Contents

vii  Foreword

ARTICLES

1  International and Comparative Law On The Journalist’s Privilege: The Randal Case As A Lesson for the American Press
   KYU HO YOUM

57  Wired But Mired: Legal System Inconsistencies Puzzle
    International Internet Publishers
    ASHLEY PACKARD

BOOK EXCERPT

97  Speaking Freely: At Home and Abroad
    FLOYD ABRAMS

ESSAY

109  Globalization Comes to Media Law
    RICHARD N. WINFIELD

SYMPOSIUM

117  Entertainment Without Borders: Practicing Entertainment Law in a Global Environment

DEVELOPMENT

189  Apple Computer Inc. v. CyberBritain Group Ltd.
    JOHN PATRICK KIM
Foreword

We hope you enjoy this first issue of the Journal of International Media and Entertainment Law. A joint undertaking between the American Bar Association’s Forum on Communications Law and Southwestern Law School’s Donald E. Biederman Entertainment and Media Law Institute, the idea for the Journal was hatched almost two years ago at the annual meeting of the Forum in recognition of increasingly important place that international legal issues occupy in media and entertainment.

The media and entertainment businesses have become truly global. Companies that used to look to the United States for most of their revenue now look abroad for much of their growth. Lawyers representing media and entertainment companies now must confront not only the U.S. legal system, but also those of a host of other jurisdictions where their clients’ products are distributed. Even products intended primarily for domestic consumption may find their way abroad through new technologies that facilitate seamless distribution across geographic borders.

This issue examines the international dimension of media and entertainment from a variety of perspectives. Kyu Ho Youm of the University of Oregon takes a comprehensive look at the development of the reporter’s privilege to protect confidential sources. The University of Houston’s Ashley Packard addresses the difficulties that international internet publishers face in regard to jurisdiction, choice of law and enforcement of foreign judgments. Dick Winfield, the new Chairman of the World Press Freedom Committee, and an adjunct faculty member at both Columbia and Fordham law schools, considers how specialized media lawyers are influencing the development of law around the world. Floyd Abrams, the leading First Amendment practitioner and scholar, reflects, in an excerpt from his recent book Speaking Freely, on differences between the United States’ protection of expression through the First Amendment and the decidedly different approaches taken by many other countries. Finally, a number of Los Angeles area entertainment lawyers and scholars discuss issues relating to territorial and cultural barriers, royalty repatriation and dispute resolution in a transcript of a November, 2005, symposium produced by the Biederman Institute and Beverly Hills Bar Association.
The Journal will be published twice a year. Members of the Forum on Communications Law will receive copies as a membership benefit. Non-members may subscribe separately. The Journal welcomes submissions on all aspects of international media and entertainment law by scholars and practitioners.

David Kohler, Supervising Editor
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2005-2006

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jbirenz@sbandg.com

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rgoeehler@fbtlaw.com

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303.607.3631
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tkelley@faegre.com

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fax: 818.563.4160
jonathan.avila@disney.com

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770.901.8857
fax: 770.901.8874
pcanfield@dlalaw.com

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fax: 619.234.3815
gcummins@sheppardmullin.com

PAULETTE DODSON (2007)
Tribune Co.
6th Floor
435 N. Michigan Ave.
Chicago, IL 60611
312.222.3974
fax: 312.222.4206
pdodson@tribune.com
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Home Box Office
Suite 400
2500 Broadway
Santa Monica, CA 90404
310.382.3279
fax: 310.382.3698
pat.duncan@hbo.com

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15th Fl., Legal Dept.
77 W. 66th St.
New York, NY 10023
212.456.6371
fax: 212.456.6565
henry.s.hoberman@abc.com

JOSHUA KOLTUN (2008)
DLA Piper Rudnick Gray Cary US LLP
Suite 800
153 Townsend St.
San Francisco, CA 94107-1957
415.615.6027
fax 415.659.7300
joshua.koltun@dlapiper.com

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Jackson Walker L.L.P.
Suite 1100, 100 Congress Ave.
Austin, TX 78701
512.236.2260
Fax: 512.236.2002
lauralee@jw.com

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fax: 202.955.5564
charles.tobin@hklaw.com

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400 S. Record St.
Dallas, TX 75202
214.977.7026
fax: 214.977.7657
culrich@belo.com

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fax 816.471.6119
jim.borelli@mediaprof.com

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Frost Brown Todd LLC  
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fax: 513.651.6981  
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fax: 212.381.7227  
pclark@sbandg.com

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fax: 818.563.4160  
jonathan.avila@disney.com

EASTERN  
KEVIN GOERING  
Sheppard Mullin Richter & Hampton LLP  
30 Rockefeller Plaza  
New York, NY 10112  
212.332.3831  
Fax: 212.332.3888  
kgoering@sheppardmullin.com

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Fax: 202.662.6291  
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709 Long John Rd.  
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Fax: 202.462.8285  
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Leventhal Senter & Lerman PLLC
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2000 K Street NW
Washington, DC 20006
202.429.8970
Fax: 202.293.7783
strigg@lsl-law.com

CENTRAL
JERALD N. FRITZ
Sr. Vice President, Legal and Strategic Affairs
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Suite 2700
1000 Wilson Blvd.
Arlington, VA 22209
703.647.8747
Fax: 703 647 8740
jfritz@allbritton. tv.com

KENNETH E. KRAUS
Schopf & Weiss LLP
Suite 300
312 W. Randolph St.
Chicago, IL 60606
312.701.9328
Fax: 312.701.9335
klaus@sw.com

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Butzel Long
Suite 100
150 W. Jefferson
Detroit, MI 48226
313.983.7463
Fax: 313.225.7080
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BARBARA L. MORGENSTERN
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Donald E. Beideman Entertainment and Media Law Institute
Southwestern Univ. School of Law
675 Westmoreland Ave.
Los Angeles, CA 90005-3992
213.738.6842
Fax: 213.738.6614
dkohler@swlaw.edu

ANDREW MAR
MSN Entertainment
Microsoft Corporation
One Microsoft Way
Redmond, WA 98052
425.882.2748
Fax: 425.936.7329
andymar@microsoft.com

