to a "Rule of Completeness" when used at trial. Parties

should not be allowed to evade that rule by using incomplete or misleading excerpts in opening.

- **Use of Argument.** All lawyers argue their cases in opening statement; indeed, most dictionaries define *argue* to mean nothing more than "persuade by giving reasons." The trick is to argue without drawing an objection (or at least, without drawing an objection that is sustained). You should, if possible, attend opening statements in other cases pending before your trial judge and get a sense of his or her ground rules on the use of argument.

### **Don't Read Your Opening**

You will be going second. Your opponent may have scored some direct hits, your client's anxiety level may be high, and the jury may appear to be hostile as you approach the podium. Your understandable fear of missing important points may lead you to cling to your script as though it was a life preserver. It isn't. You should reduce your script to a bullet point outline, and you should practice your opening *in context*. Prepare an opening statement for the plaintiff and have one of your more persuasive colleagues deliver it in your practice sessions, preferably before an audience.

### **Humanize Your Client**

The jurors may well start out with a bias against large (or even small) media organizations. You should, in your opening statement, begin to chip away at that bias by referring to your client not as Fox News or CNN or Knight Ridder, but as Joe Brown and his producer, Nancy Smith. Walk through all the careful steps that Joe and Nancy took to avoid any harm to the victims of the scam they were investigating. Talk about their reasons why this investigation was important to them and why they cared about it. A jury is more likely to forgive a mistake if they understand from the get-go that it was an error by a particular individual (who is, hopefully, present in the courtroom), and not a by-product of corporate decision making.

### **Be Respectful of Innocent Victims**

Libel and related claims that survive summary judgment often involve innocent (or arguably innocent) victims who claim to have been mischaracterized by

the media or victimized by the news-gathering process. In a case involving the use of hidden cameras, for example, the plaintiff is often an unwitting staff member of the target of the investigation or a victim of the scam under investigation. Because the jurors will readily place themselves in such a plaintiff's shoes at the opening stage of the case, opening statements may not be the time to attack the plaintiff or to appear indifferent to his or her predicament. While you can show a healthy skepticism during the opening about the plaintiff's damage claims, the jurors may view any attack on the plaintiff's credibility as confirmation of their belief that large media corporations care only about ratings and revenues, and not about truth, justice, or First Amendment freedoms. Hold your fire until the plaintiff testifies.

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## **Eight Steps to a Powerful Opening**

DALE M. CENDALI  
AND STEVEN A. ROSENSTEIN

During opening statements, you get to address directly the trier of fact in your own words. It is your chance to describe what the evidence at trial will show. While witnesses will elaborate on the points that are made in the opening, each witness typically just covers a slice of the overall story. And with witnesses, there may be presentation issues—some witnesses may be better than others. But during the opening, you can describe the facts in an efficient, organized, and clear fashion. Moreover, the timing of the opening—before the hurly-burly of the trial starts—will give you time to prepare carefully. The opening will also help establish your style and credibility, and you may be able to build a connection with the trier of fact.

You want to make the most of the opportunity. Below are some tips to keep in mind in preparing an opening.

### **Find Out the Judge's Preferences**

Before you can prepare your opening, you first need to find out the ground rules. It is imperative to find out ahead of time the judge's preferences as to

openings for your case. Will there be time limits? Will there be a podium? Must you stay behind the podium or will you be able to walk around? Will you be allowed to use exhibits and, if so, must they be pre-admitted? Will you be allowed to use demonstrative exhibits and, if so, will you need to exchange them ahead of time with the opposing party? Is so, when? If the case is high profile, how will the judge handle publicity and the press? Most important, if the case is a bench trial, will the judge even permit openings?

Each of those questions will affect how you prepare and deliver your opening. This information can be gained, for example, by researching the judge's standing orders, sending a joint letter to the judge inquiring as to these issues, or finding out during a scheduling conference.

### Consider Whether the Trier of Fact May Have Preconceptions

Another background consideration is what preconceptions the trier of fact might have about the media industry in general or your client in particular. Media companies are so well-known that preconceptions about them are likely, and some of them may be surprising. While you will be naturally attuned to consider this factor during a jury trial, do not ignore it in a bench trial. If the judge is the trier of fact, his or her past rulings and legal experience before joining the bench may help provide some guidance as to the judge's sympathies, although those are obviously imperfect guides.

For a jury trial, it is essential to try to figure out what preconceptions jurors might have before the trial. Figuring out possible juror preconceptions is not easy. While juror questionnaires work to some degree (if the court permits them), if it is financially and logistically possible, formal or informal jury research can be extremely helpful toward recognizing what preconceptions a jury might have.

To the extent a media company is perceived as wealthy or powerful, that could create a negative impression. On the other hand, if the jury recognizes the media company's role in providing creative entertainment and jobs, it may be possible to show a different side to the company. Moreover, you may also be able to put a face on a large company by highlighting individuals and their

particular efforts, or may be able to give the trier of fact something tangible to care about such as encouraging creativity or prohibiting "free riders."

### Define the Issues on Your Terms

A threshold goal for an opening is to define the issues of the case in your terms. You want to raise the questions that will resolve the case, but present them in a manner that leads to the answer that you want the trier of fact to reach. Quite simply, from your client's perspective, what is this case about? What do you want the trier of fact thinking about throughout the trial? Strongly and clearly inform the trier of fact of what needs to be decided and why.

### Establish Case Themes

Another goal is to introduce your case themes, which will flow from the issues that you set-up. Whether before a judge or jury, summarize your case in memorable and understandable themes. Trying to simplify complex issues is an especially good idea.

For example, I recently tried a copyright infringement case against a publisher whose primary defense was fair use. To simplify the analysis of the four factors of the fair use defense, I noted repeatedly during the opening that the disputed book "took too much but did too little." That phrase first served to highlight what I believed to be the disputed book's wholesale copying of the author's copyrighted works. It also emphasized our view that the disputed book did not provide enough new analysis, commentary, or original thought to justify a fair use defense. It became a convenient phrase to use when examining witnesses, and I returned to it again at closing. Thus, that phrase helped to establish a simple, consistent theme throughout the trial.

Also remember that your case theme may be what is repeated by the press in high-profile cases. For the same reasons it should grab the trier of fact's attention, it will likely as well grab the press's attention as well.

### Provide a Road Map of Your Evidence

The opening statement serves as your introduction to the trier of fact of not only the overall issues, but also what you believe the evidence is regarding those issues. In simple terms, the opening statement is supposed to plainly

UNITED STATES  
DISTRICT COURT  
SOUTHERN DISTRICT  
OF NEW YORK

PLAINTIFFS' OPENING  
STATEMENT

WARNER BROTHERS )  
ENTERTAINMENT AND )  
J.K. ROWLING )  
Plaintiffs )  
)  
v. )  
)  
RDR BOOKS )  
Defendant )  
\_\_\_\_\_ )  
)  
By: Dale M. Cendali )  
O'Melveny & Myers )  
New York, New York )  
April 14, 2008 )

MS. CENDALI: Good morning. May it please the Court, I am privileged here to be here today representing Warner Bros. and J.K. Rowling.

This is a case about the massive wholesale copying, willful copying, beyond anything that could possibly be excused by the fair use doctrine, of the life work of the history making author J.K. Rowling, the creator of the Harry Potter series. The evidence will show that the copying of Ms. Rowling's work in the Lexicon manuscript at issue here was both systemic and complete.

and coherently lay out what you believe the evidence will be. The trier of fact will be able to better understand the evidence with an overall road map that illustrates how the testimony and exhibits, which will be displayed in scattered pieces over the course of the trial, fit into the bigger picture of the case. Your road map should make clear what you

Duplicating her poems, abridging her plots, and copying and paraphrasing her words. Words that you will hear Ms. Rowling herself explain she slaved over to craft the best way possible as only a fine writer can, now appear in a book under the name of someone else. And, to add injury to insult, you will hear that defendant's plan was to covertly rush to market with the Lexicon in order to scoop Ms. Rowling's own long announced plans to publish a comprehensive encyclopedia of her work and to donate all the proceeds from that book to charity.

RDR eagerly sought the first to market advantage touting its book as the definitive Harry Potter encyclopedia. Which it is not.

While you will no doubt hear defendant's attempt to characterize the Lexicon as a research guide, merely slapping on a self-serving label, the evidence will show, does not make it so. And you will hear both Ms. Rowling and Professor Jeri Johnson of Oxford University explain that. Rather, the evidence will show, unlike the many books about Harry Potter on the market, including other A-to-Z guides, the Lexicon both takes too much and does too little.

You will hear that the Lexicon takes much more of Ms. Rowling's fictional facts and copyrighted expression that is necessary to comment on and discuss the Harry Potter books, and you will hear the Lexicon provides virtually no analysis or commentary, as much as RDR strains to inflate the import of sporadic qualitatively meaningless phrases.

**“Copyright infringement that cannot be excused by the fair use doctrine”**

Simply put, the evidence will show that in keeping with the long settled law of this circuit, it is copyright infringement that cannot be excused by the fair use

believe is the key evidence, so that the trier of fact pays attention to that evidence when it is introduced, understands why it matters, and remembers it at the conclusion of the case.

If the judge permits you to use exhibits in your opening, the opening is a great time to start highlighting the important documents that tell you

doctrine and should be enjoined.

But to better understand the issues here, your Honor, it is important, we suggest, to understand the facts. And the facts here should start with the Harry Potter books at issue. Now, while it might be interesting to think of it that way, the Harry Potter books did not just magically appear. Rather, they were the product of the hard work and time and the true creative genius of Ms. Rowling.

The evidence will show that Ms. Rowling spent 17 years of her life working on the series, overcoming tremendous hardship before achieving her well-deserved success. Ms. Rowling carefully crafted each line of the books, and created a whole new universe of people, places and things that never before existed, but now seem so real. We have on the screen—I'm sorry not everyone in the courtroom can see it—just some of the images from the U.S. editions of her works.

In fact, as you will hear, a major part of the appeal of the series lies in this meticulous fascinating fictional world Ms. Rowling created. Lord Voldemort, Dumbledore, Hogwarts, Bertie Botts' ever flavor beans, Quidditch. These fictional facts and characters go to the heart of Ms. Rowling's award winning work, and are a major factor in their appeal.

But Ms. Rowling did not just stop there. In addition to the seven Harry Potter novels, she also wrote two companion books, *Quidditch Through The Ages* and *Fantastic Beasts and Where To Find Them*. She has donated all the proceeds of these books, over \$30 million to date and counting, to charity.

The evidence will show that these books, like Ms. Rowling's famous wizard cards that are given out with electronic arts games, among other things, further highlight the entertainment

*(Continued on page 14)*

story. In addition, you may also wish to present evidence that calls in doubt the credibility of the other party's witnesses. This could create a negative impression of or suspicions about witnesses before they take the witness stand.

When you turn to the nitty-gritty of the particular evidence at issue, a jury might especially be disappointed that the

case is not turning into a television show or movie version of a trial, and is instead more detailed and slow moving than they expected. It is here that you will have to work hard to keep their attention and focus while you are highlighting your evidence. For that reason, you should be careful in what evidence you select and how you use it, so that you keep hitting big, important points, and do not lose the trier of fact's interest.

**Do Not Oversell**

While you want to be persuasive, you need to be able to deliver on the promises that you make in your opening. If not, the other party will remind the trier of fact at closing that you promised to prove a fact, but failed to do so. Overselling can destroy your credibility and cause the trier of fact to forget about everything that you are able to prove. Conversely, if you were able to prove the evidence that you outlined in the opening, your closing is the perfect time to gently make clear that you delivered on your promises.

**Address the Other Side's Case**

The opening statement should address the other side's case—but with great care to avoid focusing too much on your opponent's story and not enough on your own. Otherwise, it may seem too defensive. Nonetheless, you may need to defuse evidence that you know the other party will rely on by explaining your view of it. At other times, you may need to simply attack the other side's case. For example, you may need to discuss a disputed factual contention that the other side might otherwise present in a conclusory fashion because, if you do not do so, the trier of fact may assume that particular fact is undisputed.

**Fit the Opening to Your Personal Style**

These tips can be helpful to crafting an effective opening, but there is, of course, no one way to deliver an opening. The opening must fit your personal style. Whether that style is analytical or impassioned, or formal or more informal, what matters is that you present a clear and convincing story while demonstrating confidence in your case. 

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## Rowling v. RDR Books

(Continued from page 13)

value of Ms. Rowling's fictional facts, as the books and cards have no plot. There is no story. Harry is not fighting Voldemort in these books. Their appeal is just in enjoying the clever nominative genius, the clever things and names Ms. Rowling creates. You will also hear that as a further reflection of the importance of these fictional facts to the Harry Potter books, Ms. Rowling has repeatedly announced as far back as 1998 that she intended to write a definitive encyclopedia of the people, places and things in her books, and to, once again, donate all proceeds to charity.

The evidence will show that Steven Vander Ark, the ostensible author of the Lexicon manuscript and the owner of the Harry Potter Lexicon fan site, was well aware of Ms. Rowling's plans, and that he repeatedly recognized that it would be infringing for anyone else to publish a Harry Potter encyclopedia.

### "Illegal to sell a book like that"

Just two years before this case was filed, Mr. Vander Ark was approached by two fans asking, as the e-mail on the screen indicates, whether they could publish or it might be possible to publish the Lexicon Web site in book form. And Mr. Vander Ark said "as editor of the Lexicon, I get mail every so often from fans asking me to publish the Lexicon in book form so I've dealt with this question before. Basically, it is illegal to sell a book like that. Jo has reserved all publishing rights to her intellectual property. Which means she is the only one who may publish any book that is a guide or encyclopedia to her world. And since we're fans and supporters of Jo, we wouldn't do anything that would violate her rights, even if we could get away with it." Again, just one year before contracting with RDR, Mr. Vander Ark wrote to the one of the editors at Scholastic, Ms. Rowling's U.S. publisher, "P.S., it might interest you to know that George Beahm," another author of the companion book, "commented that he had originally intended to write an encyclopedia of Harry Potter, which Jo has specifically reserved for herself, I understand, but seeing the Lexicon Web site convinced him not to bother. I want you to know that one of the express purposes of the Lexicon is to dissuade people from

that sort of thing. So I was particularly happy to hear him say that."

Now, all of this changed though, your Honor, in the summer of 2007. Last year. Let's look at the calendar for July to see what I mean. July 21 was a red letter day in the world of Harry Potter. Because on that date, the long anticipated release of *Harry Potter and The Deathly Hallows* came out. There was tremendous excitement in the air to find out who would live and who would die. Meanwhile, Mr. Vander Ark found himself unemployed and looking for a chance to move to London. He contacted Emma Schlessinger at the Christopher Little Agency, Ms. Rowling's literary agent, and asked if he could be an editor on Ms. Rowling's upcoming encyclopedia project. Ms. Schlessinger responded on July 10 that it was a particularly busy time in light of the upcoming release of the book and declined Mr. Vander Ark's request to work on Ms. Rowling's encyclopedia and said she didn't want a collaborator. RDR then enters the picture. Mr. Rappaport, the principal of RDR, sees an article in the newspaper about Mr. Vander Ark's Web site. And that article was published on July 23. Significantly, on July 26, Ms. Rowling again goes on national television and once again tells the world that she intends to do her own encyclopedia which she sees as a gift in a sense to her fans. Shortly thereafter, on August 6, RDR first contacts Mr. Vander Ark about a book deal.

Now, even before the meeting with Mr. Vander Ark, RDR had already contacted the UK publisher, Methuen, about publishing the Lexicon. And later it even sought an advance from Methuen so it could rush to publication. On August 13, RDR and Mr. Vander Ark meet, and work began immediately on the Lexicon manuscript. RDR and Vander Ark sign a contract on August 23, and then rush to complete the manuscript by September 15, in order to get the book in the stores sitting next to the Harry Potter books by November.

### "You will see the evidence"

You will see evidence that the contract between RDR and Mr. Vander Ark is telling. The evidence will show that RDR and Mr. Vander Ark were well aware the book would infringe Ms. Rowling's rights, as is shown by the indemnity provision of the contract itself. The evidence will show that the standard

practice in publishing agreements is for the author to indemnify the publisher if the book infringed copyright. If you look on the screen, you'll see Exhibit 14-J, the indemnity provision in question which initially tracks the normal procedure. The author Vander Ark hereby indemnifies the publisher against all actions arising out of any claim that the work constitutes an infringement of copyright. But, then it goes on to say "except that the publisher indemnifies the author for any claims of copyright infringement by J.K. Rowling or any of her licensees or assignees such as Warner Bros."

Now, despite being in frequent touch with Ms. Rowling's representatives, Mr. Vander Ark never mentions to Ms. Rowling anything about his plans to suddenly publish the Lexicon in book.

Turning to September, Neil Blair, Ms. Rowling's London lawyer at the Christopher Little agency, happens to see an ad touting the availability of foreign publishing rights to the Lexicon, and he e-mails Mr. Vander Ark and says what's going on.

Then September and October proceed on two tracks. On the first track is the series of e-mails and letters from plaintiffs to Mr. Rappaport asking RDR to confirm the nature of the proposed book, and to provide a copy of the manuscript and to hold off publication until things could be discussed. The evidence will show that at least five times plaintiffs wrote, e-mailed or called RDR. But as you will hear, in response, plaintiffs were met with RDR's stalling tactics. A series of letters saying that it was looking into the allegations, that it needed time to respond, and that a family tragedy prevented a quicker response. Meanwhile, however, what was really happening was that on October 11, RDR found time to write a letter to Warner Bros. accusing it of infringing Mr. Vander Ark's copyright in a Harry Potter timeline Warner Bros. included in the Harry Potter movie DVD. Again, starting the tune of Mr. Vander Ark beginning to think that he had some form of proprietary right in the world that Ms. Rowling created.

But the evidence will show that this was just the tip of the iceberg. On track two, unbeknownst to plaintiffs while they were sitting, waiting, wondering what was going on, the evidence will show RDR was secretly doing everything it could to sell the Lexicon as fast as possible all over the world and to rush it to

market to beat Ms. Rowling to the punch and before Ms. Rowling's lawyers could try to stop it.