KELLI L. SAGER
Davis Wright Tremaine LLP
Suite 2400
865 S. Figueroa St.
Los Angeles, CA 90017-2566
213.633.6821
Fax: 213.633.6899
kellersager@dwt.com

NICOLE WONG
Google Inc.
1600 Amphitheatre Parkway
Mountain View, CA 94043
650.253.6048
nicolew@google.com

DAVID J. BODNEY
Steptoe & Johnson, LLP
Collier Center, Suite 1600
201 E. Washington St.
Phoenix, AZ 85004-2382
602.257.5212
Fax: 602.257.5299
dbodney@steptoe.com

C. THOMAS DIENES
George Washington Univ Law School
2000 H St. NW
Washington, DC 20052
202.994.6366
Fax: 202.994.9446
dienes@main.nlcl.gwu.edu

GEORGE FREEMAN
The New York Times Company
229 W. 43rd St.
New York, NY 10036
212.556.1558
Fax: 212.556.0608
freemang@nytimes.com

KARLENE GOLLER
Times Mirror Company
Times Mirror Square
Los Angeles, CA 90053
213.237.3760
Fax: 213.237.3810
karlene.goller@latimes.com
GEORGE FREEMAN (2000-2002)
The New York Times Company
229 W. 43rd St.
New York, NY 10036
212.556.1558
fax: 212.556.4634
freemang@nytimes.com

THOMAS B. KELLEY (2002-2004)
Faegre & Benson LLP
3200 Wells Fargo Center
1700 Lincoln St.
Denver, CO 80203-4532
303.607.3631
fax: 303.607.3600
tkelley@faegre.com
International and Comparative Law on the Journalist’s Privilege: The *Randal* Case as a Lesson for the American Press

Kyu Ho Youm*

Table of Contents

Introduction .............................................................................. 2
I. The Journalist’s Privilege: Theory and Practice in American Law ........................................................................ 5
   A. Historical Overview ...................................................... 6
   B. Common Law on the Journalist’s Privilege .................... 8
   C. Statutory Approach to the Journalist’s Privilege in the States ........................................................................... 9
   D. Federal Guidelines on Issuing Subpoenas to Reporters ... 11
   E. The First Amendment on the Journalist’s Privilege ....... 13
      1. *Garland v. Torre*: The First Judicial Take on the Journalist’s Privilege ................................................. 13
      2. *Branzburg v. Hayes*: The U.S. Supreme Court Rejects the Journalist’s Privilege ........................................... 14
      3. The Evolution of the Journalist’s Privilege since *Branzburg* ................................................................. 18
II. Comparative Law on the Journalist’s Privilege .................... 21
   A. Argentina ..................................................................... 22
   B. Australia ...................................................................... 23

*Professor and Jonathan Marshall First Amendment Chair, School of Journalism and Communication, University of Oregon. The author wishes to thank Professor David Kohler of Southwestern Law School; Nathan Siegel of Levine Sullivan Koch & Schulz in Washington, D.C.; and Kurt Wimmer of Covington & Burling in Washington, D.C., for their thoughtful comments and suggestions for revising an earlier draft of this article. Thanks also to Joel Kurtzberg and Karen Kaiser of Cahill Gordon & Reindel in New York; Geoffrey Robertson QC and Steven Powles of Doughty Street Chambers in London; Fiona Campbell of Finer Stephens Innocent in London; Chuing Chen of the International Criminal Tribunal for the former Yugoslavia in The Hague; Judge O-Gon Kwon of the International Criminal Tribunal for the former Yugoslavia in The Hague; Professor David Goldberg at the University of Glasgow; Eric Lieberman of the *Washington Post*; and Wendy Tannenbaum of the Reporters Committee for Freedom of the Press in New York for facilitating the author’s access to source materials relating to the *Randal* case. This article is an expanded and revised version of the author’s Top Faculty Paper in the Law Division presented at the 2006 convention of the Association for Education in Journalism and Mass Communication in San Francisco.
The First Amendment to the U.S. Constitution protects the right to freedom of speech and of the press. Its simple language is deceptively clear-cut: “Congress shall make no law . . . abridging the freedom of speech, or of the press.”1 Americans’ two-hundred plus years of making free speech more than empty rhetoric have been the envy of many people abroad. It has often served as a real-life laboratory for a number of countries confronting their own freedom of speech problems. Constitutional law scholar Rodney Smolla stated:

The American experience with freedom of speech is important to the rest of the world not because our current First Amendment policies are necessarily wise—it is not that Americans have all the perplexing issues of free speech “right.” American thinking on freedom of speech is relevant to the rest of the world because our experience in wrestling with free speech conflicts and communications policy is unusually rich.2

1. U.S. CONST. amend. I.
“Under the American First Amendment,” he added, “the United States has experimented more often than any other culture in the world with the radical presumption that it is better to err on the side of openness than repression, even when the policy arguments for repression are alluring.”

However, the United States cannot serve as an all-purpose blueprint for those who wish to make free speech and a free press the lynchpin of their rule of law democracy. Professor Owen Fiss of Yale Law School advised the former Soviet bloc countries in the mid-1990s to selectively use the libertarian American press as a model. They undoubtedly need an autonomous press, Fiss contended, but not the kind of U.S. media that are left “totally and completely to the vicissitudes of the market.”

At first glance, Smolla’s view of free speech as a justifiably touted U.S. export seems to contrast with Fiss’s caution against embracing the laissez-faire media policy of the United States. However, both share misgivings about government’s assuming an overly paternalistic role in defining the limits of freedom of speech and the press. This is especially true in a system where the press is structurally designed to produce a debate that is “uninhibited, robust, and wide-open.”

One of the more vociferous conflicts between the U.S. press and its government concerns whether journalists should have a privilege to protect their confidential or anonymous sources as their First Amendment right. For example, New York Times reporter Judith Miller spent eighty-five days in jail in 2005 for disobeying a court order to testify about her source who allegedly “outed” a covert CIA agent. Her journalist’s privilege argument was flatly rejected by the District of Columbia Circuit, and her certiorari petition was denied by the Supreme Court of the United States.

3. Id.
6. “Anonymous sources” may be distinguished from “confidential sources” in that the former refers to “those [a newspaper] . . . has agreed to leave out of the paper but whose identity may later be disclosed, as in defending against a libel suit,” while the latter relates to one “whose identity the paper has promised to keep secret, even it means losing a lawsuit or going to jail.” Dwight L. Teeter, Jr. & Bill Loving, Law of Mass Communication 622 (10th ed. 2001) (quoting Wall Street Journal managing editor Norman Pearlstine).
9. In re Grand Jury Subpoena, Judith Miller, 397 F.3d 964, rehearing en banc
The riveting saga of Judith Miller in 2004-05 highlights the current state of journalist’s privilege (also often referred to as “reporter’s privilege”) in U.S. law: It is increasingly under siege, at least in the federal courts. In this light, Smolla’s assessment of Miller’s ramifications for the American media is right on point:

That the Supreme Court would let rest a decision of the District of Columbia Court of Appeals rejecting the privilege on a case of such prominence and visibility seemed to send a signal of agreement with the Judith Miller ruling, and the possible demise [of] the long run of lower court precedent that had endorsed the existence of a qualified reporter’s privilege grounded in the First Amendment. In the aftermath of Brandenburg v. Hayes, journalists who continued to successfully assert the existence of a First Amendment reporter’s privilege may have been living on borrowed time.10

Not surprisingly, the Judith Miller and other similar cases11 have galvanized several senators and congressmen into introducing bills aimed at shielding news sources.12

Meanwhile, the shrinking journalistic privilege in U.S. law belies American “exceptionalism”13 in freedom of speech and the press. As First Amendment attorney Floyd Abrams observed recently, while a growing number of democratic countries do not force journalists to disclose their confidential sources, the United States is backtracking on its actual or perceived protection of journalistic sources.14 Similarly, the journalist’s privilege is increasingly accepted in international law. A case in point is the recognition by the International Criminal Tribunal for the former Yugoslavia (ICTY) of the journalist’s privilege as a right for news media. The ICTY in Prosecutor v. Brdjanin and Talic15 (“Randal case”) held in 2002 that Jonathan Randal, a former Washington Post

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11. For a discussion of Judith Miller and other recent cases which refuse to recognize a qualified journalistic privilege, see infra notes 112-132 and accompanying text.
13. “Exceptionalism” refers to such United States practices as exempting itself from international human rights and humanitarian legal conventions to which it has signed on, applying more permissive criteria to its allies than its enemies, and denying jurisdiction to human rights law within its own domestic law. AMERICAN EXCEPTIONALISM AND HUMAN RIGHTS 3 (Michael Ignatieff ed., 2005).
15. Case No. IT-99-36-AR73.9 (Dec. 11, 2002) [hereinafter Appeals Chamber Decision].
correspondent, could not be compelled to testify about his source’s statements, even when they were not confidential.16

From a press freedom perspective, the significance of the Randal case is unmistakable. One legal commentator called it a “landmark decision” because it marked the first time a journalistic privilege for news reporting (in this case, war correspondents) had been recognized, thus extending the traditional categories of privileged individuals.17 Abrams termed the ICTY ruling “an extraordinary victory” since its journalistic protections exceeded what many, if not most, American court decisions accept, especially insofar as its heavy presumption in favor of the journalist’s privilege is concerned.18 He added that the Randal decision, the only ruling of an international court on the journalist’s privilege, will serve as a possible precedent for future cases.19 On the other hand, the Randal case has been criticized for, among other things, unconvincing reasoning20 and its lack of “decisional minimalism.”21

This article examines international and comparative law on press freedom in the context of the Randal case, amid the raging debate about the journalist’s privilege in the United States. Part II of this article discusses U.S. law on the journalist’s privilege. Part III concentrates on the laws of several foreign countries on the privilege. It is followed by Part IV on international law, focusing especially on the European Court of Human Rights case Goodwin v. United Kingdom22 and the ICTY’s decision in the Randal case. In Part V, I offer comparative observations and analysis on the privilege in the United States and abroad. The article concludes with a thought on some implications of the Randal case for the American press.

I. The Journalist’s Privilege: Theory and Practice in American Law

The journalist-source relationship is symbiotic: “[N]ews sources are one of the important wells from which that lifeblood [of the press]
springs.” Hence the purpose of the journalist’s privilege is not so much to protect the journalists themselves, as to safeguard their sources. The privilege encourages sources to provide the news media with confidential or non-confidential information. Its practical value to news sources is that in providing information for the press, they need not necessarily worry about risking exposure to civil or criminal proceedings. In turn, the media will be able to provide an open flow of information from their sources to the public.

As a consequence, U.S. Supreme Court Justice Potter Stewart noted in a 1974 speech at Yale Law School that the source privilege enables news media to serve as an additional check on the government, in the true sense of the Fourth Estate. Thirty years later, the New York Times echoed Justice Stewart in an editorial:

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

Nonetheless, the journalist’s privilege, which media professionals assert derives from the First Amendment’s guarantee of a free press, may often collide with a number of other important interests, including the Sixth Amendment rights of those accused in criminal proceedings to subpoena witnesses, and the public interest in law enforcement. Especially when journalists refuse to testify before grand juries on First Amendment grounds, they are least likely to be protected. Reporters have greater success in quashing subpoenas in civil trials than in criminal cases. This article examines the journalist’s privilege in the criminal trial or grand jury context.