In promoting the book, RDR touted it as the first comprehensive Harry Potter encyclopedia. In an e-mail dated September 6, to one of the potential foreign publishers for Mr. Rappaport himself, he writes, "Although this is an unofficial book, it is without a doubt the definitive book on the series, and will come out way ahead of any possible competitors." Way ahead of Ms. Rowling. In an effort, moreover, to keep the nature of the book a secret from plaintiffs, the evidence will also show that RDR intentionally did not offer the book to any publisher anywhere in the world that was also publishing the Harry Potter novels that might look at the manuscript and say, wait a minute, this takes too much, what are you guys doing. That same e-mail from Mr. Rappaport goes on to say "we do not want to sell this to any of the publishers currently publishing the Potter books." Your Honor, they knew what they were doing.

Finally, and in the nick of time, after giving RDR one last chance to provide them with a copy of the manuscript to see if it might be possible to reach some sort of amicable resolution, which was utterly rebuffed, plaintiffs had no choice but to file this lawsuit on October 31. The fact it was Halloween, your Honor, was just a coincidence in order to protect the rights to Harry Potter, rights that Ms. Rowling worked so hard to obtain.

#### **"Copying was wholesale and pervasive . . ."**

Thanks to this Court's expedited discovery order, plaintiffs finally got to see the Lexicon manuscript that RDR had refused to provide, and as you will hear, it confirmed Ms. Rowling's worst suspicions about the misappropriation of her work. Now, in terms of copyright infringement, there is no dispute that plaintiffs own valid copyrights. Nor should there be any issue as to copying. Mr. Vander Ark admits he used Ms. Rowling's preexisting works to write the Lexicon. He sat there and he took notes. She said a word and he would write down what it said. The evidence will show that the copying was wholesale and pervasive and took multiple forms that bear, your Honor, not just on infringement but also on fair use in considering the totality of the taking, the substantiality of the taking.

In terms of these forms of copying,

some of the copying was of entire songs or poems that Ms. Rowling wrote. Such as the Hogwarts school song. Some of the copying was taking of evocative beautiful phrases crafted by Ms. Rowling reproduced in the Lexicon without even the courtesy of a quotation mark. And a good example of this is the entry of the Lexicon for Madam Marchbanks that repeated Ms. Rowling's memorable phrase describing this character saying that Madam Marchbanks' face was so lined it looked as though it had been draped in cobwebs. The Lexicon entry: "Madam Marchbanks, her face so lined, it appeared draped in cobwebs." Even in this courtroom, the beauty of that phrase, the evidence will show, is apparent.

Another form of the copying restates Ms. Rowling's fictional facts. For example, the entry for the annual broom race of Sweden just restates without any analysis whatsoever the entertaining facts that Ms. Rowling made up about a pretend annual broom race of Sweden that she discussed in her *Quidditch Through The Ages*. You can take judicial notice that there is not actually, as far as I know at least, a broom race in Sweden of magical wizards, at least not in this dimension. The final example of the systemic nature of copying is the copying of Ms. Rowling's plots in numerous longer Lexicon entries, entries that retell the stories of the major characters. Plot summaries that—the Harry Potter entry, for example, is 10 pages long, and as you will hear from Ms. Johnson of Oxford, it simply abridges the entire story of Harry Potter without adding any analysis.

Mr. Hoy, can you just scroll through the 10 pages of that particular plot entry, please.

#### **"Neither fair nor useful . . ."**

Faced with this wholesale copying, RDR seeks to avoid infringement by claiming fair use. But the evidence will show, your Honor, that RDR's use was neither fair nor useful. You will hear evidence showing that RDR cannot meet its burden of establishing any of the fair use factors as RDR has taken too much, and done too little. The evidence will show that the nature of the copyrighted work factor favors plaintiffs, as there can be no doubt that Ms. Rowling's award-winning wonderful books are creative, expressive works, at the core of what copyright law is intended to protect. The evidence will also show that the amount and substantiality of the

portion used factor also favors plaintiffs. As you will hear Ms. Rowling and Ms. Johnson discuss, the Lexicon takes too much, it restates and abridges Ms. Rowling's entire universe. As the very first page of the Lexicon manuscript states, all the information in the Harry Potter Lexicon comes from J.K. Rowling, either in the novels, the school books—those are the companion guides I mentioned—from her interviews, or from material which she developed or wrote herself.

As you will hear Mr. Vander Ark admit, the Lexicon is comprised only of what he terms canon. And canon is defined as coming from my client, J.K. Rowling.

You will also hear that RDR made a conscious decision in producing the Lexicon to have it only deal with Ms. Rowling's fictional universe and not

### **"RDR seeks to avoid infringement by claiming fair use."**

any real world facts. As an e-mail from Richard Harris, a former lawyer and an editor at RDR Books wrote to Mr. Vander Ark copying Roger Rappaport in August of last year. "Hi Steve, my preference would be to keep this book focused on the fictional world and leave the real world details of J.K. Rowling's life, as well as anything else that's outside the parameters of the story itself, for another project."

#### **"Takes too much and does too little"**

The evidence will show that RDR has taken far more than is necessary to do a Lexicon or guidebook to the Harry Potter books. As is shown by the existence of other alphabetical guides to the Harry Potter universe that engage in far less copying and have far more analysis of their own in order to make their points. I think we have a slide of some of those. As you will hear Ms. Rowling and Ms. Johnson discuss, rather than just use a word or two or a short phrase in the Harry Potter books as a jumping off point for its own analysis, instead RDR copies the entire set of fictitious facts, all the plots of the Harry Potter universe, and thereby usurps for itself a big part of the entertainment value of Ms. Rowling's books.

For example, the evidence will show that there are 274 entries in the Lexicon

pulled from Ms. Rowling's 64-page *Quidditch Through The Ages* book. I'm holding it up, your Honor. It is not a very big book and they have 274 entries about it alone. Similarly, in her 63-page book, *Fantastic Beasts and Where To Find Them*, there are 222 Lexicon entries pulled from this book.

As you will hear Ms. Rowling discuss, there is no reason to buy these books if you have the Lexicon. The same is true with regard to not needing to buy or read her wizard cards that talk about various wizards through history she created, because all of their content is duplicated in the Lexicon. In tacit recognition that it had a problem, just three weeks before trial, you will hear that Mr. Vander Ark revised the Lexicon entries for the *Fantastic Beasts* book to take away some of the verbatim copying, but the overall number of entries and the reproduction of her fictional facts remain the same. Now, the evidence will also show that the purpose and character of the use factor similarly favor plaintiffs in terms of the commercial aspect of this factor, the evidence will be undisputed that Lexicon is intending for sale at \$24.95 in the children's section of bookstores to be put on shelves right next to Ms. Rowling's books.

You will hear Ms. Johnson and Ms. Rowling describe how the Lexicon adds nothing new or original to our understanding of Harry Potter. But it merely rearranges her work in unoriginal, alphabetical order. You will hear Ms. Rowling discuss the numerous, missed opportunities to do even the most basic analysis that kids all over America are probably doing in their high school classes. And as you will hear Professor Johnson explain how the Lexicon is drawn almost entirely from Ms. Rowling's works, you will hear her explain that the scant new material that the Lexicon offers is insignificant in quantity and quality and consists largely of facetious asides, statements of the obvious, and sporadic frequently wrong etymologies. In other words, the Lexicon does too little.

#### **"A calculated self-serving label . . ."**

While RDR labels the book as a research guide, the evidence will show that this was merely a calculated self-serving label designed to bolster its case. As one of RDR's own internal e-mails shows, again, in an e-mail from Richard Harris, former lawyer editor at RDR to Steven Vander Ark copying Roger Rappaport. Excuse

me. To Roger Rappaport dated September 30, after there were a number of cease and desist letters. It's: "Hi Roger, here is a rewritten disclaimer. I've tried to take out some stuff. Just because you said it is a critical reference book or covered by the fair use doctrine, doesn't mean it is."

That's what this case is about, your Honor. You can label something a reference guide, but it doesn't mean that it actually is one. As you will see, the lack of original material in the Lexicon is also evidenced when the Lexicon is compared to other alphabetical guides to the Harry Potter series. But these books, unlike the Lexicon, take less, and do more.

I think an example of the evidence is if we look at the moke entry from Ms. Rowling's—for the moke entry from the Lexicon, all you'll see there in the Lexicon is a one line entry that says moke. A small magical lizard that can shrink at will. FB. *Fantastic Beasts and Where To Find Them*. That's all it provides. Well, if you contrast that to Exhibit 74, the *Fact Fiction and Folklore in Harry Potter's World* book, that entry will say moke. A Lizard that can shrink at will. But then it will go on to provide useful information. A professor at the University of Illinois explaining to people what a moke is. The Lexicon does not engage in that activity other than on extremely rare occasions. Now, RDR at times seems to contend that it can satisfy the purpose and character of the use factor by somehow qualifying as useful. But it is not clear what RDR sees as the purpose of the Lexicon other than, we'll show, to make money. If it is supposed to be a work of criticism or analysis, the evidence will show that it takes too much of Ms. Rowling's work for that purpose, and adds no—or virtually no—analysis.

Now, if it is supposed to be some sort of an index to her work, it also takes too much. As if you are going to do an index to the Harry Potter works, you don't need to take so much of Ms. Rowling's prose for that purpose. Not only that, as an index, it also does too little again, because as you will hear from Ms. Rowling and Ms. Johnson, the citations in the Lexicon are not like you would have in an index. They don't purport to list all the times a character appears, the first time a character appears, it is just some generics and general chapter references and that's that. So as you will see, the Lexicon is neither useful nor fair.

Now, turning to the effect on the

market factor of the fair use analysis, the evidence will once again show that this factor favors plaintiffs. Now, here, just like copying took many forms, your Honor, here the market harm also takes several forms. The first type of market harm at issue here is the harm to sales of Ms. Rowling's own planned encyclopedia. You will hear, your Honor, that RDR plans to have its book sit on a shelf right next to Ms. Rowling's books in direct competition. Second, you will hear that RDR and Mr. Vander Ark contemplated that the Lexicon would be a best seller. There is even a provision in the contract providing additional money for Mr. Vander Ark should that happen.

You will see evidence that they worked very hard to tout the fact that Mr. Vander Ark had become a professional Harry Potter fan, and that they were using his celebrity to try to make sales of the book. You will hear that other Harry Potter companion books, such as the Mugglenet book, what would happen in Harry Potter book seven, became major best sellers earning over \$2 million in over 330,000 copies of sales. And you will see that Mr. Rappaport saw an advantage in being the first to market and sought that advantage for his company.

#### **"Harm to the market"**

Now, the second type of harm that you will hear about, your Honor, is the harm to the market from Ms. Rowling's companion books, the *Quidditch* book and *Fantastic Beasts*, as well as the market for the wizard cards that I mentioned earlier. Because as you will hear the evidence of taking from these books is so complete as to eliminate the need to purchase those products. And thereby eliminate the money that would go to charities for people buying the *Quidditch* and *Fantastic Beasts* books. The third type of harm is the harm to the Harry Potter books themselves. Because of the extensive plot summaries presented without any spoiler warnings. These can provide a convenient or all too convenient substitute for a person, perhaps a child, who may have thought, you know, I haven't quite finished those big, long, thick books, maybe I can just read the spoiler summary and find out did Harry ever defeat that Golden Wart guy after all.

Ms. Rowling's concern here is not about incremental sales on the Harry Potter books. This is not a case about money. But, one of the wonderful things,

as you will hear her say, that satisfies her as someone who had been trained as a teacher, is that the Harry Potter books have encouraged reading. And providing that kind of detailed plot summaries, taking her entire narration, you will hear, undercuts that.

#### **“Harm to plaintiffs’ licensing programs . . .”**

The fourth type of market harm is harm to plaintiffs’ overall licensing programs. Programs that they worked very hard, as you saw in some of the declarations submitted to the Court, to ensure the high quality of the Harry Potter products and to make sure that Harry Potter lives forever.

And you will hear, your Honor, that the Lexicon is not a quality book. You will hear from Ms. Rowling and Ms. Johnson that it does not reflect well on the Harry Potter series, and it undermines and tarnishes it. For it to be touted as the definitive Harry Potter encyclopedia is an injustice to Ms. Rowling’s work. Now, RDR’s primary response to plaintiffs’ evidence of multiple market harms is to argue that well, Ms. Rowling is so popular, people will buy anything she writes. Doesn’t she have enough money anyway? But, the evidence will show that while Ms. Rowling is undeniably and deservedly popular, the market for companion books is not the same as the market for her Harry Potter novels. While her Harry Potter novels have sold fabulously, her existing canon books, though they’ve done well, have not done as well as the novels. People will not just buy anything that has her name on it. Moreover, there is the basic difference, as you will hear Ms. Murphy from Scholastic, the senior marketing person there, testify, that there is a basic difference between the hard core Harry Potter fan who, if they had the money, would buy everything they could, and the more casual fan, the grandparent who might want to buy a gift for their grandchild, who may not say, well, I already bought one Lexicon, one guide to Harry Potter, do I really need to buy another. And who may not be quite sure about the difference between the two or the quality of same.

Now, in assessing fair use, your Honor, bad faith is also an equitable consideration that, as you know, this Court may take into account. And here, the evidence will show that RDR’s bad faith cuts against a finding of fair use. The evidence

cited previously regarding RDR’s clandestine stalling tactics shows that this consideration too favors plaintiffs. Now, just as RDR cannot meet its burden of establishing fair use, the evidence will show it cannot meet its burden of establishing its other affirmative defenses of copyright misuse, and unclean hands. RDR, in terms of copyright misuse, essentially suggests that plaintiff, Ms. Rowling, is not entitled to protect her copyright to the Harry Potter series because she has somehow gone beyond her copyright rights to restrain trade, to quash speech, to prevent people from talking about Harry Potter.

But the evidence will show that plaintiffs merely engaged in the normal policing of their copyrights, relying on directly applicable leading cases of this circuit. You will see that RDR cannot show any objectively baseless conduct as would be required to avoid the Noerr-Pennington doctrine.

#### **“Proof is in the pudding”**

In any case, your Honor, the proof is in the pudding. Far from being overly restricted, the evidence will show plaintiffs have given wide latitude to all sorts of activities about Harry Potter. There is fan fiction, there is fan art, there are Harry Potter wizard rock bands. There is a virtually unfettered Internet that has become a giant Harry Potter book club. All this activity goes on and is not just tolerated, it is encouraged. Warner Bros. even provides kits for fans to be able to use images on their Web sites. You will also see that there are numerous companion books that have been published about Harry Potter on topics, as the slides show, ranging from Harry Potter and religion, Harry Potter and literature, kids and Harry Potter, science and psychology in Harry Potter, what we can learn about Harry Potter, and parodies of Harry Potter.

The evidence will show, as indicated earlier, that there are also other guidebooks to the Harry Potter series. That these guidebooks, unlike the Lexicon here, take much less and do much more. Approximately 100 books have been printed in the United States alone about the Harry Potter series.

Your Honor, the evidence will show that if plaintiffs did intend to limit First Amendment expression with regard to Harry Potter, that they haven’t done a very good job of it.

There is even less evidence, your Honor, to support RDR’s unclean hands

defense. RDR to this date has not even articulated the nature of this defense. But the evidence will show that it’s hard to imagine a less likely candidate to be accused of having unclean hands than J.K. Rowling. Remembering her past, Ms. Rowling has repeatedly used her Harry Potter copyrights to benefit those in need. Time and time again, she has given of herself, despite the needs of her young family, to all sorts of fan activity, of helping sick children, etc. The idea that she would be accused without any evidence whatsoever of unclean hands, the inclusion of this defense, your Honor, the evidence shows, just highlights RDR’s desperation.

Now, in addition to presenting evidence as to liability, we will also present evidence that a permanent injunction should issue. In terms of irreparable injury, as you already heard me discuss in terms of the market harm, fair use factor, that market harm is unquantifiable in nature and in and of itself constitutes irreparable injury of the sort that requires injunctive relief.

But, the irreparable injury in this case, your Honor, is far greater than that. The evidence will show, as you will hear from Ms. Rowling herself, goes to the heart of what copyright law is intended to protect. You will hear Ms. Rowling sit there on the stand and explain how publication of the Lexicon hurts her as a writer. How it undermines and creates disincentives and even jeopardizes her desire to write her own encyclopedia and to write more about Harry Potter from the betrayal that she feels that she’s facing today. And you will hear her talk in human terms about how the Lexicon has already delayed and interfered with her work, which is why she flew here from Scotland, despite your Honor’s point that you would just take her declarations, instead to hear her testimony. You will also hear Ms. Rowling explain her concern as part of the irreparable injury factor about how publication of the Lexicon would exploit her fans and destroy the previous wide latitude plaintiffs have given fan sites. Now, by contrast, in terms of the balance of the hardships, your Honor was presented with many long briefs and a declaration with regard to the preliminary injunction briefing, and RDR has yet to identify anywhere any harm it would suffer from an injunction being issued, other than not being able to make money off an infringing book.

Now, in terms of the public interest factor in assessing injunctive relief, there is no doubt that RDR's eminent and learned counsel will try to portray decision enjoining the book as the death knell to companion guides or reference books. But that, your Honor, is an argument we suggest that is best made when someone has not actually read the Lexicon, to see that it is not the reference book it purports to be. The evidence will show that this is shown by comparison of the Lexicon to the very lexicons and other historical books and guides of other work that RDR's own expert Janet Sorensen has pointed to as saying that it's great to have books like the Lexicon, but it does a disservice to those books, books that take far less and books that do much more, in truly analyzing how did Shakespeare come up with his plots. What did Pynchon mean by this term, where did he come up with this. What could be the meaning of this phrase. Those books do more, and it is a disservice to equate the Lexicon to those true works of scholarship.

Contrary to RDR's assertion, the evidence will show that public policy here

favors plaintiffs. An injunction would favor public policy as it would help confirm that authors can protect the works they struggled to create as is contemplated by the United States Constitution. Now, this will help and benefit, your Honor, the evidence will show, not just Ms. Rowling, but all authors who care about the integrity of their work. Authors who may not have the resources or the passion to be able to go to trial to fight for their rights. You will hear Ms. Rowling is not here because of any monetary reason. She is here because she's concerned about her fundamental rights as an author.

And the evidence will also show in terms of public policy, that an injunction here would incentivize prospective authors of derivative books to do what the law requires. To do what the fair use doctrine requires, and add something new. And not just repackage in alphabetical order the work somebody else worked to create.