A. Historical Overview

The confrontation between the First and Sixth Amendments over the reporter’s privilege is nothing new. In the colonial America of the eighteenth century, journalists resisted judicial efforts to compel them to testify. The famous Zenger trial of 1735 was the first documented in-

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27. The Sixth Amendment provides: “In all criminal prosecutions, the accused shall enjoy the right . . . to have compulsory process for obtaining witnesses in his favor.” U.S. Const. amend. VI.
stance in colonial America in which a journalist defied a government order to reveal sources. 28

John Peter Zenger, publisher of the New York Weekly Journal, was charged with seditious libel for criticizing the then colonial Governor William Cosby of New York. At the trial, Zenger refused to identify the anonymous authors of the allegedly libelous articles published in his newspaper. The jury acquitted Zenger because he published the truth about Cosby. 29 The Zenger case has since been immortalized in America as a symbol of press freedom, for it contributed to liberalizing libel law by making truth a defense. 30

Historically, anonymity was recognized as part of freedom of the press, as evinced by the Federalist versus Anti-Federalist debates over ratification of the Constitution in the late seventeenth century. Justice Clarence Thomas noted in 1995:

When Federalist attempts to ban anonymity are followed by a sharp, widespread Anti-Federalist defense in the name of the freedom of the press, and then by an open Federalist retreat on the issue, I must conclude that both Anti-Federalists and Federalists believed that the freedom of the press included the right to publish without revealing the author’s name. 31

In the 19th century, however, courts and legislatures used their contempt power to punish journalists for refusing to break confidences when subpoenaed in the course of judicial or legislative proceedings. 32 In resisting the contempt charges, journalists rarely invoked their First Amendment right to a free press. Protection of confidential news sources was more a matter of personal or professional honor or ethics. It was not until the 1890s that American newspapers began to note the relationship of source confidentiality to freedom of the press. 33 In discussing the congressional contempt power against the American press, one commentator observed: “Journalists’ failure to formally assert a First Amendment defense removed from the contest the free press basis for differentiating recalcitrant reporters as a class apart from any other witnesses who refused to answer questions posed by congressional investigating committees.” 34
B. Common Law on the Journalist's Privilege

American courts have historically rejected the tradition of protecting news sources. Courts have refused almost invariably to entertain the suggestion that journalists were similar to lawyers, doctors, or the clergy and should therefore have a comparable privilege to protect their confidential news information.35

People ex rel. Mooney v. Sheriff of New York County,36 a 1936 New York case, is illustrative. The question before the New York Court of Appeals was: “Whether a newspaper reporter may lawfully refuse to answer pertinent questions relating to communications made to him as a reporter on the ground that such communications are privileged.”37 The case arose from New York American reporter Martin Mooney’s refusal to obey a county jury’s order to identify the people and places mentioned in his stories about a grand jury’s ongoing investigation of gambling and lottery in violation of the state penal code.38 Mooney argued that the source of his news information was “confidential and privileged.”39 He was put in jail for contempt of court.

In upholding the contempt citation against Mooney, New York’s highest court rejected his argument that the evolving common law on testimonial privilege and “changes in social relations” should allow news reporters to enjoy the kind of privileges granted to judges, district attorneys, and police officers.40 The court noted that “no court has ever . . . decided” that a journalist was privileged to refuse compelled disclosure of a source. English courts overruled earlier decisions which had recognized the reporter’s privilege; hence there was no difference between American and English laws on the privilege.41 The New York court cited decisions from four state courts that required reporters to testify under subpoena, in addition to a leading treatise which did not consider a journalist’s news source to constitute privileged information.42

35. See People v. Durrant, 48 P. 75, 82 (Cal. 1897); Ex Parte Lawrence, 48 P. 124, 125 (Cal. 1897); Joslyn v. People, 184 P. 375, 376-77 (Colo. 1919); Clein v. State, 52 So. 2d 117, 120 (Fla. 1950); Plunkett v. Hamilton, 70 S.E. 781, 785 (Ga. 1911); Pledger v. State, 3 S.E. 320 (Ga. 1887); State v. Donovan, 30 A.2d 421, 425-26 (N.J. 1943); In re Grunow, 85 A. 1011, 1012 (N.J. 1913); Brewster v. Boston Herald-Traveler Corp., 20 F.R.D. 416, 417 (D. Mass. 1957); Ex parte Holliway, 199 S.W. 412, 416 (Mo. 1917).
36. 199 N.E. 415 (N.Y. 1936).
37. Id. at 415.
38. Id.
39. Id.
40. Id.
41. Id. at 415-16.
42. Id. at 416. The state court decisions cited were from California, Colorado, Georgia, and New Jersey. The treatise quoted was Wigmore on Evidence.
The New York Court of Appeals in *People ex rel. Mooney* acknowledged that Alabama, Maryland, and New Jersey had enacted shield laws. But the court emphasized that no similar legislative attempt had been successful in New York. The court expressed misgivings about the possible adverse impact of a journalist’s privilege: “In the administration of justice, the existence of the privilege from disclosure as it now exists often, in particular cases, works a hardship.” Thus, as a matter of policy, law requires the disclosure of all information by witnesses “in order that justice may prevail.” The court nonetheless held that the state legislature may extend the testimonial privilege to new groups such as news reporters.

C. Statutory Approach to the Journalist’s Privilege in the States

The judicial reluctance to create a journalistic privilege at common law was not fatalistically accepted by the American news media. One way to resist it early on was through legislative reform. In 1896, Maryland enacted the first shield law, at the behest of journalists, after *Baltimore Sun* reporter John T. Morris was imprisoned for his refusal to disclose to a grand jury his source in news stories about the roles of police officers and public officials in illegal gambling. The shield law of Maryland was enacted to change the common law in order to “give a newspaperman the privilege of not revealing the source of information published by him.”

As originally passed, the Maryland law, which served as a model for other early statutes, read as follows:

[N]o person engaged in, connected with or employed on a newspaper or journal shall be compelled to disclose in any legal proceeding or trial, or before any committee of the legislature or elsewhere, the source of any news or information procured or obtained by him for and published in the newspaper on and in which he is engaged, connected with or employed.

Since the passage of the Maryland shield law in 1896, 31 other states, including the District of Columbia, have been enacted such statutes.
Attorneys Robert D. Lystad and Malena F. Barzilai categorize state shield laws into three groups. First, 12 “absolutist” statutes, which were enacted before 1950—with the exception of one—protect journalists absolutely from compelled disclosure of their sources. Second, 13 “transitional” statutes enacted in the 1960s-1970s expand protection to both sources and information. However, the protection typically is not absolute. Finally, six “modern era” statutes enacted in the 1990s make no distinction between sources and information, apply the across-the-board privilege, and exclude from protection information obtained through eyewitness observations of criminal or tortious conduct.

Shield laws vary from state to state. Their protection of journalists is far from complete, and courts typically interpret them very narrowly. For example, one key distinction among shield statutes concerns who they cover: Journalists only as statutorily defined, or on a broader basis? Arizona’s shield law is illuminating on this issue. It applies specifically to those “engaged in newspaper, radio, television or reportorial work, or connected with or employed by a newspaper, radio or television station.” Thus, a freelance author was not protected by the Arizona shield law when he was subpoenaed in a criminal case, since he did not “gather and disseminate news on an ongoing basis as part of the organized, traditional, mass media.”

The degree of protection also differs from statute to statute. Some statutes, such as that of New York, are absolute in their protection of confidential sources or confidential information. Others provide for qualified protection. Michigan’s law stipulates that if crimes under investigation are punishable by life imprisonment, reporters may be compelled to disclose their sources if that information is essential to the proceedings and is not available from alternative sources.

Statutes vary in the extent to which they also protect nonconfidential information, and they also distinguish between source identities and

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51. Id. at 87.
52. Id. at 90.
53. Id. at 93.
57. N.Y. CIV. RIGHTS LAW § 79-h(b) (McKinney 1992).
58. MICH. COMP. LAWS. ANN. § 767.5a(1) (2000).
other information. The District of Columbia’s shield law, for example, provides absolute protection for the identities of sources, but offers a qualified privilege for news or information.\textsuperscript{59} According to a 1999 study of various shield laws, eighteen states and the District of Columbia protect journalists’ nonconfidential information to a certain extent.\textsuperscript{60} But “most statutes that protect nonconfidential information apply only to unpublished information.”\textsuperscript{61}

The application of shield laws may also be affected by whether or not the press or a journalist is a party to the case producing the subpoena. Some states exclude the journalist’s privilege from defamation cases in which journalists asserting the privilege are parties involved. In Oregon, for example, the protection is not available to protect “the content or source of allegedly defamatory information in a civil action for defamation wherein the defendant asserts a defense based on the content or source of such information.”\textsuperscript{62}

D. Federal Guidelines on Issuing Subpoenas to Reporters

The United States has no federal shield law, although one was first introduced to Congress in 1929.\textsuperscript{63} During the past thirty years, nearly 100 bills on the reporter’s privilege have been introduced to Congress, with little tangible result.\textsuperscript{64} However, in 1973 the U.S. Department of Justice promulgated a policy that bears some resemblance to a shield law. The DOJ policy notes the purpose of the guidelines on subpoenas of reporters as follows:

Because freedom of the press can be no broader than the freedom of reporters to investigate and report the news, the prosecutorial power of the government should not be used in such a way that it impairs a reporter’s responsibility to cover as broadly as possible controversial public issues.\textsuperscript{65}

In defining when and how federal law enforcement officials can subpoena reporters, Justice Department guidelines balance freedom of the press against law enforcement interests. Federal prosecutors are required to balance the public’s interest in the free flow of information against the public’s interest in effective law enforcement and the fair administration of justice.\textsuperscript{66} They are to make “all reasonable attempts
to obtain information from alternative sources before considering issuing a subpoena to a member of the news media."67 Also, federal authorities are required to negotiate with the media before issuing a subpoena "to accommodate the interests of the trial or grand jury with the interests of the media."68

The procedural requirement of the Justice Department guidelines is considered perhaps the most important restraint on prosecutorial interference with news reporting.69 C.F.R. section 50.10 states that "no subpoena may be issued to any member of the news media . . . without the express authorization of the Attorney General."70 The Attorney General must consider six principles in determining whether to authorize a subpoena to obtain information from a journalist. In criminal cases, for example, there should be reasonable grounds to believe, based on non-media sources, that a crime has occurred, and that the information sought is essential to a successful investigation and will directly establish guilt or innocence. The subpoena is prohibited from being used to obtain "peripheral, nonessential, or speculative information."71

The DOJ guidelines require similar standards for issuance of subpoenas to journalists in civil cases. The only difference between criminal and civil cases on reporter subpoenas is that civil cases must be "of substantial importance."72 Like the Stewart test in Branzburg, the Justice Department rules mandate that federal prosecutors must first attempt to obtain the information from alternative, nonmedia sources.73 Further, the subpoenas to news reporters should, except in emergencies, be used only to verify published information and surrounding circumstances about the accuracy of the published information.74

According to the guidelines, subpoenas should, whenever possible, be directed at material information on a limited subject, should cover a reasonably limited time period, should avoid requiring production of a large volume of unpublished material, and should give reasonable and timely notice of the demand for documents.75 Finally, the DOJ rule requires that "even subpoena authorization requests for publicly disclosed information should be treated with care to avoid claims of harassment."76

67. Id.
68. Id.
69. Lystad & Barzilai, supra note 50, at 134.
70. 28 C.F.R. § 50.10(e) (2003).
71. Id.
72. Id.
73. Id.
74. Id.
75. Id.
76. Id.
E. The First Amendment on the Journalist’s Privilege

In the history of American journalism, reporters have, more often than not, been subpoenaed to testify in court or in legislative or executive bodies. When ordered to reveal their confidential sources, however, they resisted rather than complied—though not necessarily on First Amendment grounds. It was not until 1958 that a journalist claimed a First Amendment right to freedom of the press to protect a confidential source.77

1. GARLAND v. TORRE: THE FIRST JUDICIAL TAKE ON THE JOURNALIST’S PRIVILEGE

Columnist Marie Torre argued in Garland v. Torre78 that she should not be compelled to reveal her source for an allegedly defamatory statement about singer and actress Judy Garland. Torre asserted that forcing her to name her confidential source would violate her First Amendment right to a free press because it would constitute “an important practical restraint” on the news flow from sources to the media, and thus to the public.79