While these policy issues are interesting, and no doubt contribute to the packed courtroom today, although there may be one or two other reasons for that, the issue that is really before the

Court is evidence concerning this one particular book. Not all Lexicons, not all research guides, this one particular book. Is it fair use, is it copyright infringement or not. The evidence will show that as much as RDR tries to make a silk's purse out of a sow's ear, the Lexicon is still a sow's ear. It takes too much, and it does too little. In closing, it seems right to go back to Ms. Rowling's words. At the end of Harry Potter and *The Goblet of Fire*, Professor Dumbledore, headmaster of Hogwarts, cautions the students that there may come a time when they must choose between what is right and what is easy.

We submit, your Honor, that by taking too much and doing too little, RDR chose to do what was easy. But the evidence and controlling law of this circuit show that it was not right. At the end of the evidence in this case, plaintiffs Warner Bros. Entertainment and Joanne Rowling will respectfully ask this Court to issue a permanent injunction enjoining the Lexicon from publication.

Thank you, your Honor. ☐

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## Facsimile Advertising

(Continued from page 1)

machine so that it is unavailable for legitimate business messages while processing and printing the junk fax.<sup>12</sup>

Because states were unable to regulate interstate transmissions themselves, Congress passed the TCPA to “provide interstitial law preventing evasion of state law by calling across state lines.”<sup>13</sup> The statute created a private right of action for statutory damages of \$500 per violation of the ban on unsolicited facsimile advertisements, with treble damages available for “willful” violations, but created this right of action through unusual language. The statute provides that “[a] person or entity may, if otherwise permitted by the laws or rules of court of a State, bring [an action] in an appropriate court of that State.”<sup>14</sup> State and federal courts have split over the meaning of this clause, including both where TCPA actions may be prosecuted and what substantive law governs the claim.

### Federal Jurisdiction

In a series of decisions between 1997 and 2000, six different federal appeals courts (the Second, Third, Fourth, Fifth, Ninth, and Eleventh Circuits) concluded that district courts lack federal question jurisdiction over TCPA claims in light of the statute’s text and a congressional intent to authorize a private right of action only in state court.<sup>15</sup> Those six decisions included a single dissent, from then Circuit Judge Alito.<sup>16</sup> This dissent aside, the issue appeared resolved. Indeed, in 2004, the Sixth Circuit affirmed sanctions against defendant for removing a TCPA case to federal court, noting in an unpublished order that the party “did not have an arguable basis for removal” because “state courts’ maintenance of exclusive jurisdiction over private rights of action under the TCPA and federal courts’ concomitant lack of jurisdiction to hear such private claims are well-settled.”<sup>17</sup>

The landscape became much less settled in 2005, when the Seventh Circuit split with its sister circuits. In *Brill v. Countrywide Home Loans, Inc.*, a unanimous panel found federal jurisdiction over a putative TCPA class action.<sup>18</sup> The opinion, by Judge Easterbrook, relied on two rationales. First, the court found diversity jurisdiction satisfied under the recently enacted Class Action Fairness

Act (CAFA), codified at 28 U.S.C. § 1332(d), which provides federal jurisdiction in certain class actions where there is minimal diversity and \$5 million in aggregated potential class claims.<sup>19</sup> Second, *Brill* found federal question removal proper “because the claim arises under federal law,” explaining that two intervening Supreme Court decisions, *Grable & Sons Metal Products, Inc. v. Darue Engineering & Manufacturing* and *Breuer v. Jim’s Concrete of Brevard, Inc.*, had undermined the rulings of the other circuits.<sup>20</sup>

*Brill’s* reliance on *Breuer* and *Grable & Sons*, however, appears misplaced because neither decision involved the TCPA and neither appears to undercut the reasoning of the line of federal appeals cases rejecting federal question jurisdiction under that statute. In *Breuer*, the underlying statute expressly permitted actions in either federal or state courts, unlike the TCPA’s provision of jurisdiction only in state court, and the question was whether statutory language under the Fair Labor Standards Act that a case “‘may be maintained . . . in any Federal or State court of competent jurisdiction’” provided plaintiff with an “‘absolute choice of forum,’” i.e., whether removal was barred despite the fact that plaintiff “could have begun his action in the District Court.”<sup>21</sup> In *Grable & Sons*, meanwhile, the court held permissible federal question jurisdiction over a state claim absent a federal cause of action, but only where there are “substantial questions of federal law” and a federal interest in uniformity and where such jurisdiction is “consistent with congressional judgment about the sound division of labor between state and federal courts.”<sup>22</sup> This is the opposite situation as presented by the TCPA, which has uniformly been interpreted as a measure enacted in the states’ interest.<sup>23</sup>

Since *Brill*, courts outside the Seventh Circuit (including panels of the Second, Fifth, and Tenth Circuits) have followed the *Brill* holding that federal diversity jurisdiction over TCPA class claims under the CAFA is proper (assuming that the minimal diversity and amount-in-controversy prerequisites are met), while either ignoring or disagreeing with *Brill’s* invitation to revisit earlier decisions rejecting federal question jurisdiction under the TCPA.<sup>24</sup>

As a result, the standard for when a defendant may remove a state-filed TCPA action to federal court varies by circuit

and is likely to be permissible outside the Seventh Circuit only in the rare cases where a single plaintiff has received enough faxes from a single defendant for potential aggregate statutory damages to reach the jurisdictional minimum,<sup>25</sup> or in class actions pursuant to the CAFA. This is important because state courts are widely viewed as significantly more friendly to TCPA plaintiffs than federal courts. Indeed, one plaintiff-oriented lecturer urges TCPA litigants to “keep TCPA cases out of federal court.”<sup>26</sup> This advice is largely followed. In one case, for example, a TCPA class plaintiff went so far as to twice dismiss and refile an action in Illinois state court in an apparent effort, ultimately unsuccessful after a third removal, to avoid the federal forum.<sup>27</sup>

### Governing Law

Beyond jurisdiction, a court’s interpretation of the statutory language that a plaintiff “may, if otherwise permitted by the laws or rules of court of a State, bring [an action] in an appropriate court of that State,”<sup>28</sup> determines the governing substantive law for a private claim. Although the Supremacy Clause would typically resolve the question of whether state or federal law controls in the case of a conflict, many courts read this clause as permitting states to limit the private action.

The Fourth Circuit, in an early decision, summarized this view:

The clause in 47 U.S.C. § 227(b)(3) “if otherwise permitted by the laws or rules of court of a State” does not condition the substantive right to be free from unsolicited faxes on state approval. . . . Rather, the clause recognizes that states may refuse to exercise the jurisdiction authorized by the statute. Thus, a state could decide to prevent its courts from hearing private actions to enforce the TCPA’s substantive rights. To that extent, the existence of a *private* right of action under the TCPA could vary from state to state.<sup>29</sup>

The Second Circuit has followed this reasoning, noting that “[t]o the extent that a state decides to prevent its courts from hearing private actions to enforce the TCPA’s substantive rights, the existence of a private right of action under the TCPA could vary from state to state.”<sup>30</sup>

As an alternative, some state courts read the language as requiring states to enact enabling legislation for private TCPA actions, i.e., an “opt in” model.<sup>31</sup>

After some fits and starts, state courts have now almost unanimously rejected the necessity for such enabling legislation, concluding that the statutory language merely provides states an option to limit private TCPA actions.<sup>32</sup> A notable exception is Texas, where in 2006 the Texas Supreme Court read the clause as an opt in.<sup>33</sup> As a result, the court concluded that “because Texas did not otherwise permit a cause of action for the receipt of unsolicited fax advertisements until September 1, 1999, and the faxes at issue in this case were sent before that date, plaintiffs have no actionable claim.”<sup>34</sup> A final possible reading of the clause, and one often urged

## State statutes of limitations have also occasionally been applied to bar claims under the federal statute.

by TCPA plaintiffs, is that it merely acknowledges that state procedural rules apply in state court (an “acknowledgment” approach) without having any independent legal significance.<sup>35</sup>

The majority “opt out” approach, however, leads to the logical conclusion that states can choose an intermediate path that falls short of barring such claims but somehow restricts the measure of recovery from the full amount authorized under the TCPA. The result would be that a TCPA claim could vary from state to state, as predicted by the Second and Fourth Circuits. This appears to be the evolving trend.

For example, in *U.S. Fax Law Center, Inc. v. iHire, Inc.*, the Tenth Circuit recently considered whether TCPA claims in federal court under diversity jurisdiction can properly be assigned by a facsimile’s actual recipient to a consumer organization to prosecute in its own name.<sup>36</sup> The court found that Colorado, rather than federal, law on assignment of claims governed because the TCPA, by its *if otherwise permitted* language, incorporates state law: “Congress expressly directed that federal courts apply substantive state law to determine which persons or entities may bring TCPA claims in federal court.”<sup>37</sup> As the court concluded, “the TCPA itself directs that Colorado law govern the matter of assignability.”<sup>38</sup>

Because Colorado law barred the assignment of personal claims, plaintiff lacked standing in the action. A court in Arizona reached the same result under its state’s law on assignment of claims.<sup>39</sup>

In New York, state law bars class actions under statutes that provide minimum statutory penalties unless the relevant statute specifically provides for class recovery.<sup>40</sup> This limit was “designed to discourage . . . recovery of a statutory minimum by each class member [that] results in ‘annihilatory punishment,’”<sup>41</sup> and is a matter of “state policy.”<sup>42</sup> New York courts apply this restriction to TCPA actions.<sup>43</sup> The Second Circuit recently held, in *Bonime v. Avaya, Inc.*, that the provision is fully applicable in TCPA cases brought in federal court under CAFA diversity jurisdiction, thus foreclosing the claims pursuant to state law even in diversity actions in federal court.<sup>44</sup>

State statutes of limitations have also occasionally been applied to bar claims under the federal statute. Although the statute of limitations under the TCPA is four years under the federal catch-all provision,<sup>45</sup> the Nevada Supreme Court applied a two-year state statute of limitations for claims involving statutory penalties, citing the law’s *if otherwise permitted* language as incorporating state limits.<sup>46</sup> Texas similarly applied a shorter state statute of limitations.<sup>47</sup> Most states, however, look to the federal statute of limitations, principally because of the “difficulties that confront state courts and litigants compelled to identify an analogous state cause of action in order to select a limitations period,” particularly in the absence of a shorter state statute specific to fax marketing claims.<sup>48</sup>

Although the issue has not yet arisen, an interesting test case could come in a state that has specifically adopted legislation after enactment of the TCPA that provides a shorter limitations period.<sup>49</sup> In Connecticut, for example, a statute authorizing lawsuits “for transmission of unsolicited facsimile or telephone messages” provides that actions must be brought within two years and provides for damages of \$500, without the treble damages provision of the TCPA.<sup>50</sup> Under the majority opt out analysis, these limits would presumably apply to TCPA claims arising from Connecticut.

Finally, if the TCPA expressly incorporates state law, the question of which state’s law applies naturally arises. A choice of law analysis would appear

appropriate where claims may arise under another state’s law, although such an analysis would be counterintuitive for litigation under a federal statute. In what appears to be the first such decision, the Connecticut Supreme Court in *Weber v. U.S. Sterling Securities, Inc.* considered a putative class action where “the fax complained of was both sent and received in New York,” with no Connecticut interest.<sup>51</sup> The court held that New York substantive law applied, including its restriction on TCPA class claims, and dismissed the class action.<sup>52</sup>

The bottom line for litigators is that a private claim under the TCPA may be limited by state law in those jurisdictions that construe the statute as providing state opt-out authority. This posture is the opposite of the more typical situation where state tort actions, such as defamation, are limited by federal law. Litigants thus face the challenge of making a careful assessment, often without clear or controlling authority on point, as to the potential applicability of state limitations on a TCPA claim.

### No Preemption

Determining what law applies to advertisements sent by facsimile is further complicated by the fact that the TCPA expressly permits states to adopt stricter regulation of intrastate facsimile marketing, stating that “nothing in this section or in the regulations prescribed under this section shall preempt any State law that imposes more restrictive intrastate requirements or regulations on, or which prohibits . . . the use of telephone facsimile machines or other electronic devices to send unsolicited advertisements.”<sup>53</sup>

The most prominent example of such a state law is California. There, legislators reacted to passage of the federal JFPA, which in certain situations permits facsimile marketing based on an “established business relationship” (EBR), by rejecting the EBR defense and enacting a stricter statute requiring “prior express invitation or permission.”<sup>54</sup>

Following passage of the California statute, and California’s apparent intent to enforce it against those who sent facsimiles into the jurisdiction, the U.S. Chamber of Commerce brought a lawsuit against the California attorney general. The lawsuit sought a declaratory ruling that the state law was preempted vis-à-vis interstate transmissions and that application of the statute to these faxes would

## LITIGATION TIPS

Although every situation is different, defendants in TCPA actions may be well-advised to consider various tactics for dealing with these distinct claims.

- **Quickly investigate an EBR or permission.** When a plaintiff asserts a single claim, or even a handful of claims, it is often advisable to investigate quickly whether the faxes were indeed sent and, if so, based on what relationship. If there is a provable EBR or express permission defense, many TCPA plaintiffs will drop the claim.
- **Ensure compliance going forward.** Any violations of the TCPA after actual notice of a claim may be deemed willful and thus qualify for treble damages. As such, it should be a top priority for inside or outside counsel to audit company fax marketing practices after receiving a TCPA claim to ensure compliance with the law and its regulations.
- **Consider removal.** Federal court is almost universally considered a more favorable forum for TCPA defendants than state courts, particularly in the handful of jurisdictions in which regular TCPA plaintiffs have developed a body of case law that may be at odds with majority positions. Where there is a legitimate basis for federal jurisdiction, defendants should consider removing a state court action.
- **Check for state limitations.** In jurisdictions that construe the TCPA as authorizing states to opt out of the full authorization for private actions, or those that have not yet decided the issue, defendants should review state law for potentially applicable restrictions on the federal cause of action.
- **Manage discovery.** Where a TCPA claim reaches discovery, defense attorneys are often in the unusual position of bearing a burden of proof on liability, i.e., having to prove the principal defense of an EBR or permission. This discovery burden is enormous in class actions, where the burden is on defendants to show that faxes were not unsolicited due to permission or an EBR (for liability) and to establish a record showing that recipients are differently positioned (i.e., that common questions do not predominate). It is typically to the defendant's advantage to produce all records sufficient to show the existence of business relationships or express permission from facsimile recipients, as well as the difficulty of class adjudication.
- **Consider equitable defenses where appropriate.** Although there are few statutory defenses to TCPA actions, in some cases where plaintiffs have collected faxes through an entire statutory limitations period before bringing suit or have engaged in other similar conduct, equitable defenses such as estoppel or waiver may be appropriate.
- **Know your opposing counsel.** Many TCPA plaintiffs' firms handle a high volume of claims and, as a result, tend to use form pleadings. As a result, checking into other cases by a plaintiff and its law firm may provide a road map of what is to come.
- **Look for opportunities to resolve actions.** As a practical reality, it may make little economic sense to litigate a TCPA action to conclusion. Look for opportunities to make early motions or to settle claims.

violate the Commerce Clause.<sup>55</sup> The court agreed, finding interstate application of the California law to be unconstitutional but leaving the state law intact with regard to intrastate transmissions.<sup>56</sup>

The result seems clearly correct, and stricter state restrictions on interstate faxes should not give rise to private causes of action. However, because

litigants occasionally still assert such claims, this can be an area of legal exposure.

### Stating a TCPA Claim

To state a claim under the TCPA, a plaintiff must demonstrate that (1) an "advertisement" (2) was sent to plaintiff's "telephone facsimile machine" and

(3) was "unsolicited." An unsolicited fax is one sent without prior express invitation or permission or an EBR; and after 2005, it requires a number of elements, as described below.<sup>57</sup>

**Advertisement**—*Advertisement* is defined by statute as "any material advertising the commercial availability or quality of any property, goods, or services."<sup>58</sup> Courts have concluded that certain materials that do not promote a commercial product or service, such as a notice of a clinical research study, a networking fax from a college to fellow members of a chamber of commerce, or notices of job openings, are not advertisements.<sup>59</sup> But courts have generally been hesitant to find unsolicited faxes permissible as a matter of law if there is any significant commercial content or purpose. For example, a New York appellate court recently held that informational faxes from a law firm, which included the firm name and contact number and "indirectly advertise the commercial availability and quality" of the sender's legal services, were advertisements.<sup>60</sup> In another recent decision, a federal judge considered whether a "one-page newsletter" fax that included 20 to 25 percent advertising was an advertisement, and denied a motion to dismiss a TCPA claim.<sup>61</sup>

In 2006 comments accompanying TCPA regulations that courts have already looked to for guidance,<sup>62</sup> the Federal Communications Commission (FCC) clarified that purely "transactional" communications, such as contracts or invoices, are not considered facsimile advertisements.<sup>63</sup> The FCC, however, generally considers "free" subscriptions, catalogs, or consultations to be advertisements because they "are often part of an overall marketing campaign to sell property, goods, or services."<sup>64</sup> But the agency goes on in the regulations to explain that purely informative materials, "such as industry news articles," are not advertisements.<sup>65</sup> The commission explained that it would consider trade newsletters on a case-by-case basis:

An incidental advertisement contained in . . . a newsletter does not convert the entire communication into an advertisement. Thus, a trade organization's newsletter sent via facsimile would not constitute an unsolicited advertisement, so long as the newsletter's primary purpose is informational, rather than to promote

commercial products. The Commission emphasizes that a newsletter format used to advertise products or services will not protect a sender from liability for delivery of an unsolicited advertisement under the TCPA and the Commission's rules. The Commission will review such newsletters on a case-by-case basis.<sup>66</sup>

As a result, the regulations likely permit incidental advertising content in informational newsletters delivered by facsimile.

**Sent to a telephone facsimile machine**—The FCC construes a “sender” of a facsimile in commonsense fashion to be “the person or entity on whose behalf the advertisement is sent,” which is typically “the entity whose product or service is advertised or promoted in the message.”<sup>67</sup> In light of fax identification lines and phone records that typically demonstrate who physically sent a transmission, and the content of a fax that shows whose products or services it relates to, there has been relatively little legal dispute over this element of a claim. Instead, these seem to be quintessentially factual issues.