In an opinion for the unanimous Second U.S. Circuit, Judge Potter Stewart, who would soon be named to the U.S. Supreme Court, rejected Torre’s constitutional claim of privilege. But he first acknowledged the First Amendment interest of journalists in protecting their sources. He accepted the hypothesis that compulsory disclosure would abridge press freedom “by imposing some limitation upon the availability of news.”80 Judge Stewart put press freedom in a broad, historical context. Stewart noted that the historical meaning of freedom of the press under the First Amendment related primarily to absence of governmental censorship. Yet freedom of the press can be subject to “varied form of government action” in violation of the First Amendment, although it is not a prior restraint.81

The Second Circuit, however, rejected the “absolute” protection of freedom of the press. While “precious and vital . . . to a free society,” the federal appellate court found that a free press is not “an absolute.”82 Competing with a free press are “courts of justice, armed with the

77. Media law scholar Anthony Fargo of Indiana University notes that it is “something of a mystery” why a First Amendment claim for a journalist’s privilege had not been taken to an appellate court until 1957. Fargo, Journalist’s Privilege for Nonconfidential Information, supra note 60, at 330.
78. 259 F.2d 545 (2d Cir. 1958).
79. Id. at 547-48.
80. Id. at 548.
81. Id.
82. Id.
power to discover truth.” The Second Circuit stated that the duty of witnesses to testify in a court “has roots fully as deep in our history as does the guarantee of a free press.”

Judge Stewart said that using judicial compulsory process to obtain witness testimony is essential to American society, regardless of whether it is part of the Fifth Amendment. At the same time, he was aware of the chilling impact of compelled testimony by news reporters on the press. He said that sometimes, if not always, forcing any reporter-witness to testify impinges upon the First Amendment freedom of the press.

The Second Circuit found that the case was not a difficult one because “we do not hesitate to conclude that [any additional First Amendment liberty] must give place under the Constitution to a paramount public interest in the fair administration of justice.” The court held that Torre should disclose the source because the source’s identity “went to the heart” of Garland’s libel claim against CBS. In rejecting the First Amendment claim of Torre, the court took special note of the limited nature of the judicial compulsory process involved: the process was not forcing “a wholesale disclosure” of a newspaper’s news sources, and the news source’s identity was not “of doubtful relevance or materiality.”

Over the years, Judge Stewart’s opinion in Torre has exerted influence on the development of the journalist’s privilege. It was not because of the result the Second Circuit reached, but because it apparently recognized “some form of privilege” and it made initial efforts to define the scope of the privilege.

2. **BRANZBURG v. HAYES: THE U.S. SUPREME COURT REJECTS THE JOURNALIST’S PRIVILEGE**

The U.S. Supreme Court had only one occasion to directly rule on the issue of whether journalists are privileged by the First Amendment to protect their news sources. In Branzburg v. Hayes, the U.S. Supreme Court held that journalists do not enjoy a First Amendment privilege to refuse to “appear and testify” before grand juries.

Branzburg consolidated four cases that raised the same First Amend-
ment issue relating to the reporter’s privilege. Two of the cases involved Paul Branzburg, a reporter for the *Louisville Courier-Journal*. He published stories on the production and use of drugs in two Kentucky counties. They were based on his first-person observations of marijuana smoking and his interviews with drug users. Two Kentucky county grand juries subpoenaed Branzburg to identify his confidential sources. He appeared but refused to testify. He subsequently moved to quash the subpoena, on the ground that testifying before the grand jury would “destroy the relationship of trust which he presently enjoys with those in the drug culture” and would “drive[e] a wedge of distrust and silence between the news media and the drug culture.” 90 He claimed a testimonial privilege under the Kentucky shield law and the Kentucky and U.S. constitutions. The Kentucky Court of Appeals denied his claims, and found that he had no legal right to refuse to testify about crimes he observed being committed.91

The third case involved a Massachusetts grand jury’s investigation of television journalist Paul Pappas. As part of his news coverage of civil disorders, he was allowed into the Black Panthers’ headquarters to cover the Panthers’ news conference. As a condition of his entry, he promised not to disclose anything he saw or heard except an anticipated police raid. Because there was no police raid, he reported no story. But Pappas was subpoenaed to appear before a state grand jury investigating criminal acts allegedly committed by the Panthers. He testified before the grand jury but refused to reveal what he saw and heard inside the Panthers’ headquarters. The Massachusetts Supreme Judicial Court affirmed the trial court’s denial of Pappas’s motion to quash, rejecting his claim of a First Amendment privilege.92

The fourth case involved a grand jury probe of *New York Times* reporter Earl Caldwell, who covered the Black Panthers movement in California. He was subpoenaed and told to bring his tapes and notes about the Black Panthers to a federal grand jury investigating crimes allegedly committed by the Panthers. Caldwell moved to quash the subpoena, arguing that his grand jury appearance would destroy his working relationship with his sources. Calwell’s motion to quash was rejected. The district court compromised by allowing him not to dis-

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90. *Id.* at 669 n.5 (quoting motion to quash).
close confidential sources and information he gathered as a reporter. But he refused to appear before the grand jury, and he was held in contempt. On appeal, the U.S. Court of Appeals for the Ninth Circuit reversed. The Ninth Circuit held: “The First Amendment protections exist to maintain communication with dissenting groups and to provide the public with a wide range of information about the nature of protest and heterodoxy.”

In granting the petitions from Branzburg and Pappas for certiorari and the government’s petition in the *Caldwell* case, the U.S. Supreme Court consolidated the cases for review.

Justice Byron White, writing the majority opinion of the Supreme Court, rejected the reporters’ assertion that forcing them to reveal the identities of confidential sources would deter the “free flow of information” protected by the First Amendment. While acknowledging that newsgathering was, to a certain extent, a protected right under the First Amendment, he noted that the Amendment did not invalidate “every incidental burdening” of the press “from the enforcement of civil or criminal statutes of general applicability.”

Responding to the journalists’ arguments against the historical and constitutional roles of grand juries, Justice White said, “the longstanding principle that ‘the public has a right to every man’s evidence’... is particularly applicable to grand jury proceedings.” The Court could not “seriously entertain” the idea that journalists should be able to conceal the criminal conduct of sources “on the theory that it is better to write about crime than do something about it.” The Court found no support in the record for the reporters’ argument “that a large number or a percentage of all confidential news sources... would in any way be deterred” by forcing journalists to testify.

Justice White said that the journalist’s privilege, if recognized, will embroil the Court in the administration of the privilege by addressing the “practical and conceptual difficulties of a high order.” He wondered whether courts could determine who could be qualified as a journalist for the testimonial privilege. It is “a questionable proce-

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96. *Id.* at 682.

97. *Id.* at 688 (citations omitted).

98. *Id.* at 692.

dure in light of the traditional doctrine that liberty of the press is the right of a lonely pamphleteer who uses carbon paper or a mimeograph just as much as of the large metropolitan publisher that utilizes the largest photocomposition methods.” He added that any author can rely on confidential sources in participating in “the flow of information to the public.”

Justice White also stated that the journalist’s privilege would entail courts in preliminary proceedings to determine whether the government had a “compelling need” for the reporter’s information. “By requiring testimony from a reporter in investigations involving some crimes but not in others,” he wrote, “[the courts] would be making a value judgment that a legislature had declined to make.”

Justice Lewis Powell’s three-paragraph concurring opinion aimed to clarify his understanding that Justice White’s decision “does not hold that newsmen, subpoenaed to testify before a grand jury, are without constitutional rights with respect to the gathering of news or in safeguarding their sources.” He thus elaborated:

Indeed, if the newsman is called upon to give information bearing only a remote and tenuous relationship to the subject of the investigation, or if he has some other reason to believe that his testimony implicates confidential source relationship without a legitimate need of law enforcement, he will have access to the court on a motion to quash and an appropriate protective order may be entered.

Justice Powell opted for a more nuanced approach rather than Justice White’s seemingly blanket rejection of any balancing approach to the journalist’s privilege. According to Justice Powell, courts should evaluate each claim on the basis of its facts “by the striking of a proper balance between freedom of the press and the obligation of all citizens to give relevant testimony.”

Justice Potter Stewart, joined by Justices William Brennan and Thurgood Marshall, dissented. He criticized the Court’s “crabbed” view of the First Amendment on the journalist’s privilege and its “disturbing insensitivity to the critical role of an independent press in our society.” He argued that the broad societal interest in “free and full flow of information to the public” was the underlying concern of the constitutional protections of a free press. He connected the right to pub-

100. *Branzburg*, 408 U.S. at 704-05.
101. *Id.* at 706.
102. *Id.* at 709 (Powell, J., concurring).
103. *Id.* at 710.
104. *Id.*
105. *Id.* at 725 (Stewart, J., dissenting).
106. *Id.* at 725-26 (citations omitted).
lish to the corollary right to gather news under the First Amendment. Stewart stated: “No less important to the news dissemination process is the gathering of information. News must not be unnecessarily cut off at its source, for without freedom to acquire information the right to publish would be impermissibly compromised. Accordingly, a right to gather news, of some dimension, must exist.”

Justice Stewart set forth a balancing test for the journalist’s privilege which clearly drew upon what he did as a federal appellate judge in Torre. Before a grand jury subpoena to a journalist to testify and reveal confidential sources may be enforced, he suggested that the government must:

1. show that there is probable cause to believe that the newsman has information that is clearly relevant to a specific probable violation of law;
2. demonstrate that the information sought cannot be obtained by alternative means less destructive of First Amendment rights; and
3. demonstrate a compelling and overriding interest in the information.

Justice William Douglas, writing for himself, dissented that the journalist’s privilege should be absolute. He rejected the balancing test because “all of the ‘balancing’ was done by those who wrote the Bill of Rights.”

3. THE EVOLUTION OF THE JOURNALIST’S PRIVILEGE SINCE BRANZBURG

Although the majority of the U.S. Supreme Court in Branzburg rejected the journalist’s privilege as a First Amendment right, Branzburg has been interpreted by a large number of courts as recognizing the privilege. This interpretation of the Branzburg opinion has more to do with Justice Powell’s enigmatic concurrence, which seems to have supported a qualified journalistic privilege. One commentator argued, however: “[T]he text of neither the Branzburg majority opinion nor Powell’s concurrence supports this [journalistic] privilege.”

107. Id. at 728 (citations omitted).
108. Id. at 743 (citation omitted).
109. Id. at 715 (Douglas, J., dissenting).
110. See Fargo, supra note 49, at 39 (noting that “[o]ver the next thirty-plus years, most of the federal appellate courts at least tacitly supported journalists’ rights to refuse to testify or provide other evidence if the information subpoenaed was not highly relevant, critical or unavailable elsewhere”) (citation omitted).
cent reading of several influential interpretations of *Branzburg* supports the commentator’s point.

In *McKevitt v. Pallasch*, the Seventh Circuit in August 2003 repudiated “[a] large number of cases” that conclude “rather surprisingly in light of *Branzburg*” that there is a reporter’s privilege under the First Amendment. Judge Richard Posner, who wrote the opinion of the Court of Appeals, criticized some of the cases for ignoring *Branzburg* or for treating the majority opinion in *Branzburg* as a plurality opinion. While chiding some courts for “audaciously” declaring that *Branzburg* created a journalist’s privilege, he directly challenged the Ninth Circuit’s conclusion in *Shoen v. Shoen*, which Abrams noted specifically in his amici brief in the ICTY’s *Randal* case. He questioned the reasoning of *Shoen* and other cases on the privilege.

Judge Posner also charged that those courts that recognize a reporter’s privilege to nonconfidential sources “may be skating on thin ice” because the underlying privilege was rejected by *Branzburg* even for confidential sources. Unlike the ICTY, which extended the journalist’s privilege for published sources and information, Posner saw no possible relationship between the First Amendment and protection from compelled disclosure when the reporter’s subpoenaed information is non-confidential.