The statute defines *telephone facsimile machine* broadly to include “equipment” with the “capacity” to transcribe images or text from a telephone line onto paper.<sup>68</sup> Although lawmakers in 1991 obviously considered 1980s and early 1990s technology, and the resulting costs for recipients arising from unwanted faxes,<sup>69</sup> when enacting the law, today's facsimile transmissions to fax servers or computers would similarly appear to meet the TCPA definition of a telephone facsimile machine, at least as long as they were connected to a printer. One court has, in a novel reading, suggested that “[p]ersons who receive transmissions [through computers] only print them out on a fax machine if they so elect” and that “[s]uch an elective printing would constitute consent.”<sup>70</sup> This theory, which would limit TCPA claims to recipients who automatically print all incoming faxes and interject a fact-specific analysis into any class claim, has not been adopted in other decisions. Indeed, courts have generally not considered changes in technology in interpreting TCPA actions by private litigants.

**Express invitation or permission**—Where courts find that a recipient invited a fax, such as by signing a form

providing consent to be contacted or by orally asking to be contacted, the transmission is not unsolicited.<sup>71</sup> The FCC has made clear that “[p]rior express invitation or permission may be given by oral or written means, including electronic methods,” and may “take many forms, including e-mail, facsimile, and internet form.”<sup>72</sup> Nonetheless, the FCC has cautioned that the burden of proving permission falls squarely on a defendant: “Senders who choose to obtain permission orally are expected to take reasonable steps to ensure that such permission can be verified. In the event a complaint is filed, the burden of proof rests on the sender to demonstrate that permission was given.” Moreover, “[w]hether given orally or in writing, prior express invitation or permission must be express, must be given prior to the sending of any facsimile advertisements, and must include the facsimile number to which such advertisements may be sent.”<sup>73</sup>

**Established business relationship**—As discussed below, the EBR element has been controversial and, like express permission, is viewed by the FCC as akin to an affirmative defense, with the burden of proof resting on the defendant.<sup>74</sup> The FCC in 2006 regulations emphasized that “an entity that sends a facsimile advertisement on the basis of an EBR should be responsible for demonstrating the existence of the EBR” as well as its validity.<sup>75</sup> As a result, a TCPA defendant is frequently in the position of needing to prove its innocence; but proof may be difficult when fax recipients wait several years before filing suit, during which time memories may have faded, employees may have left the company, and documents may be lost in the normal course of business.

### EBR Defense

Although the existence of an EBR exception to the TCPA's ban on unsolicited facsimile marketing was clarified by the JFPA, previously unsettled law regarding the defense will continue to have real-world consequences in some existing TCPA cases as well as lawsuits in certain jurisdictions filed until mid-2009.

The EBR defense has a tortured history. The statute itself barred commercial faxes “to any person without that person's prior express invitation or permission.”<sup>76</sup> The FCC, however, provided in implementing regulations that “facsimile transmission from persons or

entities who have an established business relationship with the recipient can be deemed to be invited or permitted by the recipient.”<sup>77</sup> As a result, marketers relied on the regulations to send faxes to their customers.

In state court litigation, however, TCPA plaintiffs argued that the statutory language trumped the regulations and successfully convinced some judges to disregard the FCC regulation as contrary to the statute's requirement for prior express invitation or permission before sending a marketing fax.<sup>78</sup> As one federal court noted, surveying the authority, “[m]any of the courts rejecting the established business relationship defense found the FCC's incorporation of this defense into the unsolicited fax provision of the statute to be at odds with the plain language of the statute.”<sup>79</sup> Defendants thus found themselves in the surprising and uncomfortable position of facing the possibility of significant liability for statutory damages for conduct that fully complied with the relevant federal regulations.

FCC proposed regulations in 2003 to eliminate the EBR exception to the general ban on fax marketing.<sup>80</sup> Companies, not surprisingly, objected to this change and argued that it would disrupt communications among business partners. The FCC ultimately delayed its proposed regulation several times, and in fact a rule abolishing the EBR exception never actually took effect.<sup>81</sup> Prompted by imminent demise of the EBR defense, Congress through the JFPA amended the statute to permit fax marketing based on an established business relationship, with certain additional limitations.<sup>82</sup>

Although the JFPA did not specifically address whether an EBR exception applied prior to the law's effective date of July 9, 2005, the trend appears to be for courts to conclude that the law “provides support for the . . . position that Congress always intended for the ‘established business relationship’ exception to apply to facsimile advertisements.”<sup>83</sup> Indeed, the first federal appeals court to consider the issue recently found the regulatory EBR exception applicable to faxes sent between 2001 and 2005.<sup>84</sup> In *Gene & Gene LLC v. BioPay LLC*, the Fifth Circuit rejected an argument against application of the EBR exception, noting that “applicable regulations incorporated an established business relationship exemption until

this exemption was codified in the current version of the statute by the JFPA.<sup>785</sup>

Under the JFPA, an EBR is defined as a prior or existing relationship formed by a voluntary two-way communication between a person or entity and a business or residential subscriber with or without an exchange of consideration, on the basis of an inquiry, application, purchase or transaction by the business or residential subscriber regarding products or services offered by such person or entity, which relationship has not been previously terminated by either party.<sup>86</sup>

Once established, “the EBR will permit an entity to send facsimile advertisements to a business or residential subscriber until the subscriber ‘terminates’ it by making a request not to receive future faxes.”<sup>87</sup>

In addition to such a business relationship, a facsimile sender must demonstrate, in order to qualify for an EBR defense under the regulations, (1) that it obtained the facsimile number either through “the voluntary communication of such number, within the context of such established business relationship, from the recipient of the unsolicited advertisement,” or through “a directory, advertisement, or site on the Internet to which the recipient voluntarily agreed to make available its facsimile number for public distribution,” and (2) the recipient has not otherwise opted out of receiving such marketing faxes.<sup>88</sup>

The first requirement only applies to those business relationships formed after the JFPA went into effect on July 9, 2005.<sup>89</sup> If an EBR existed prior to this time, the FCC presumes that the sender already had the recipient’s facsimile number.<sup>90</sup>

### Damages

The TCPA authorizes private actions to recover “actual monetary loss . . . or to receive \$500 in damages” for each separate violation.<sup>91</sup> Because actual damages associated with receiving a single unauthorized fax (seven cents in paper and ink, according to a court decision in 2001<sup>92</sup>) are a tiny fraction of the statutory damages, TCPA litigation in practice focuses on statutory damages.

Where a defendant “willfully or knowingly” violated the TCPA, the court may, “in its discretion,” award treble damages.<sup>93</sup> Although the TCPA does not define *willingly and knowingly*, the

FCC has interpreted similar language in the Federal Communications Act as what a defendant “knew or should have known.”<sup>94</sup> Relying on this rationale, courts have similarly interpreted the provision as “requir[ing] only that the sender have reason to know, or should have known that his conduct would violate the statute.”<sup>95</sup>

The Ohio Supreme Court recently adopted a significantly lower threshold for enhanced damages under the TCPA, involving simply “‘knowledge of the facts that constitute the offense,’” which would seemingly apply to almost all fax transmissions:

For an award of treble damages under the TCPA, the term “knowingly” requires that liability be imposed even without [a sender’s] knowledge that the conduct violated the statute. To establish a “knowing” violation of the TCPA for an award of treble damages, a plaintiff must prove only that the defendant knew of the facts that constituted the offense. Such knowledge of the “facts that constitute the offense” does not mean that the individual must know that certain conduct actually violates a law because it “constitutes” an offense. We hold that to establish a *knowing* violation of the TCPA for an award of treble damages, a plaintiff must prove only that the defendant knew that it acted or failed to act in a manner that violated the statute, not that the defendant knew that the conduct itself constituted a violation of law.<sup>96</sup>

As a result, exposure to damages may be higher in Ohio than some other jurisdictions that have followed the majority position.

Where the result of statutory damages in a class case is truly excessive, a court may reduce it. For example, a federal court in Texas considered the case of a fax broadcaster who was liable for \$2.34 billion in statutory damages and reduced the award to \$459,375.<sup>97</sup> Although that court did not expressly frame the issue as a due process challenge, the award of statutory or liquidated damages so disproportional to actual harm suffered by a plaintiff would certainly implicate constitutional concerns.<sup>98</sup>

### Constitutional Challenges

Facial constitutional challenges to the fax marketing provisions of the TCPA have been widely litigated and almost

entirely unsuccessful. Federal and state courts, with few exceptions, have rejected the most frequent arguments that the TCPA infringes on First Amendment rights<sup>99</sup> or violates the due process and equal protection components of the Fifth and Fourteenth Amendments.<sup>100</sup>

The result in First Amendment challenges is perhaps unsurprising as commercial speech receives less First Amendment protection than other forms of constitutionally protected speech. Legislation that regulates commercial speech, like the TCPA, is evaluated under the test established by the U.S. Supreme Court in *Central Hudson Gas & Electric Corp. v. Public Service Commission of New York*.<sup>101</sup> Where a restriction on nonmisleading commercial speech about lawful activities “directly advances” a “substantial” government interest and is narrowly tailored to be no “more extensive than is necessary to serve that interest,” the regulation will be upheld.<sup>102</sup>

At least two federal appeals panels have rejected First Amendment challenges to the TCPA’s fax marketing provisions after concluding that there was a “reasonable fit” between the statute and the government’s “substantial interest in restricting unsolicited fax advertisements in order to prevent the cost shifting and interference such unwanted advertising places on the recipient.”<sup>103</sup> However, as technology evolves and to the extent that it continues to undermine the rationale for the TCPA, i.e., to the extent that faxes cease to cause costs or lost telephone availability, there may come a day when the act no longer advances a substantial government interest, at least as that interest has been articulated to date.

For defendants facing potential class actions and significant potential liability exposure, a due process argument against unconstitutionally excessive damages may seem appropriate given the disparity between actual harm and statutory damages under the TCPA. The most persuasive time for a successful due process challenge, however, is likely after class certification and a liability determination for an amount far in excess of actual harm.<sup>104</sup> In short, it is a theory that defendants hope they never need to argue.

### Class Actions

Perhaps the greatest number of decisions under the TCPA relate to class certification, which is also, by virtue of the aggregation of statutory damages, clearly

where the most is at stake for litigants. Although congressional history indicates that lawmakers likely intended the statutory penalty to encourage small claims cases in state court,<sup>105</sup> the law does not restrict class actions; and class lawsuits are therefore presumptively available where appropriate under the Federal Rules of Civil Procedure and analogous state rules.

In *Gene & Gene*, the Fifth Circuit recently became the first federal appeals court to consider a class certification ruling under the TCPA, although it relied on several frequently cited district court cases as “instructive.”<sup>106</sup> Defendant had sent over 4,000 faxes advertising its services to recipients in Louisiana between 2001 and 2005. Because there was no dispute that the faxes were sent or that they were advertisements and because the Fifth Circuit recognized the EBR defense established by the FCC regulations for those years, the key issue to be resolved was one of permission: “The distinction between consenting and non-consenting recipients was the primary issue before the district court in the class-certification phase.”<sup>107</sup>

Defendant admitted that it had purchased customer databases and culled some facsimile numbers from these databases (without permission or an EBR) but also provided evidence that it collected facsimile numbers that were submitted to its own website, provided to its employees at trade shows, and culled from its customer lists.<sup>108</sup> On this record, defendant argued that “there is no class-wide basis by which to distinguish those fax recipients who had consented to receiving faxes from those who had not consented, which suggests that the determination of consent, or the lack thereof, would require hundreds of mini-trials.”<sup>109</sup>

The Fifth Circuit agreed. The court found that because plaintiff could not articulate a theory as to how the determinative proof could be determined on a classwide basis, common issues did not predominate under Rule 23(b)(3) of the Federal Rules of Civil Procedure, and the district court therefore abused its discretion in certifying a class.<sup>110</sup>

The *Gene & Gene* analysis is likely to be widely cited in TCPA class actions but in fact tracks what district courts had already been doing. In cases involving distinct issues of EBR or permission for individual recipients, classes are generally denied.<sup>111</sup> In cases where individual recipient permission is not an issue

either because a court did not recognize the EBR defense or because as a factual matter it was not relevant, courts have tended to certify classes.<sup>112</sup> It is apparent from a survey of the TCPA class certification cases that this issue (the existence of individualized or common questions of permission) is the key factor in most judicial analysis of TCPA class certification motions. Indeed, a federal judge recently noted this body of law: “The most frequent bone of contention, in this jurisdiction as in others, revolves around the issue of consent. In nearly every case, defendants oppose certification on the basis that TCPA claims are inherently individual due to the statutory requirement that only “unsolicited” faxes may give rise to a claim.”<sup>113</sup>

### Defining the Class

In an effort to avoid this problem, some TCPA plaintiffs have proposed class definitions to include only recipients of unsolicited faxes. Courts have rejected this approach because it defines the class in such a way that the key issue on liability determines membership in the class, thus improperly triggering a preliminary merits determination.<sup>114</sup> One class plaintiff, however, successfully avoided this problem by taking discovery on 306,000 facsimile advertisements sent to potential customers in the Atlanta area and then proposing a class that specifically excluded every recipient for which defendant claimed an EBR based on its records of knowledge.<sup>115</sup> The trial court certified the class, and this decision was upheld on appeal.<sup>116</sup>

Beyond questions about the predominance of common issues, some courts have also considered the legislative history and purpose of the TCPA as part of determining whether class actions are appropriate. For example, one state court in Illinois, a jurisdiction that has become a hotbed of TCPA litigation, concluded that because “Congress believed that allowing an individual to file an action in small claims court to redress the nuisance of unsolicited faxes and to recover a minimum of \$500 in damages was an adequate incentive to address what is, at most, a minor intrusion into an individual’s daily life,” it would be unfair and contrary to congressional intent “[t]o engraft on this statutory scheme the possibility of private class actions, with potential recoveries in the millions of dollars.”<sup>117</sup> Other courts have been troubled by the tendency

of TCPA plaintiffs and their attorneys to file dozens of similar lawsuits and have questioned the typicality of the plaintiff or the adequacy of counsel.<sup>118</sup>

Fax marketing class actions also raise for litigants a host of practical issues that are not specific to litigation under the TCPA, ranging from the timing of dispositive and class motions to managing class discovery, securing court approval of class settlements, and providing adequate notice to class members. 

### Endnotes

1. For example, one legal publisher has apparently settled a TCPA claim for an agreed judgment in excess of \$18 million. *See* Notice of Pendency and Proposed Settlement of Class Action and Fairness Hearing, Goldstein v. Juris Publ’g, Inc., No. 04 20066 CA 06 (Fla. Cir. Ct.). Reported judgments also include significant recoveries. *See, e.g.*, *Penzer v. Transp. Ins. Co.*, 509 F. Supp. 2d 1278 (S.D. Fla. 2007) (\$12 million); *Covington & Burling v. Int’l Mktg. & Research Inc.*, No. CIV.A. 01-0004360, 2003 WL 21384825 (D.C. Super. Ct. Apr. 17, 2003) (\$2,288,000); *Hooters of Augusta, Inc. v. Nicholson*, 537 S.E.2d 468 (Ga. Ct. App. 2000) (\$11.8 million); *see also* 2007 WL 3144679 (\$3 million, Oklahoma car dealership); 2002 WL 31275294 (\$6.5 million, Illinois car dealership); 2001 WL 1825341 (\$1,735,000, Dallas Cowboys football team). The FCC also imposed fines against one company in excess of \$5.3 million for fax advertising. *In re Fax.com, Inc.*, FCC Case File No. EB-02-TC-120 (Notice of Forfeiture adopted by the FCC on Aug. 2, 2002).

2. Walter Olson, *Rumpelstiltskin, LLP*, WALL ST. J., July 29, 2006, at A11.

3. *Omerza v. Bryant & Stratton*, No. 2006-L-092, 2007 WL 2822000, at \*4 (Ohio Ct. App. Sept. 28, 2007) (unpublished).

4. TCPA, Pub. L. No. 102-243, 105 Stat. 2394.

5. *See generally* Michael J. Rust & Pamela S. Webb, *The Unsettling Fax About Coverage Claims Under the Telephone Consumer Protection Act*, 35 BRIEF 13 (Winter 2006) (discussing TCPA coverage litigation and policy exclusions).

6. Pub. L. No. 109-21 (codified at 47 U.S.C. § 227).

7. A specialized TCPA reporter was founded and is maintained by a plaintiff-oriented TCPA firm. *See* www.tcpalaw.com/about.htm. The site publishes hundreds of TCPA decisions not otherwise reported.

8. *New Litigation Groups Bring Total to 72*, 41 TRIAL 11 (Oct. 2005).

9. H.R. REP. NO. 102-317 (Nov. 15, 1991).

10. David E. Sorkin, *Unsolicited Commercial E-Mail and the Telephone Consumer Protection Act of 1991*, 45 BUFF. L. REV. 1001 (Fall 1997).

11. H.R. REP. NO. 102-317; *see also* S. REP. NO. 102-178 (Oct. 8, 1991), *reprinted in* 1991 U.S.C.C.A.N. 1968, 1970 (“[U]nsolicited calls placed to fax machines . . . often impose a cost on the called party.”).

12. H.R. REP. NO. 102-317.

13. *Van Bergen v. Minn.*, 59 F.3d 1541, 1548 (8th Cir. 1995); *see also* S. REP. NO. 102-178, at 3 (“States do not have jurisdiction over interstate calls. Many States have expressed a desire for Federal legislation to regulate interstate telemarketing calls to supplement their restrictions on intrastate calls.”); *ErieNet, Inc. v. Velocity Net, Inc.*, 156 F.3d 513, 515 (3d Cir. 1998) (“Federal legislation was necessary in order to prevent telemarketers from evading state restrictions.”); *Chair King, Inc. v. Hous. Cellular Corp.*, 131 F.3d 507, 513 (5th Cir. 1997) (“By creating a private right of action in state courts, Congress allowed states, in effect, to enforce regulation of interstate telemarketing activity.”); *Int’l Sci. & Tech. Inst., Inc. v. Inacom Commc’ns, Inc.*, 106 F.3d 1146, 1154 (4th Cir. 1997) (“[T]he dominant reason that Congress created a private TCPA action at all was out of solicitude for states which were thwarted in their attempts to stop unwanted telemarketing. . . . Thus, although Congress created the private TCPA action, it was from the beginning a cause of action in the states’ interest.”).

14. 47 U.S.C. § 227(b)(3).

15. *Murphy v. Lanier*, 204 F.3d 911, 912 (9th Cir. 2000); *Foxhall Realty Law Offices, Inc. v. Telecomms. Premium Servs., Ltd.*, 156 F.3d 432, 436–37 (2d Cir. 1998); *ErieNet*, 156 F.3d at 517–18; *Nicholson v. Hooters of Augusta, Inc.*, 136 F.3d 1287, 1289 (11th Cir. 1998); *Chair King*, 131 F.3d at 510; *Int’l Sci. & Tech. Inst.*, 106 F.3d at 1152.

16. *ErieNet*, 156 F.3d at 521 (Alito, J., dissenting).

17. *Dun-Rite Constr., Inc. v. Amazing Tickets, Inc.*, No. 04–3216, 2004 WL 3239533, at \*2 (6th Cir. Dec. 16, 2004).

18. 427 F.3d 446 (7th Cir. 2005).

19. *Id.* at 449.

20. *Id.* at 450–51 (citing *Grable & Sons Metal Prods., Inc. v. Darue Eng’g Mfg.*, 545 U.S. 308 (2005); *Breuer v. Jim’s Concrete of Brevard, Inc.*, 538 U.S. 691 (2003)).

21. *Breuer*, 538 U.S. at 694, 697 (citations omitted).

22. *Grable & Sons Metal Prods.*, 545 U.S. at 312–14.

23. *See supra* note 13.

24. *Gene & Gene LLC v. BioPay LLC*, No. 07-30195, 2008 WL 3511766, at \*3 (5th Cir. Aug. 14, 2008); *U.S. Fax Law Ctr., Inc. v. iHire, Inc.*, 476 F.3d 1112, 1116–18 (10th Cir. 2007); *Gottlieb v. Carnival Corp.*, 436 F.3d 335, 343 (2d Cir. 2006); *Margulis v. Resort Rental, LLC*, No. 08-1719, 2008 WL 2775494, at \*1 n.1 (D.N.J. July 14, 2008); *Hirz v. Travelcomm Indus., Inc.*, No. 1:07-cv-1833, 2008 WL 1700438, at \*1 (N.D. Ohio Apr. 1, 2008); *Watson v. NCO Group, Inc.*, 462 F. Supp. 2d 641, 646–47 (E.D. Pa. 2006); *Clean Air Council v. Dragon Int’l Group*, No. 1:CV-06-0430, 2006 WL 2136246, at \*2–4 (M.D. Pa. July 28, 2006); *Brodeur v. Swan Fin. Corp.*, No. 4:05CV2418, 2006 WL 950208, at \*3 (E.D. Mo. Apr. 11, 2006); *see also Boydston v. Asset Acceptance LLC*, 496 F. Supp. 2d 1101, 1109 (N.D. Cal. 2007) (holding that “neither *Grable & Sons* nor *Breuer* implicitly overrule appellate court decisions holding that private claims under the TCPA do not confer federal question jurisdiction”).

25. *E.g., Gottlieb*, 436 F.3d at 343 n.10 (“In order to meet the amount-in-controversy requirement, a single plaintiff would have to receive either 150 faxes from a single defendant, assuming \$500 in statutory damages per fax, or 50 faxes from that defendant, assuming treble damages.”).

26. Joseph R. Compoli, Jr., *Junk Faxes: Combining Causes of Action Under Federal and State Laws*, 2 ANN. 2007 AAJ-CLE 1829 (July 2007); Joseph R. Compoli, Jr., *Junk Faxes: High-Tech Serial Theft in the Modern Office, and Your Right to Sue the Offender*, 2006 ATLA-CLE 325 (Feb. 2006).

27. *G.M. Sign, Inc. v. Franklin Bank*, S.S.B., No. 06 C 0949, 2006 WL 1132386, at \*1 (N.D. Ill. Apr. 19, 2006).

28. 47 U.S.C. § 227(b)(3).

29. *Int’l Sci. & Tech. Inst., Inc. v. Inacom Commc’ns, Inc.*, 106 F.3d 1146, 1156 (4th Cir. 1997) (*dicta*).

30. *Foxhall Realty Law Offices, Inc. v. Telecomms. Premium Servs., Ltd.*, 156 F.3d 432, 438 (2d Cir. 1998).

31. *Accounting Outsourcing, LLC v. Verizon Wireless Pers. Commc’ns, L.P.*, 329 F. Supp. 2d 789, 795 (M.D. La. 2004) (discussing approaches). *See generally* Robert R. Biggerstaff, *State Courts and the Telephone Consumer Protection Act of 1991: Must States Opt-In? Can States Opt-Out? 33 CONN. L. REV. 407* (Winter 2001).

32. *See, e.g., Kaufman v. ACS Sys., Inc.*, 110 Cal. App. 4th 886, 898 (2003) (holding that “a person may file a TCPA action in state court as long as the state has not prohibited it”); *Reynolds v. Diamond Foods & Poultry,*

*Inc.*, 79 S.W.3d 907, 910 (Mo. 2002) (holding that a “[s]uit may be brought unless a state does not otherwise permit such a suit”); *Zelma v. Market U.S.A.*, 778 A.2d 591, 593–98 (N.J. Super. Ct. 2001) (agreeing with *International Science* that the statute allows a state “to enact a law barring TCPA actions in the courts of that state”); *Edwards v. Direct Access, LLC*, 124 P.3d 1158, 1160 (Nev. 2005) (“[A] state, on behalf of its courts, can refuse to accept jurisdiction over this federally created cause of action.”); *Aronson v. Fax.com, Inc.*, 51 Pa. D&C 4th 421, 430 (Pa. Ct. Com. Pl. 2001) (reading § 227(b) (3) as “giving the states the ability to opt out”); *Hooters of Augusta, Inc. v. Nicholson*, 537 S.E.2d 468, 470–71 (Ga. Ct. App. 2000) (adopting the analysis of *International Science*). Other courts have held that states need not opt in, without squarely considering whether a state could opt out. *See, e.g., Adler v. Vision Lab Telecomms., Inc.*, 393 F. Supp. 2d 35, 37–38 (D.D.C. 2005); *Lary v. Flasch Bus. Consulting, No. 2020803*, 2003 WL 22463948, at \*2–5 (Ala. Civ. App. Oct. 31, 2003); *Condon v. Office Depot, Inc.*, 855 So. 2d 644, 645–48 (Fla. Dist. Ct. App. 2003); *Schulman v. Chase Manhattan Bank*, 268 A.D.2d 174, 176–79 (N.Y. App. Div. 2000).

33. *Chair King, Inc. v. GTE Mobilnet of Houston, Inc.*, 184 S.W.3d 707, 716–18 (Tex. 2006).

34. *Id.* at 718.

35. *See, e.g., Accounting Outsourcing, LLC*, 329 F. Supp. 2d at 795; *R.A. Ponte Architects, Ltd. v. Investors’ Alert, Inc.*, 857 A.2d 1, 11 (Md. 2004); *Consumer Crusade, Inc. v. Affordable Health Care Solutions, Inc.*, 121 P.3d 350, 354–55 (Colo. Ct. App. 2005).

36. 476 F.3d 1112, 1115 (10th Cir. 2007).

37. *Id.* at 1118.

38. *Id.*

39. *Martinez v. Green*, 131 P.3d 492, 495 (Ariz. Ct. App. 2006).

40. N.Y. C.P.L.R. § 901(b).

41. *Lennon v. Philip Morris Cos.*, 734 N.Y.S.2d 374, 380 (N.Y. County 2001) (McLaughlin, *Practice Commentaries, in* MCKINNEY’S CONSOLIDATED LAWS OF NEW YORK, Book 7B, CPLR C901:7, at 327–28 (citation omitted)).

42. *Lennon*, 734 N.Y.S.2d at 380.

43. *See Rudgayzer & Gratt v. Cape Canaveral Tour*, 22 A.D.3d 148, 149 (N.Y. App. Div. 2005) (“The issue presented is whether this class action may be maintained for alleged violations of the federal Telephone Consumer Protection Act (47 USC § 227 et seq.) in light of CPLR 901(b). We hold that it may not.”); *see also Giovanniello v. Carolina*

Wholesale Office Mach. Co., 29 A.D.3d 737, 738 (N.Y. App. Div. 2006) (same); Weber v. Rainbow Software, Inc., 21 A.D.3d 411, 411 (N.Y. App. Div. 2005) (same); Giovanniello v. Hispanic Media, 21 A.D.3d 400, 400 (N.Y. App. Div. 2005) (same); Ganci v. Cape Canaveral Tour & Travel, Inc., 21 A.D.3d 399, 400 (N.Y. App. Div. 2005) (same); Bonime v. Bridge 21, Inc., 21 A.D.3d 393, 393 (N.Y. App. Div. 2005) (same); Bonime v. Disc. Funding Assocs., Inc., 21 A.D.3d 393, 393 (N.Y. App. Div. 2005) (same); Rudgayzer & Gratt v. LRS Commc'ns, 6 Misc. 3d 20, 24 (N.Y. Sup. Ct. 2004) (same).

44. *Bonime v. Avaya, Inc.*, —F.3d—, 2008 WL 4755795, \*4 (2d Cir. Oct. 31, 2008); *see also* *Giovanniello v. Carolina Wholesale Office Mach. Co.*, No. 06 Civ. 10235, 2007 WL 2363614, \*2–3 (S.D.N.Y. Aug. 20, 2007); *Giovanniello v. New York Law Pub. Co.*, No. 07 Civ. 1990, 2007 WL 2244321, \*3–4 (S.D.N.Y.), reconsideration denied, 2007 WL 4320757 (S.D.N.Y. Dec. 11, 2007); *Holster v. Gatco*, 485 F. Supp. 2d 179, 185 (E.D.N.Y. 2007).

45. 28 U.S.C.A. § 1658(a) (“Except as otherwise provided by law, a civil action arising under an Act of Congress enacted after the date of the enactment of this section may not be commenced later than 4 years after the cause of action accrues.”).

46. *Edwards v. Emperor’s Garden Rest.*, 130 P.3d 1280, 1286–87 (Nev.), *cert. denied*, 127 S. Ct. 438 (2006).

47. *Chair King, Inc. v. GTE Mobilnet of Hous., Inc.*, 135 S.W.3d 365, 390–91 (Tex. App. 2004), *rev’d on other grounds* by 184 S.W.3d 707 (Tex. 2006).

48. *Zelma v. Konikow*, 879 A.2d 1185, 1189 (N.J. Super. App. Div. 2005) (“It is apparent that the attempt to select the most appropriate existing limitation period for TCPA claims will insert complex legal issues in otherwise relatively uncomplicated cases. Equally important, the unnecessary complexity will bring no real benefit to a state, like New Jersey, that has not adopted a specific limitation period for TCPA actions based on a balancing of the interests implicated.”); *see also* *Szynter v. Malone*, 155 Cal. App. 4th 1152, 1164–68 (2007); *Stern v. Bluestone*, 47 A.D.3d 576, 582 (N.Y. App. Div. 2008).

49. CONN. GEN. STAT. § 52-570c(d).

50. *Id.*

51. 924 A.2d 816, 827 (Conn. 2007).

52. *Id.*

53. 47 U.S.C. § 227(e).

54. *See* U.S. Chamber of Commerce v. Lockyer, No. 2:05-CV-2257MCEKJM, 2006 WL 462482, at \*3–4 (E.D. Cal. Feb. 27,

2006) (discussing federal and state statutes) (citation omitted).

55. *Id.* at \*1.

56. *Id.* at \*9.

57. 47 U.S.C. § 227(b)(1)(C). Plaintiffs sometimes seek recovery of statutory damages for technical violations of the TCPA regulations, such as a failure to include sufficient information in a fax header. Such actions are not authorized by the text of the statute, which bars unsolicited facsimile advertisements and permits “an action based on a violation of this subsection,” rather than technical requirements provided for in another subsection of the law. 47 U.S.C. §§ 227(b)(3), 227(d). Such technical claims saw initial success in some state trial courts, particularly in Ohio. *See, e.g.,* *Yavitch & Palmer Co., LPA v. U.S. Four, Inc.*, No. 2004 CVF 028885, 2005 WL 3244052, at \*4–5 (Ohio Mun. Ct. Oct. 5, 2005) (awarding \$6,000 for multiple violations of the TCPA in single facsimile). *But see* *Ferron & Assocs., L.P.A. v. U.S. Four, Inc.*, No. 05AP-659, 2005 WL 3550760, at \*3–4 (Ohio Ct. App. Dec. 29, 2005) (no cause of action for violation of header regulations). However, courts now uniformly reject such claims on the basis that, as a U.S. District Court for the Southern District of New York decision concluded, “The TCPA empowered citizens to sue for relief from the problem created by the receipt of unsolicited fax advertisements, not for deficiencies in the faxes received.” *Klein v. VisionLab Telecomms., Inc.*, 399 F. Supp. 2d 528, 538–40 (S.D.N.Y. 2005) (emphasis in original); *see also* *Boydston v. Asset Acceptance LLC*, 496 F. Supp. 2d 1101, 1110 (N.D. Cal. 2007); *Kopff v. Battaglia*, 425 F. Supp. 2d 76, 90–91 (D.D.C. 2006); *Adler v. Vision Lab Telecomms., Inc.*, 393 F. Supp. 2d 35, 38–39 (D.D.C. 2005); *USA Tax Law Ctr., Inc. v. Office Warehouse Wholesale, LLC*, 160 P.3d 428, 432–35 (Colo. Ct. App. 2007).

58. 47 U.S.C. § 227(a)(5).

59. *Phillips Randolph Enters., LLC v. Adler-Weiner Research Chi., Inc.*, No. 06 C 5111, 2007 WL 293928, at \*2 (N.D. Ill. Jan. 30, 2007) (research study); *Ameriguard, Inc. v. Univ. of Kan. Med. Ctr. Research Inst., Inc.*, No. 06-0369-CV-W-ODS, 2006 WL 1766812, at \*1 (W.D. Mo. June 23, 2006) (clinical research study), *aff’d*, 222 F. App’x 538 (8th Cir. 2007); *Lutz Appellate Servs., Inc. v. Curry*, 859 F. Supp. 180, 181 (E.D. Pa. 1994) (job openings); *Omerza v. Bryant & Stratton*, No. 2006-L-092, 2007 WL 2822000, at \*4–6 (Ohio Ct. App. Sept. 28, 2007) (networking fax).

60. *Stern v. Bluestone*, 47 A.D.3d 576, 580 (N.Y. App. Div. 2008).

61. *Holtzman v. Turza*, No. 08 C 2014, 2008 WL 2510182, at \*3–4 (N.D. Ill. June 19, 2008).

62. *Id.*

63. Rules & Regulations Implementing the Telephone Consumer Protection Act of 1991; Junk Fax Prevention Act of 2005, 71 Fed. Reg. 25,967, 25,972–73 (May 3, 2006).

64. *Id.* at 25,973.

65. *Id.*

66. *Id.*

67. *Id.* at 25,971.

68. 47 U.S.C. § 227(a)(3).

69. *See* *Sorkin, supra* note 10.

70. *E.g.,* *Levine v. 9 Net Ave., Inc.*, No. A-1107-00T1, 2001 WL 34013297, at \*5 (N.J. Super. Ct. App. Div. June 7, 2001) (unpublished).

71. *E.g.,* *Travel 100 Group, Inc. v. Mediterranean Shipping Co.*, 889 N.E.2d 781, 790 (Ill. App. Ct. 2008) (consent form); *Stoneman v. Turner Med. Prods.*, No. 88206, 2007 WL 1083869, at \*2 (Ohio Ct. App. Apr. 12, 2007) (oral consent).

72. Rules & Regulations Implementing the Telephone Consumer Protection Act of 1991; Junk Fax Prevention Act of 2005, 71 Fed. Reg. at 25,972.

73. *Id.*

74. *Id.* at 25,967.

75. *Id.* (“Should a question arise . . . as to the validity of an EBR, the burden will be on the sender to show that it has a valid EBR with the recipient.”).

76. TCPA, Pub. L. No. 102-243, 105 Stat. 2394, 2396.

77. *In re* Rules & Regulations Implementing the Telephone Consumer Protection Act of 1991, 7 F.C.C.R. 8752, 8779 n.87 (FCC 1992); *see also* *In re* Rules & Regulations Implementing the Telephone Consumer Protection Act of 1991, 10 F.C.C.R. 12391, 12408 (FCC 1995) (prior rule making “makes clear that the existence of an established business relationship establishes consent to receive telephone facsimile advertisement transmissions”).

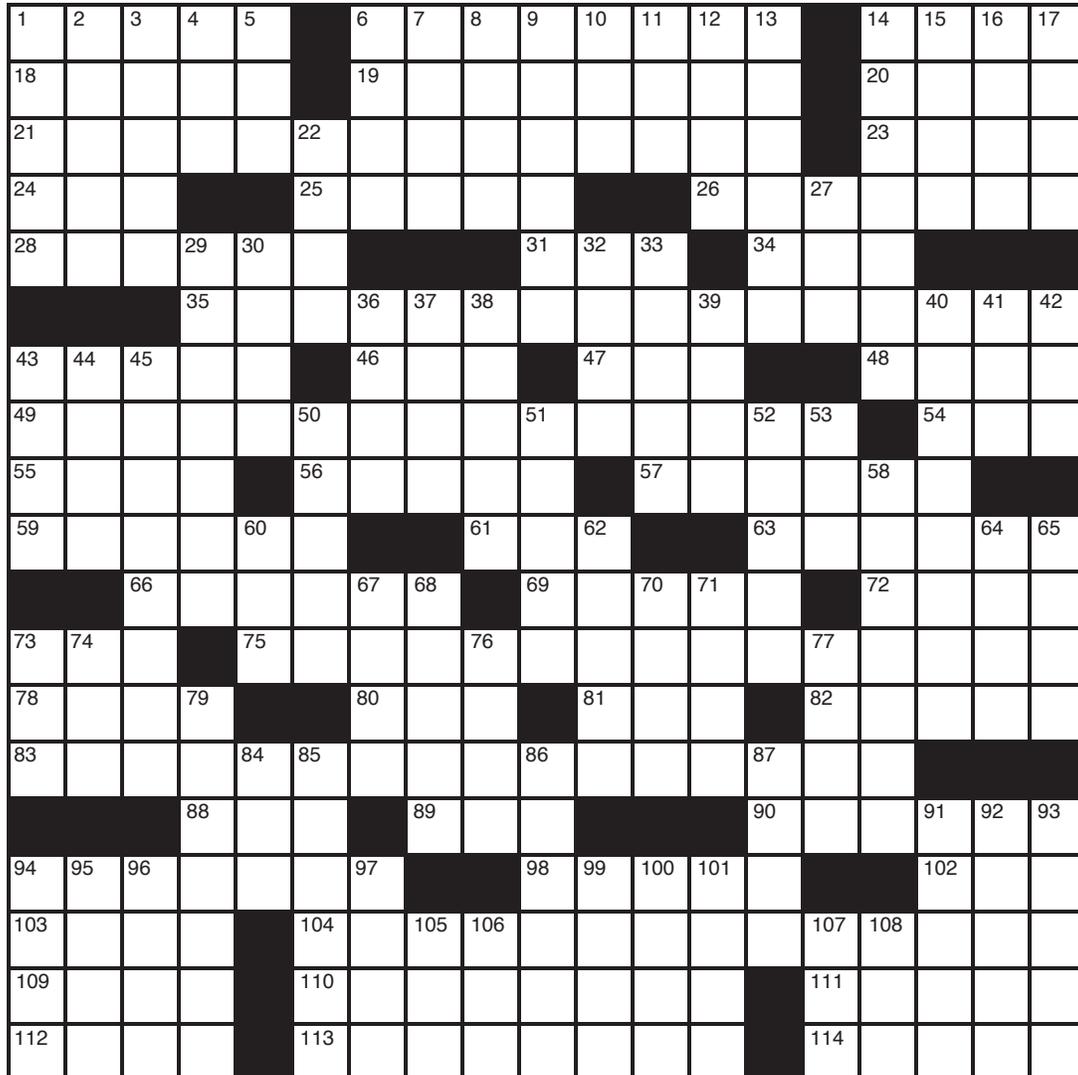
78. *Leckler v. CashCall, Inc.*, 554 F. Supp. 2d 1025, 1031 (N.D. Cal. 2008) (discussing cases); *Weitzner v. Iridex Corp.*, No. 05 CV 1254 (RJD), 2006 WL 1851441, at \*4 (E.D.N.Y. June 29, 2006) (collecting cases); *Jemiola v. XYZ Corp.*, 802 N.E.2d 745, 749 (Ohio Ct. Com. Pl. 2003) (“Consent may not be inferred from the mere distribution or publication of a fax number, or the existence of a previous business relationship between an advertiser and the recipient, in the absence of specific evidence of ‘prior express invitation or permission’ to send advertisements by fax.”). *But see* *Carnett’s, Inc. v. Hammond*,

- 610 S.E.2d 529, 531 (Ga. 2005) (giving effect to FCC regulations).
79. *Weitzner*, 2006 WL 1851441, at \*4.
80. *In re Rules & Regulations Implementing the Telephone Consumer Protection Act of 1991*, 18 F.C.C.R. 14014, 14127 (FCC 2003).
81. *Gene & Gene LLC v. BioPay LLC*, No. 07-30195, 2008 WL 3511766, at \*1 n.2 (5th Cir. Aug. 14, 2008).
82. 47 U.S.C. § 227(b)(1)(C) (added by Pub. L. No. 109-21 (2005)).
83. *Blitz v. Agean, Inc.*, No. 05 CVS 441, 2007 WL 2570255, at \*4 n.5 (N.C. June 25, 2007) (unpublished).
84. *Gene & Gene*, 2008 WL 3511766, at \*2 & n.5.
85. *Id.* at \*1 n.3. Although the question was presented to the D.C. Circuit recently in a challenge to regulations issued under the JFPA, the court declined to reach the issue on procedural grounds. *Biggerstaff v. FCC*, 511 F.3d 178 (D.C. Cir. 2007).
86. *Rules & Regulations Implementing the Telephone Consumer Protection Act of 1991; Junk Fax Prevention Act of 2005*, 71 Fed. Reg. 25,967, 25,968–69 (May 3, 2006).
87. *Id.* at 25,969.
88. 47 U.S.C. § 227(b)(1)(C). The FCC has indicated that “a facsimile number obtained from a recipient’s own directory, advertisement, or internet site” will be deemed to be voluntarily made available to the public “unless the recipient has noted on such materials that it does not accept unsolicited advertisements at the facsimile number in question.” 71 Fed. Reg. 25,967, 25,968.
89. 47 U.S.C. § 227(b)(1)(C).
90. 71 Fed. Reg. 25,967, 25,968 (“[T]he Commission adopts a presumption that, if a valid EBR existed prior to July 9, 2005, the sender had the facsimile number prior to that date as well.”).
91. 47 U.S.C. § 227(b)(3)(B).
92. *Texas v. Am. Blast Fax, Inc.*, 164 F. Supp. 2d 892, 900–01 (W.D. Tex. 2001).
93. 47 U.S.C. § 227(b)(3)(C).
94. *See In re Intercambio, Inc.*, 3 F.C.C. 7247, 7251 (FCC 1988).
95. *Stern v. Bluestone*, 47 A.D.3d 576, 581 (N.Y. App. Div. 2008); *see also Am. Blast Fax*, 164 F. Supp. 2d at 899.
96. *Charvat v. Ryan*, 879 N.E.2d 765, 770 (Ohio 2007) (citation omitted) (emphasis in original).
97. *Am. Blast Fax*, 164 F. Supp. 2d at 900–01 (W.D. Tex. 2001).
98. *E.g.*, *Centerline Equip. Corp. v. Banner Pers. Serv., Inc.*, 545 F. Supp. 2d 768, 777–78 (N.D. Ill. 2008) (discussing due process issue).
99. *E.g.*, *Missouri ex rel. Nixon v. Am. Blast Fax, Inc.*, 323 F.3d 649, 660 (8th Cir. 2003) (upholding constitutionality of the TCPA against First Amendment challenge); *Destination Ventures, Ltd. v. FCC*, 46 F.3d 54, 57 (9th Cir. 1995) (same); *Holtzman v. Caplice*, No. 07 C 7279, 2008 WL 2168762, at \*3–6 (N.D. Ill. May 23, 2008) (same); *Centerline Equip.*, 545 F. Supp. 2d at 772–77 (N.D. Ill. 2008) (same); *Phillips Randolph Enters., LLC v. Rice Fields*, No. 06 C 4968, 2007 WL 129052, at \*3–4 (N.D. Ill. Jan. 11, 2007) (same); *Accounting Outsourcing, LLC v. Verizon Wireless Pers. Commc’ns, L.P.*, 329 F. Supp. 2d 789, 817 (M.D. La. 2004) (same); *Am. Blast Fax*, 121 F. Supp. 2d 1085 (W.D. Tex. 2000) (same); *Kenro, Inc. v. Fax Daily, Inc.*, 962 F. Supp. 1162 (S.D. Ind. 1997) (same).
100. *See, e.g., Accounting Outsourcing*, 329 F. Supp. 2d at 804–10; *Kaufman v. ACS Sys., Inc.*, 2 Cal. Rptr. 3d 296 (Cal. Ct. App. 2003).
101. 447 U.S. 557 (1980).
102. *Id.* at 566.
103. *Am. Blast Fax*, 323 F.3d at 655; *see also Destination Ventures*, 46 F.3d at 57.
104. *Holtzman*, 2008 WL 2168762, at \*7 (facial due process challenge of fines as “excessive” is “premature”); *see also Rice Fields*, 2007 WL 129052, at \*2–3.
105. *Kim v. Sussman*, No. 03 CH 07663, 2004 WL 3135348, at \*2 (Ill. Cir. Ct. Oct. 19, 2004).
106. No. 07–30195, 2008 WL 3511766, at \*5 (5th Cir. Aug. 14, 2008).
107. *Id.* at \*2.
108. *Id.*
109. *Id.*
110. *Id.* at \*8.
111. *See, e.g., Levitt v. Fax.com*, No. WMN-05-949, 2007 WL 3169078, at \*4–7 (D. Md. May 25, 2007); *Kenro, Inc. v. Fax Daily, Inc.*, 962 F. Supp. 1162, 1169–70 (S.D. Ind. 1997); *Forman v. Data Transfer, Inc.*, 164 F.R.D. 400, 403–04 (E.D. Pa. 1995); *Livingston v. U.S. Bank, N.A.*, 58 P.3d 1088, 1091 (Colo. Ct. App. 2002); *Carnett’s, Inc. v. Hammond*, 610 S.E.2d 529, 532–33 (Ga. 2005); *Damas v. Ergotron, Inc.*, No. 03 CH 10667, 2005 WL 1614485, at \*4 (Ill. Cir. Ct. July 6, 2005); *Blitz v. Agean, Inc.*, No. 05 CVS 441, 2007 WL 2570255, at \*4–7 (N.C. Super. Ct. June 25, 2007) (unpublished); *Blitz v. Xpress Image, Inc.*, No. 05 CVS 679, 2006 WL 2425573, at \*6–10 (N.C. Super. Aug. 23, 2006); *Intercont’l Hotels Corp. v. Girards*, 217 S.W.3d 736, 738–39 (Tex. App. 2007); *Kondos v. Lincoln Prop. Co.*, 110 S.W.3d 716, 721–22 (Tex. App. 2003).
112. *See, e.g., Sadowski v. Med1 Online, LLC*, No. 07 C 2973, 2008 WL 2224892, at \*4 (N.D. Ill. May 27, 2008) (class certified where “no evidence” of predominant individual issues existed); *Hinman v. M & M Rental Ctr., Inc.*, 545 F. Supp. 2d 802, 807 (N.D. Ill. 2008) (class certified where “broadcasts at issue were sent *en masse* to recipients identified on a singular ‘leads’ list obtained from a singular source”); *Kavu, Inc. v. Omnipak Corp.*, 246 F.R.D. 642, 647 (W.D. Wash. 2007) (class certified where there was “no need for individual evidence on the permission issue”); *Travel 100 Group, Inc. v. Empire Cooler Serv., Inc.*, No. 03 CH 14510, 2004 WL 3105679, at \*3 (Ill. Cir. Ct. Oct. 19, 2004) (“The manner in which the Defendant identified these recipients will not require individualized inquiry.”).
113. *Saf-T-Gard Int’l, Inc. v. Wagener Equities, Inc.*, Nos. 07 C 0890, 07 C 891, 2008 WL 2651309, at \*2 (N.D. Ill. June 3, 2008).
114. *See, e.g., Sadowski*, No. 07 C 2973, 2008 WL 489360, at \*3–4 (N.D. Ill. Feb. 20, 2008); *G.M. Sign, Inc. v. Franklin Bank, S.S.B.*, No. 06 C 949, 2007 WL 4365359, at \*3 (N.D. Ill. Dec. 13, 2007); *Top Craft, Inc. v. Int’l Collection Servs.*, 2008 WL 2579217, at \*2 (Mo. Ct. App. June 30, 2008); *Cicero v. U.S. Four, Inc.*, No. 07AP-310, 2007 WL 4305720, at \*7 (Ohio Ct. App. Dec. 11, 2007); *Kennard v. Elec. Data Sys. Corp.*, No. 296-93-98, 1998 WL 34336245, at \*4–5 (Tex. Dist. Ct. Oct. 23, 1998) (unpublished).
115. *Am. Home Servs., Inc. v. A Fast Sign Co.*, 651 S.E.2d 119, 120–21 (Ga. Ct. App. 2007).
116. *Id.*
117. *Kim v. Sussman*, No. 03 CH 07663, 2004 WL 3135348, at \*2 (Ill. Cir. Ct. Oct. 19, 2004); *see also Levine v. 9 Net Ave., Inc.*, No. A-1107–00T1, 2001 WL 34013297, at \*4 (N.J. Super. Ct. June 7, 2001) (*But see ESI Ergonomic Solutions, LLC v. United Artists Theatre Circuit, Inc.*, 50 P.3d 844, 850 (Ariz. Ct. App. 2002)).
118. *See, e.g., Bernstein v. Am. Family Ins. Co.*, No. 02 CH 6905, 2005 WL 1613776, at \*3–4 (Ill. Cir. Ct. July 6, 2005).

# CROSSWORD PUZZLE

## Five Freedoms

KEVAN CHOSET



### ACROSS

- |   |                                    |   |
|---|------------------------------------|---|
| 1. They're not protected by copyright law | 31. Psychic's skill                | 59. TV viewer's aid                       |
| 6. Sarah Palin and Ted Stevens, e.g.      | 34. Take sides?                    | 61. 42 U.S.C. 12101 et seq.               |
| 14. It enforces antidiscrimination laws   | 35. Election night presentation    | 63. Bodies of law                         |
| 18. Political gathering                   | 43. Japanese beer brand            | 66. Clarence challenger and her namesakes |
| 19. One with some copyright rights        | 46. JFK screen info                | 69. Legal, in a way                       |
| 20. Starch-yielding palm                  | 47. It's part of the DOJ           | 72. General ___ chicken                   |
| 21. Document often electronically signed  | 48. Unsettled state                | 73. Key often found next to the space bar |
| 23. Shoe insert                           | 49. U.N. body                      | 75. Reuters competitor                    |
| 24. Court feat                            | 54. ___ in Charlie                 | 78. Find to be (as a motion)              |
| 25. Subatomic particle                    | 55. Dwarf planet larger than Pluto | 80. Pig ___ poke                          |
| 26. Like 16-down                          | 56. Depth: prefix                  |   |
| 28. Crime involving threats               | 57. Conger                         |   |

81. Restroom, to barristers and solicitors
82. Where the Styx flows
83. 1991 REM hit
88. “\_\_\_ shall any person be subject for the same offense to be twice put in jeopardy of life or limb...”
89. Lawn base
90. Cool red giants
94. Hospital rooftop feature
98. “If \_\_\_ Hammer”
102. ”Norma \_\_\_” -- film about a unionizer
103. Res
104. It protects the right to the final part of 21-, 35-, 49-, 75-, and 83-across
109. Latin words of accusation
110. Straddle unstably
111. Sonata movement
112. Stitched line
113. It’s required to bring a legal action
114. Like affidavits

**DOWN**

1. “...is sad and dreary ev’rywhere \_\_\_”: Stephen Foster
2. Twist or stomp
3. Actress who took advantage of the California Supreme Court’s same-sex marriage ruling, to her friends
4. Clay aka \_\_\_ v. United States, (S. Ct. 1971)
5. Defamation, to libel: Abbr.
6. Kal Kan alternative
7. Perjures
8. Part of a Spanish play
9. Fishing nets
10. Bishop’s neighbor: Abbr.
11. “\_\_\_ was saying, your honor...”
12. Modernists
13. Picks up
14. Trusts and \_\_\_
15. Wild West lawman
16. Graceful arch
17. Like the Virginia Military Institute, after U.S. v. Virginia (1996)
22. Scrooge, for short
27. Fortune
29. Truman’s Secretary of State
30. Coconut husk fiber
32. Plaintiff or defendant
33. Whitman works
36. 1989 Literature Nobel

37. Affairs d’ \_\_\_
38. Olympic skater Cohen
39. Local pic shower
40. Like many a legal document vis à vis a letter
41. Tenet v. Doe org.
42. Cleveland \_\_\_\_, O.
43. Golden \_\_\_ (senior citizen)
44. Parched
45. Gets going
50. Helps, legally
51. Words of agreement
52. Put alcohol in the punch
53. Possible vote on a law
58. Sweepstakes competitor
60. Spanish aunt
62. Pride precedes it, they say
64. Cyrano had a big one
65. Puncture sound
67. “\_\_\_ sure you know...”
68. Some HDTVs
70. Yours, in Tours
71. Subj. with maps
73. Org. that fights hate speech
74. Anthony Kennedy or Stephen Breyer, astrologically
76. “Master of the Senate” author
77. Light: Prefix

79. \_\_\_ contacts: civil procedure standard
84. Queue before Q
85. Transplants
86. Rewrote, as a brief
87. “Objection! This \_\_\_ outrage!”
91. “There \_\_\_ words...”
92. It’s had during a recess, for short
93. Attack
94. Puts on a rocket docket
95. Diminutive suffix
96. “\_\_\_ smile be your umbrella”
97. Certain legislative assembly
99. WWI espionage name
100. Egyptian deity
101. Follower of Mao
105. Stephen of “The Crying Game”
106. Penn in NYC, e.g.
107. Howard Dean and Bill Frist, briefly
108. Cut (down)

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N	R	O	W	S		G	N	I	D	N	A	T	S		M	A	E	S
O	D	N	O	R		N	O	R	E	T	E	E			U	T	T	E
T	N	E	M		N	E	N	A	M	E	S	R	F	I		M	E	M
E	A	R			A	D	A	H	I			D	A	P	L	L	H	
S	R	A	T	S	S				D	O	S		R	O	N			
				N	O	I	G	L	I	E	R	M	G	N	S	I	O	L
S	E	D	A	H		O	O			A	N	I				E	E	D
S	S	E	P	R	E	D	E	T	A	C	O	S	S	A		T	L	A
S	O	S	T		E	G	A	F	O		S	A	T	I	N	A		
S	N	O	A	C		A	D	A										
				L	E	A	E	S		O	H	A	T	B		S	I	R
S	A	C		Y		B	L	M	S	E	S	A	V	A	R	E	N	E
T				S		A	E	D		A	T	E			H	A	S	A
H	C	E		P	S	N	O	S	I	O	C	E	S	N	O	C		
				T	A													
D	E	P	A	H	S	S			N	O	S	O	B					
E	E	R	T		N	O			I	T	I	T	E	P	E	N	L	N
O	G	A	S															
C	O					S	S	N	K	S	A							

PAUL M. SMITH, JULIE M. CARPENTER, KATHERINE A. FALLOW, AND ROCHELLE D. LUNDY

## Court Hears Argument in Fleeting Expletives Case

The Supreme Court on November 4, 2008, heard argument in No. 07-582, *FCC v. Fox Television Stations, Inc. et al.*, the so-called fleeting expletives case. The argument revealed some interesting splits among the Justices.

The Second Circuit had itself divided two-to-one in this case, which involves challenges to the FCC's changed policy that a single four-letter expletive during a show on broadcast television can, depending on the context, constitute improper indecency. The FCC made the policy change in the context of considering fines against two major networks for broadcasting single spontaneous expletives uttered by celebrities during live awards shows. The Second Circuit majority had held that this change of policy was not sufficiently justified and was therefore arbitrary and capricious, under the Administrative Procedure Act (APA). In so doing, the majority in the court of appeals expressed serious concerns about, but did not directly rule on, the constitutionality of the FCC policy under the First Amendment. Judge Leval dissented, arguing that the policy change was sufficiently explained for APA purposes. He did not address the First Amendment issue.

The FCC sought review in the Supreme Court. At oral argument, Solicitor General Garre tried to convince the Court to follow the lead of Judge Leval and reverse on the APA issue without addressing the First Amendment. This argument appeared to find a receptive audience in the Chief Justice, Justice Scalia, and possibly Justice Souter.

Other Justices, however, were more concerned about the actual burdens imposed on the broadcasters by the FCC's policy of judging individual expletives

based on the context of the particular show in which they occur. Justice Breyer asked repeated questions about the feasibility of using tape delay and bleeping technology. Justice Ginsburg suggested that the lines drawn by the Commission in practice—for example, permitting the expletives in *Saving Private Ryan* but not in a documentary on blue musicians—show “no rhyme or reason.” Justice Stevens asked questions suggesting some doubt that use of fleeting expletives in a manner divorced from their literal meaning could be considered indecent within the meaning of the Communications Act and the governing decision in *FCC v. Pacifica Foundation*.<sup>1</sup>

## Court Considers Arguments Concerning Public Forums and Monuments in the Park

*Pleasant Grove City v. Summum*, No. 07-665, presents the issue of whether a municipal government violates the free speech rights of a private group by refusing to place the group's monument alongside other privately donated monuments in a public park. Founded in 1975, Summum is a Salt Lake City-based religious organization. The principles of Summum's philosophy are contained within the Seven Aphorisms, teachings that followers believe were intended to complement the Ten Commandments. In 2003, Summum asked Pleasant Grove City, Utah, for permission to erect a monument of the Seven Aphorisms in a city park alongside an existing monument of the Ten Commandments donated by a local organization. The city denied the request on the grounds that the monument was neither relevant to local history nor donated by a group with longstanding ties to the community, the criteria that the city uses to determine the composition of permanent public displays.

Summum filed suit in federal district court, asserting that the denial violated the Free Speech Clause of the First Amendment, and sought a preliminary injunction allowing it to display the Seven Aphorisms monument pending resolution of the dispute. The district court denied the injunction, but a Tenth Circuit panel

reversed the lower court decision, holding that a city park is a traditional public forum historically associated with the free exchange of ideas. Noting that government restrictions on speech within such public forums are presumptively invalid and subject to strict scrutiny, the court found that the city failed to offer any reason why its historical criteria qualified as a compelling interest.<sup>2</sup>

The city petitioned the Tenth Circuit to rehear the case en banc, contending that the original panel erred in categorizing the park's donated monuments as private speech rather than as government speech. Rehearing was denied by an equally divided vote of six-to-six.<sup>3</sup> In an opinion dissenting from the denial, Judge Lucero asserted that while a public park may be a traditional public forum for temporary speech and assembly, it cannot be considered one for the installation of permanent displays.<sup>4</sup> Judge McConnell, also dissenting, argued that although the park's existing monuments were privately donated, the city embraced their messages as its own by accepting and displaying them, transforming them into government speech subject to a lower degree of scrutiny.<sup>5</sup>

Following the denial of rehearing en banc, the city petitioned for certiorari, which the Court granted on March 31, 2008. In its opening brief to the Supreme Court, Pleasant Grove City echoes the arguments of the dissenting judges on the Tenth Circuit. The city challenges the notion that private involvement in the creation or donation of a monument prevents such speech from being characterized as government speech, asserting that it is the government's editorial decision to display the monument that is the speech at issue. Pleasant Grove also contends that although a city park may be a public forum for transient speech, such as leaflets or oral presentations, there is no similar tradition allowing private parties to deposit permanent unattended monuments on government-owned land. As a final point, the city urges the Court to consider the practical consequences of upholding the Tenth Circuit's decision, expressing concern over the possibility

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that public land will either become cluttered by private monuments, or empty of even well-known historical structures.

In its brief in opposition, Summum asserts that government speech requires either active government participation in creating the message conveyed or formal adoption of that message, neither of which is present with regard to the Ten Commandments monument in Pleasant Grove City. Summum cautions that if either a municipality's ownership of a monument or exercise of editorial discretion in choosing to display it were sufficient to transform the monument into government speech, this would allow the government to provide preferential access to public forums by simply taking title to items of speech expressing messages with which it agrees. Summum also criticizes Pleasant Grove's attempt to divide a city park into public and nonpublic forums depending on the manner in which speech is expressed, referring to *Capitol Square Review & Advisory Board v. Pinette*, an Establishment Clause case in which the Court treated a town square as a traditional public forum despite the fact that the speech at issue was a permanent unattended display.<sup>6</sup>

The Court heard argument in *Pleasant Grove City v. Summum* on November 12, 2008. The resulting decision is certain to affect—and hopefully will clarify—the criteria used in identifying the fora at issue in First Amendment cases and provide a means of distinguishing between private and government speech in the increasingly common scenarios in which they intersect.

### **Court Hears Argument on the Right of Nonmembers of Unions to Resist Paying Fees**

In the continuing debate over when unions can assess fees on nonmembers without compelling speech in violation of the First Amendment rights of those nonmembers, the Court recently heard argument in No. 07–610, *Locke v. Karass*. The question there is whether a public sector union may impose on nonmembers a service fee that includes litigation costs funded through pooling arrangements with other unions. Twenty state executives who were not members of the Maine State Employees Association, but who were covered by its collective bargaining agreement, challenged the assessment on them of

a service fee, one component of which was an “affiliation fee” to the national union that included litigation costs related to collective bargaining. The executives argued that the fee required them to pay for “extra-unit” litigation that would benefit other local units or national affiliates but not their own local unit. And that result, they argued, violated their First Amendment protection against compelled speech as articulated in *Ellis v. Brotherhood of Railway Clerks*.<sup>7</sup> *Ellis* held that litigation costs are germane—and therefore chargeable to nonmembers—only when those costs relate to the bargaining process for that particular unit. The First Circuit disagreed. It held that *Lehnert v. Ferris Faculty Association*<sup>8</sup> controlled, rather than *Ellis*, because *Lehnert* applied to nondirect sources like the pooling arrangements at issue here. Applying *Lehnert*'s expanded notion of germaneness, which included activities that would “ultimately inure to the benefit of the members of the local union,” the court held that the extra-unit litigation was chargeable to nonmembers because it was germane to collective bargaining activity.

In the Supreme Court, petitioners have argued that the *Lehnert* test is unworkable and confusing. They seek a bright-line rule that would limit chargeable expenditures to those relating to the individual bargaining unit. They also argue that imposing extra-unit litigation costs on nonmembers compels speech and therefore must be subject to strict scrutiny. Respondents urge the Court to maintain the *Lehnert* standard, in part because the pooling arrangements allow the local units to keep their costs down to the benefit of members and nonmembers alike. At oral argument, the Court probed whether the pooling arrangement was essentially an insurance scheme, which would not be

constitutionally forbidden; whether litigation about a collective bargaining agreement is germane to that agreement in the same way that negotiation of it is germane; and whether the public nature of litigation made it compelled speech. Given that *Lehnert* left open whether extra-unit litigation could be charged to nonmembers as part of a pooling arrangement, the Court will likely answer that question. But whether the test that emerges is a bright-line one, or one that requires evaluating several factors depends on whether this Court tries to reconcile *Ellis* and *Lehnert* or decides to fashion a new test of germaneness. **G**

### **Endnotes**

1. 438 U.S. 726 (1978).
2. 483 F.3d 1044 (10th Cir. 2007).
3. 499 F.3d 1170 (10th Cir. 2007).
4. *Id.* at 1173–74 (Lucero, J., dissenting).
5. *Id.* at 1177 (McConnell, J., dissenting).
6. 515 U.S. 753 (1995) (holding that a state government did not violate the Establishment Clause by allowing a private group, the Ku Klux Klan, to display an unattended cross in a public square containing other privately donated religious monuments).
7. 466 U.S. 435 (1984).
8. 500 U.S. 507 (1991).

## **P. CAMERON DEVORE**

1932–2008

The Governing Committee of the Forum on Communications Law and the Editorial Board of *Communications Lawyer* were saddened to learn of the sudden death of P. Cameron DeVore at the age of 76 on October 26, 2008.

He was an early champion of the freedom of commercial speech and, with Judge Robert Sack of the Second Circuit, wrote the treatise *Advertising and Commercial Speech: A First Amendment Guide*.

“He was a leader in the entire area of First Amendment protection,” according to Floyd Abrams, who was quoted by the *Seattle Times*. “He was a paragon of legal ethics, someone who people turned to for advice. His death is a loss in a deeply personal as well as a professional sense.”

The next issue of *Communications Lawyer* will feature a tribute to his many professional and personal accomplishments.

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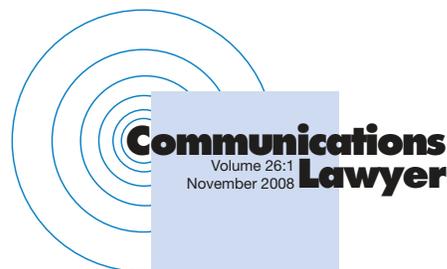
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13-0062

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IN THE  
SUPREME COURT OF OHIO

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DAVID FACKELMAN, et al.

*Appellants*

v.

MICRONIX, et al.

*Appellee*

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On Appeal From  
Court of Appeals of Ohio  
Eighth Judicial District  
Case No. CA-12-098320

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MEMORANDUM OF AMICUS  
AMERICAN ASSOCIATION FOR JUSTICE /  
TELEMARKETING, SPAM & JUNK FAX LITIGATION GROUP  
IN SUPPORT OF JURISDICTION  
OF APPELLANTS DAVID FACKELMAN AND SWIFT PRINT

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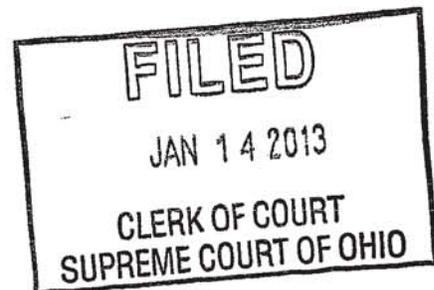


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 A state court in adjudicating civil actions filed under the Telephone Consumer Protection Act (TCPA) may not randomly “pick and choose” whether it will rule in conformity with the regulations of the Federal Communications Commission (FCC) in any individual case. The regulations of the FCC are mandatory for all fax advertisements transmitted over telephone lines, and state courts are prohibited from making rulings contrary to the express language of those regulations .....	
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## INTEREST OF AMICUS

The amicus, American Association for Justice / Telemarketing, Spam & Junk Fax Litigation Group, has a strong interest in ensuring rigorous and consistent nationwide enforcement of federal consumer protection laws, including those pertaining to telephone solicitations, fax advertisement transmissions, cell phone advertising and e-mail marketing. Both the federal law at issue in this case, 47 U.S.C. §227, and Ohio law, R.C. § 4931.75, prohibit the transmission of uninvited faxed commercial advertisements (“junk faxes”). Hence, the protection of the citizens of Ohio against nuisance faxes is Ohio public policy, as well as national public policy.

A primary goal of the AAJ is that of seeking to ensure that citizens are given the full protection of the law, both federal and state. Congress, in enacting the Telephone Consumer Protection Act (TCPA), 47 U.S.C. §227, specifically authorized any “person or entity” to file a civil action in any state court, to enjoin violations of, enforce compliance with, and obtain damages for, any violation of the TCPA or the associated FCC regulations. *See*, 47 U.S.C. § 227(b)(3). The damages were intended to be sufficient to encourage individuals to bring suit against violators. *See*, e.g., *Levitt v. Fax.com Inc.*, 2002 WL 34250441 (Md. Cir. Nov 27, 2002).

The AAJ has long had a strong interest in safeguarding the privacy rights of citizens, including the protection of the American public from intrusive, unfair and deceptive commercial marketing practices. In addition, a key focus of this litigation group of the AAJ has been to tirelessly defend the rights of consumers and small businesses against all types of invasive advertising, especially faxed ads for which the recipient is unwittingly compelled to absorb the cost.

For these reasons, this AAJ litigation group is particularly interested in how state courts, interpret and apply the TCPA and the related FCC regulations, 47 C.F.R. § 64.1200. It is the belief of this organization that the outcome of this appeal has the potential to widely affect the interpretation and enforcement of the TCPA and its regulations. Not only for the people of Ohio, but throughout the United States. Accordingly, this organization has joined the Appellants in seeking review and reversal of the decision of trial court in the instant case.

### **WHY THIS IS A CASE OF GREAT PUBLIC AND GENERAL INTEREST**

Since the TCPA is a nationwide statute, it is imperative that it be applied in a consistent manner throughout all 50 states. It would obviously undermine the whole purpose of the federal statute, if the courts of an individual state were to have free reign to judicially conjure their own interpretation of the TCPA or the related FCC regulations, or decide to ignore parts they “didn’t like” or felt were “too harsh”.<sup>1</sup>

In adopting the statute, Congress was fully aware that many businesses conduct **interstate** advertising campaigns. The legislative history of the TCPA demonstrates that one of the main purposes of the law was to have a **uniform** national statute and regulations, due to the insufficiency of individual state laws regarding telemarketing and facsimile (“fax”) advertising. See, Senate Rep. No. 177, 102nd Cong., 1st Sess. (1991) at p. 3; House Rep. No. 317, 102nd Cong., 1st Sess. 1991, at pp. 9-10. If every state court is free to write their own spin on the law, it effectively places the public back to the same inadequate

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<sup>1</sup> “If the true construction has been followed with harsh consequences, it cannot influence the courts in administering the law. The responsibility for the justice or wisdom of the legislation rests with the Congress, and it is the province of the courts to enforce, not to make, the laws.” *United States v. First National Bank of Detroit*, 234 U.S. 245, 260 (1914).

position they were in *before* the TCPA was enacted. In fact, it has the possibility to create an even worse scenario for the citizenry of Ohio.

For example, suppose an Ohio company contemplates launching a fax advertising campaign to generate new business. So, the owner consults a local lawyer, who dutifully reads the recent judicial opinions of the Eighth District appellate court. He advises the owner, based upon his reading of those opinions.

Unfortunately, the business owner could soon find himself and his company subject to both hefty FCC fines and civil damages awarded in favor of irate recipients of unwanted “junk faxes” by the state and federal courts of the other 49 states, all of which interpret the TCPA and related federal regulations in uniformity with the language of the statute and the regulations adopted by the FCC.

It is the position of the AAJ, both from the application of the Supremacy Clause of the United States Constitution, and from ordinary logic, that the *proper* interpretation and application of the TCPA must be left to the federal administrative agency designated by Congress, in 47 U.S.C. § 227(b)(2), with interpreting and enforcing the statute: the Federal Communications Commission (FCC), and not any individual state court.

In the instant case, the ruling of the Eighth District Court of Appeals directly presents the issue of whether an Ohio state court has the authority to interpret the TCPA and its related regulations, in a manner which severely undermines or infringes upon the basic protections given by the statute and which directly conflicts with the authoritative interpretation rendered by the FCC in regard to the matters at issue in this appeal.

Specifically, the appellate court rendered an erroneous decision on the key issue in this matter:

Whether the FCC regulations, at 47 C.F.R. § 64.1200, adopted pursuant to the authority of the TCPA, are mandatory nationwide, and therefore must be followed and enforced by all courts, including the state courts of Ohio, or are the regulations mere “guidelines” to be rejected or contorted, as any state court may see fit, irrespective of any FCC interpretation or official commentary.

Because of the foregoing issue, this appeal is viewed as a matter of major importance by this amicus, the American Association for Justice / Telemarketing, Spam & Junk Fax Litigation Group, which herein joins the Appellants in requesting this honorable Court to hear and adjudicate this case.

#### **STATEMENT OF THE CASE AND FACTS**

The facts in this case (including both the facts regarding Appellees’ alleged violations and the procedural facts) are fully stated in Appellants’ brief. Amicus hereby accepts, and incorporates by reference, the Statement of the Case and Facts, as written and stated by appellants.

#### **STATEMENT OF APPLICABLE STANDARD OF REVIEW**

Amicus hereby states its agreement with the position of Appellants, in regard to the governing standard of review, and hereby accepts, and incorporates by reference, the Appellants’ statement of the applicable standard of review.

## **ARGUMENT IN SUPPORT OF PROPOSITION OF LAW**

### **Proposition of law No 1:**

**A state court in adjudicating civil actions filed under the Telephone Consumer Protection Act (TCPA) may not randomly “pick and choose” whether it will rule in conformity with the regulations of the Federal Communications Commission (FCC) in any individual case. The regulations of the FCC are mandatory for all fax advertisements transmitted over telephone lines, and state courts are prohibited from making rulings contrary to the express language of those regulations.**

#### **1. Short Summary of Argument**

- A. The telephone lines are subject to regulation by the Federal government.
- B. The federal administrative agency designated by Congress to “prescribe regulations” in regard to the telephone lines is the FCC.
- C. Congress specifically granted the FCC authority to promulgate regulations to enforce prohibitions against certain types of telemarketing advertising and facsimile (“fax”) advertising over telephone lines, in the Telephone Consumer Protection Act (TCPA), 47 U.S.C. at 227(b)(2).
- D Pursuant to the Supremacy Clause of the United States Constitution, Article VI, Cl. 2, the regulations of the FCC are a primary source of law, and those regulations supercede the caselaw of any state to the contrary.
- E. In order to avoid confusion between different categories of faxed advertisements and whether a particular fax constitutes a “solicited” or “unsolicited” advertisement, among other public policy considerations, the FCC has instituted a regulation requiring that any and all fax advertisements, must contain a convenient “Opt-Out” notice and cost-free mechanism to enable recipients of such faxes to remove themselves from the sender’s fax list.

#### **2. All Unsolicited Advertisements Faxes are Prohibited under the TCPA**

Most citizens have a familiarity with the Telephone Consumer Protection Act (TCPA)

through participation in the National Do Not Call list. The “Do Not Call” registry was authorized by the passage of the TCPA in 1991, and the updated version of the national Do Not Call registry, enacted by Congress in 2003, was established to facilitate compliance with the provisions of the TCPA statute. Subsequently, on June 27, 2003, the U.S. Federal Trade Commission (FTC) established the **National Do Not Call Registry** in order to comply with the Do-Not-Call Implementation Act of 2003 (H.R. 395 of the 108th Congress, codified at 15 U.S.C. § 6101 et. seq.). Over 139 million telephone numbers have since been registered with this service. The National Do Not Call Registry is managed and maintained by the FTC, the nation’s primary consumer protection agency. It is enforced by not only the FTC, but also by the FCC, which regulates the telephone lines, and by state law enforcement officials, specifically the Attorney General of each state.

Besides establishing statutory authority and regulations for enforcement through the FCC in regard to telemarketing calls, the TCPA also establishes proper procedures for advertising by telephone to transmit fax messages via fax machines. The “fax advertisement” portion of TCPA prohibits **all** commercial enterprises from transmitting commercial promotional or advertising material (commonly called “junk faxes”) via a fax dedicated phone line, unless the sender first obtains the express permission of the recipients. Under the statute, 47 U.S.C. § 227, any advertisement fax sent without the recipient’s “prior express invitation or permission” is defined as “unsolicited” and subject to the imposition of monetary penalties by the FCC. .

In addition to potential FCC fines, a private cause of action for any individual “person or entity” was established under the TCPA for both telemarketing abuse and fax advertising, for the minimum sum of \$500 per violation, or treble that amount (\$1,500), if a court finds that the violation was committed “knowingly or willfully”. 47 U.S.C. § 227(b)(3).

Any advertisement fax that is transmitted without first obtaining the recipient's "prior express invitation or permission" is an "**unsolicited advertisement**" by statutory definition. 47 U.S.C. § 227(a)(5)(as amended, 2005). There was no requirement in the original 1991 TCPA for the sender of any advertisement faxes to include any "opt out" or "stop faxes" language (such as: "Call this number to be removed from the fax list"), so that the recipient of the "unsolicited" fax could "Opt-Out" or stop future faxes from that particular sender.

However, even though there was no TCPA requirement to include such "Opt Out" language on "unsolicited" faxes until the year 2005, it was routine for many major fax broadcasters, and also for some smaller advertisers, to place toll-free numbers at the bottom of their faxes, purportedly to offer the recipient the opportunity to dial a number to opt out of future fax advertisements from that sending entity, or to be removed from their fax list.

Unfortunately, most of those pre-2005 "opt out" toll-free phone numbers were themselves a consumer scam. Not only did calls to those "Opt-Out" numbers fail to accomplish the recipient's desired goal of stopping the faxes, but they actually had the opposite effect, in that the call would confirm to the sender (usually some giant fax blasting outfit) that the fax number was a "live" or good fax line. As a result of this scam of the 1990s and early 2000s, the FTC went on record advising recipients of **unsolicited** faxes from wasting their time dialing the opt-out numbers on the bottom of the faxes. See: <http://www.ftc.gov/bcp/online/pubs/alerts/domainalrt.htm>

**3. Established Business Relationship codified as a recognized exception to the prohibition against transmitting "unsolicited" advertisement faxes of the "Opt-Out" notice requirement.**

Other than obtaining "prior express invitation or permission" directly from the recipient, there was no other legal means of transmitting fax advertisements through telephone lines until the amendment of the TCPA by the Junk Fax Prevention Act (JFPA) in July 2005, which authorized

faxed advertisements to also be sent on the basis of an “established business relationship” between the sender and the recipient, provided that the sender complied with the “opt out” provisions of the statute. It is worth noting that the enactment of passage of the JFPA amendment to the TCPA was the first time there was **any** federal statutory requirement for a certain category of advertisement faxes to contain specific “Opt-Out” language.

The express language of the JFPA made it clear that the category of a fax advertisement sent on the basis of an “Established Business Relationship” remained the same, meaning it was still considered “**unsolicited**”, since it was sent without “permission” (i.e., first contacting the recipient and obtaining the recipient’s prior express permission). It was though, in effect, deemed as a specific exception to the ban on unsolicited fax advertisements.

But the status of a violation would not occur, if a fax was sent on the basis of an “established business relationship”, and a private right of action would not accrue, if there was any such legitimate relationship between the parties, as long as the other statutory conditions were met, such as the inclusion of “Opt-Out” language on the faxes, and that the sender had followed the proper procedure for obtaining the recipient’s fax number.

In addition, the JFPA at 47 U.S.C. § 227(b)(2), specifically authorized and instructed the FCC to promulgate additional regulations to implement the JFPA amendments to the TCPA, which the FCC accomplished with its August 1, 2006 order. Besides the statutory “safe harbor” provisions for transmitting an advertisement fax to existing customers, the FCC added the additional requirement that all advertisement faxes must accurately identify the sender, and must have a correct date and time of transmission included on the fax. In addition to the 2006 regulations, it also issued a report which clarified the necessary conditions for a true

“established business relationship” to exist, as well as requiring a mandatory cost-free telephone number or webpage, at which a recipient could “opt out” of all future faxes.

**4) Why the FCC was correct in making the notice of the right to “opt-out” of future faxes mandatory and why it is imperative that Ohio follow the FCC’s regulations.**

As detailed above, the seminal source of the requirement to an “Opt-Out” notice on any fax was the passage of the 2005 JFPA amendments to the TCPA statute. The statutory opt-out notice requirement applied to those advertisement faxes which were transmitted without prior express permission of the recipient, but sent on the basis of an established business relationship between the sender and recipient. However, due to shoddy or non-existent record keeping by fax senders, it was often a “he said / she said” battle in court, as to whether fax advertisements had been sent within the letter of the law. It was common to have lengthy litigation disputes over whether a sender had “permission” and/or an “established business relationship” with a recipient.

Subsequent to the passage of the JFPA, the FCC promulgated regulations designed to eliminate any confusion or disputes over whether a fax advertisement was “unsolicited” (sent without express permission) or “solicited” (sent with permission) and faxes sent in the context of an established business relationship. These regulations were mandatory for ALL advertisement faxes, and required that **any and all** fax advertisements must contain an “Opt-Out” notice.

Adopted pursuant to section 227(b) of the TCPA, the regulation set forth in 47 C.F.R. § 64.1200(a)(3)(iv), expressly provides that “[a] facsimile advertisement that is sent to a recipient *that has provided prior express invitation or permission* to the sender *must* include an opt-out notice that complies with the requirements in paragraph (a)(3)(iii) of this section” (emphasis added); *In the Matter of the Junk Fax Prevention Act of 2005*, 27 F.C.C.R. 4912, 4915 (May 2,

2012) (confirming that “entities that send facsimile advertisements to consumers from whom they obtained permission, must include on the advertisements their opt-out notice and contact information to allow consumers to stop unwanted faxes in the future”). Accordingly, 47 U.S.C. § 64.1200(a)(3)(iv) explicitly requires that even solicited fax advertisements contain a specific “opt-out” notice.

In addition, the TCPA explicitly states that a private right of action exists for, among other things, “a violation . . . of the regulations prescribed under [47 U.S.C. § 227(b)].” 47 U.S.C. § 227(b)(3)(A). Earlier in 2012, the U.S. Supreme Court explicitly recognized that Congress authorized a private right of action **for violations of the FCC’s regulations** promulgated pursuant to the TCPA. *Mims v. Arrow Financial Services, LLC*, 132 S. Ct. 740, 744 (2012) (“Congress also provided for civil actions by private parties seeking redress for violations of the TCPA **or** of the Commissions implementing regulations”). Many other decisions have recognized such a cause of action specifically for defective “opt-out” notices. *E.g., Ketch, Inc. v. Heubel Material Handling, Inc.*, 2011 WL 1807329, \*1 (W.D. Okla. 2011) (plaintiff may allege TCPA claim based on defendant’s failure to include proper opt-out notice in all of its advertisements, . . .”).<sup>2</sup>

Instead of following the consensus of courts on this issue, the Eighth Appellate District decided to rest its holding on the sole outlier, *Nack v. Walburg*, 2011 WL 310249 (E.D. Mo. 2011), a federal district court decision, which held that the FCC “opt-out” regulations only apply

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<sup>2</sup> See also *Medical West Ballas Pharmacy, Ltd. v. Anda, Inc.*, 2011 WL 1481007, \*2 (Mo. Cir. 2011) (“even if some potential class member gave express permission to receive Defendant’s advertisement by fax, that person can still allege a claim pursuant to the FCC’s regulations,” which “require that every advertisement sent by facsimile, including those sent with express invitation or permission, must include an opt-out notice”); *MSG Jewelers, Inc. v. C & C Quality Printing, Inc.*, 2008 WL 6970582, \*1 (Mo. Cir. 2008) (defendant liable under TCPA for sending solicited fax advertisement that does not contain opt-out notice required by 47 C.F.R. §§ 64.1200(a)(3)(iii)); *Collins v. Locks & Keys of Woburn, Inc.*, 2009 TCPA Rep. 1936, \*\*1-2 (Mass. Super. 2009) (granting plaintiffs’ motion for class certification, court rules that “the TCPA and accompanying regulations preclude Locks & Keys from raising the defenses of consent or prior existing business relationship because its fax does not contain . . . ‘opt-out’ instructions”).

to “unsolicited” fax advertisements. However, the *Nack* decision is extremely questionable in light of the explicit language of 47 C.F.R. § 64.1200(a)(3)(iv) (confirming that the “opt-out” notice requirements apply to **solicited** faxes), and the extensive precedent cited above, holding that violations of the FCC regulations violate the TCPA itself. *Nack* also is on very thin ice because it is not only currently on appeal to the U.S. 8<sup>th</sup> Circuit Court of Appeals, but the FCC has submitted an Amicus Brief in the case, in which it calls for the reversal of the *Nack* trial court decision. As the FCC succinctly put it in its Amicus Brief: “The plain language of 47 C.F.R. §64.1200(a)(3)(iv) requires facsimile advertisements *sent with the recipient’s consent* to contain an opt-out notice.” (emphasis added) FCC Amicus Brief in *Nack v. Walberg*, No. 11-1460, filed February 24, 2012, at pp. 11, 13-23.

Because the courts are required to give great deference to an FCC amicus brief construing its own regulations, the district court’s ruling in *Nack* is all the more dubious. *E.g., Talk America, Inc. v. Mich. Bell Tel. Co.*, 564 U.S. \_\_\_, 131 S. Ct. 2254, 2261 (2011) (U.S. Supreme Court overrules Sixth Circuit decision refusing to defer to FCC position stated in an amicus brief). Furthermore, the Eighth Appellate District opinion actually goes farther than the trial court in *Nack*. In the *Nack* case, the district court merely interpreted the FCC regulations as not applying to “solicited” fax advertisements, but in the present case, the decision of the Eighth Appellate District breezily *admits* that the FCC’s regulation does require an Opt Out notice, but then defiantly declines to follow the FCC’s regulation because “this is so broad as to encompass situations outside the Act’s intended purpose”. Opinion, at ¶ 15. An Ohio state appellate court simply does not have the authority to make such a sweeping pronouncement in regard to an Act of Congress, or a nationwide regulation promulgated by a federal administrative agency, which was authorized by statute to adopt such regulations.

In addition to finding the FCC regulations “so broad”, the decision of the Eighth Appellate District attempts to support its ruling by making the assertion that the FCC, in adopting the regulation, did not “sufficiently give notice to businesses and individuals that a violation of the Act would occur”. Opinion, at ¶ 11. Lack of familiarity with a particular law or regulation is **not** an excuse in a civil action. What is particularly troubling about this paragraph is that it flies directly in the face of the ruling of this honorable Court in *Charvat v. Ryan*, 116 Ohio St.3d 394, 2007-Ohio-6833 (2007), at ¶ 17, which held that “ignorance of the law is no defense” to a lawsuit under the TCPA.

By ruling that the FCC regulation requiring an “opt-out” notice on “solicited” fax advertisements should not apply to appellee Micronix because it is “so broad” or because the FCC did “not sufficiently give notice” to fax senders, the Eighth Appellate District has effectively declared the FCC regulation to be invalid, thus directly contradicting what this honorable Court ruled in its landmark decision in *Ryan*, supra, at ¶ 21, that Ohio courts are obligated to follow FCC regulations: “In *Charvat v. Dispatch Consumer Servs. Inc.*, 95 Ohio St. 3d 505, 2002-Ohio-2838, 769 N.E. 2d 829, we commented that the TCPA is the **‘skeleton of a system designed to rein in the proliferation of telemarketing calls. Much of the detail was left to the FCC.** Id at ¶ 24. **Congress delegated the implementation of the TCPA to the FCC**” (emphasis added)

Moreover, to the extent that the Eighth Appellate District has effectively ruled that FCC regulations do not apply, or that it is not mandatory that an “opt-out” notice on both “unsolicited” and “solicited” fax advertisements, because such a regulation is “so broad”, *Id.*, ¶¶ at 14 & 15, the Eighth Appellate District has entirely overstepped its authority. The Hobbs Act, 28 U.S.C. § 2342(1), deprives the state courts of jurisdiction to invalidate orders or regulations

issued by the FCC, except in the situation in which the party first petitions the FCC, and then seeks review directly in a federal circuit court of appeals. *E.g., F.C.C. v. IIT World Communications, Inc.*, 466 U.S. 463, 468 (1984) (“Exclusive jurisdiction for review of final FCC orders, such as the FCC’s denial of respondents’ rulemaking petition, lies in the Court of Appeals”); *US West Communications, Inc. v. Hamilton*, 224 F.3d 1049, 1055, (9<sup>th</sup> Cir. 2000) (although the court “doubt[s] the soundness of the FCC’s interpretation . . . , we are not at liberty to review that interpretation”).<sup>3</sup> Since this litigation does not involve a direct challenge to that FCC regulation, the Hobbs Act precludes any court, other than a federal court of appeals, from rejecting its application to “solicited” faxes here.

The decision of the Eighth Appellate District is a ruling which effectively voids 47 C.F.R. § 64.1200(a)(3)(iv) as written, since the regulation itself explicitly states that *it does apply* to persons who receive *solicited* fax advertisements (and the FCC confirmed that interpretation in its Amicus Brief to the 8th U.S. Circuit in the *Nack* appeal). Moreover, in disregarding the actual language of the FCC regulation (and instead holding that it need not apply the FCC regulation to “solicited” fax advertisements), is tantamount to issuing a ruling that “sets aside” the regulation. *See, FCC Nack Amicus Brief*, pp. 13-23; *CE Design, Ltd. v. Prism Business Media, Inc., supra*, 606 F.3d at 448, 445 (court holds that the Hobbs Act prevents the court from addressing party’s argument that FCC regulation does not apply, reasoning that “CE Design’s request that the court ‘ignore’ the [FCC] rule is just another way of asking it *not* to enforce the rule”).

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<sup>3</sup> Nor can the ruling of the Eighth Appellate District be supported on the basis that a State Court, as opposed to a federal district court, has jurisdiction to decide a direct challenge to the FCC regulations: a party “cannot use a State appeal to circumvent the Hobbs Act’s requirement that challenge to an FCC order is subject only to *direct* review in a court of appeals.” *CE Design, Ltd. v. Prism Business Media, Inc.*, 606 F.3d 443, 448, 449 n. 5 (7<sup>th</sup> Cir. 2010), *cert. denied*, 131 S. Ct. 933 (2011).

Further, even if the Eighth Appellate District was not constrained by the Hobbs Act, and could directly address the validity of the FCC regulation in its ruling, by finding it too “broad”, the U.S. Supreme Court has long held that an administrative agency may enact a regulation that is more restrictive than the language of the underlying statute, so long as the regulation is “reasonably related to the purposes of the enabling legislation.” *Mourning v. Family Publications Service, Inc.*, 411 U.S. 356, 369 (1973); *United States v. O’Hagan*, 521 U.S. 642, 673 (1997).

That is just what the FCC did in promulgating 47 C.F.R. § 64.1200(a)(3)(iv), in which it very reasonably extended the opt-out notice requirement to include both “unsolicited” and “solicited” faxes. The agency reasonably concluded that it would be easier and far less confusing for a recipient to be able to take advantage of their “opt out” rights under the statute, if the related regulations were to apply to all faxes, whether unsolicited or solicited.<sup>4</sup>

The appeals court had a duty to render a decision in conformity with the FCC regulation, since *Charvat v. Dispatch Consumer Serv. Inc.*, 95 Ohio St.3d 505, 2002-Ohio-283 (2002), because such regulations are to “given **controlling weight** unless they are arbitrary, capricious, or manifestly contrary to the statute.” *Id.*, at ¶ 23. The Eighth District Court made no ruling that the regulation was “arbitrary, capricious, or manifestly contrary to the statute.”

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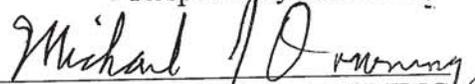
<sup>4</sup> On the merits of the regulation, at least two very real concerns were behind the FCC’s decision to require that even solicited fax advertisements contain opt-out notices making recipients aware of how they could opt out of receiving “future, unsolicited fax advertisements.” First, the FCC recognized that once a person has consented to receiving fax advertisements, that permission will be valid forever unless the person opts out using the detailed, specific opt-out request required by the TCPA. In the Matter of Rules and Regulations Implementing the Telephone Consumer Protection Act of 1991, *supra*, 21 F.C.C.R. at 3812, ¶ 46; 47 U.S.C. § 227(E); 47 C.F.R. § 64.1200(a)(3)(v). The FCC therefore found it advisable to require that the opt-out notice be placed even on solicited faxes so that recipients would know how to avoid receiving fax advertisements in perpetuity. In the Matter of Rules and Regulations, *supra*, 21 F.C.C.R. at 3812 ¶ 48. Second, because the TCPA specifically permits companies to send facsimile advertisements to individuals after receiving only oral permission to do so, the FCC was “concerned that permission not provided in writing may result in some senders erroneously claiming they had the recipient’s permission to send facsimile advertisements.” In the Matter of Rules and Regulations, *supra*, 21 F.C.C.R. at 3811-12, ¶¶ 46-47; *see also* 47 U.S.C. § 227(a)(5).

Yet, rather than give deference to the FCC, the Eighth Appellate District instead rendered a decision in which it simply refused to enforce the regulation.

**CONCLUSION**

**WHEREFORE**, for all of the above reasons, this amicus, the American Association for Justice / Telemarketing, Spam & Junk Fax Litigation Group, respectfully requests this Court to accept jurisdiction of this matter, and to hear and adjudicate this case.

Respectfully submitted,



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**CERTIFICATE OF SERVICE**

A copy of the foregoing was sent to William M. Kovach, Attorney for Defendants, at Travelers Insurance, Park Center Plaza II, 6150 Oak Tree Boulevard, Suite 450 Independence, OH 44131-6917, by regular U.S. mail, first class, postage prepaid, on this 19 day of January, 2013.



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