Most troublesome to the proponents of the journalist’s privilege in U.S. law was Judge Posner’s nonchalant scoffing of the then widely accepted balancing of press freedom and its countervailing interests. If a subpoena issued to the media is “reasonable,” he stated that should be sufficient. He remarked that there is no need to consider special criteria merely because a journalist possesses the evidence sought. Judge Posner’s reasonableness standard is far below the Trial Chamber’s pertinence test for the reporter’s privilege, which the Appeals

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112. 339 F.3d 530 (7th Cir. 2003).
113. 532 at 532 (citing In re Madden, 151 F.3d 125 (3d Cir. 1998); United States v. Smith, 135 F.3d 963 (5th Cir. 1998); Shoen v. Shoen, 5 F.3d 1289 (9th Cir. 1993); In re Shain, 978 F.2d 850 (4th Cir. 1992); United States v. LaRouche Campaign, 841 F.2d 1176 (1st Cir. 1988); von Bulow v. von Bulow, 811 F.2d 136 (2d Cir. 1987); United States v. Caporale, 806 F.2d 1487 (11th Cir. 1986)).
114. 532 (citations omitted).
115. 5 F.3d 1289 (9th Cir. 1993).
116. Id. Judge Posner cited *Shoen v. Shoen*, 5 F.3d 1289 (9th Cir. 1993); *von Bulow v. von Bulow*, 811 F.2d 136 (2d Cir. 1987); and *Farr v. Pitchess*, 522 F.2d 464 (9th Cir. 1975). In addition, he noted cases cited by the Ninth Circuit in *Shoen*, 5 F.3d at 1292 n.5.
117. Id. at 533. For criticism of Judge Posner’s failure to distinguish between newsgathering and source identity, see Jaynie Randall, *Case Comment: Freeing Newsgathering from the Reporter’s Privilege*, 114 YALE L.J. 1827 (2005).
118. Id.
119. For a discussion of the “pertinence” test for the journalist’s privilege, as for-
Chamber in *Randal* found to be inadequate in protecting freedom of the press.

In *In re Special Proceedings*, the First U.S. Circuit Court of Appeals was more solicitous than the *McKevitt* court in reading *Branzburg* in favor of the news media. It factored “heightened sensitivity” into considering a journalistic privilege to confidential sources. Nonetheless, the First Circuit agreed with Judge Posner of the Seventh Circuit that *Branzburg* accepted no notion of “a general-purpose privilege” for source confidentiality, whether under the First Amendment or in common law. As a result, the First Circuit affirmed contempt penalties against a reporter who refused to identify a confidential source who leaked an FBI undercover videotape of a public official allegedly accepting bribes. *In re Special Proceedings* is another unnerving signal of the American courts’ newfound reluctance to apply the *Branzburg* opinion in a press-friendly way. Judge Posner’s opinion influenced the First Circuit’s view of *Branzburg*, although the federal appellate court was not as willing as he was in rejecting the journalist’s privilege altogether.

The *Judith Miller* case in the District of Columbia Circuit was yet one more judicial blow to First Amendment arguments for a journalist’s privilege. In *In re Grand Jury Subpoena, Judith Miller*, the court held in 2005 that the First Amendment allows no journalistic privilege to avoid disclosure of confidential information in response to a grand jury subpoena. Calling the *Branzburg* Court’s reasoning “transparent and forceful,” the federal appellate court stated:

Unquestionably, the Supreme Court decided in *Branzburg* that there is no First Amendment privilege protecting journalists from appearing before a grand jury or from testifying before a grand jury or otherwise providing evidence to a grand jury regardless of any confidence promised by the reporter to any source. The Highest Court has spoken and never revisited the question. Without doubt, that is the end of the matter.
The D.C. Circuit in *Judith Miller* also cast some doubt on the prevailing view that Justice Powell’s concurring opinion in *Branzburg* could provide support for a reporter’s privilege in any context. According to the court, Justice Powell’s opinion was not the opinion of a justice who did not join the majority but that of a justice who joined the majority “by its terms.” Justice Powell rejected none of Justice White’s reasoning on behalf of the majority in *Branzburg*, according to the court in *Judith Miller*. More forcefully than Judge Posner did in *McKevitt*, the D.C. Circuit said that Justice Powell’s concurring opinion was “to emphasize” what he considered to be the “limited nature” of the *Branzburg* Court’s holding. Thus, the *Judith Miller* court concluded, Justice White’s opinion was not a plurality opinion of four justices joined by a separate Justice Powell to create a majority, but it was the opinion of the majority. The D.C. Circuit found that the opinion of Justice White was “authoritative precedent.” The court continued: “It says what it says. It rejects the privilege asserted by appellants.”

II. Comparative Law on the Journalist’s Privilege

The journalist’s privilege to keep confidential sources is not entirely a legal matter. As the ECHR in *Goodwin* and the ICTY in *Randal* noted, it is also an ethical issue. In his comparative survey of international journalists, mass communication scholar David H. Weaver concluded: “On this practice [revealing confidential news sources], there was a high level of agreement among all journalists . . . suggesting a near universal professional norm of protecting confidential sources.” He continued that “it seems that there are strong national differences that override any universal professional norms or values of journalism around the world, except in the case of revealing confidential sources, where there is strong and consistent agreement that this should never be done.”

For years, however, non-disclosure of news sources as a legal right
has been an idealistic dream, not a realistic goal. At present, the journalist’s privilege is not recognized as extensively as news media and their advocates want. But it is more widely accepted around the world now than ever, especially in democratic polities. Media lawyers Floyd Abrams and Peter Hawkes noted:

[W]hile the degree of protection differs from nation to nation, it may fairly be said that there is an international consensus in democratic nations that... protection of journalistic sources is one of the basic conditions for press freedom. While a handful of countries recognized some form of protection for journalists’ sources by the late 1960s, this international consensus emerged fully in the 1980’s and 1990’s, as more and more countries came to recognize some form of protection for journalists’ sources.135

The growing recognition of the journalist’s privilege in foreign and international law challenges the often touted American “exceptionalism” in freedom of speech and the press.136 Indeed, the U.K. media law scholar Eric Barendt said rejection of the journalist’s privilege, as articulated by the Branzburg Court, was “surprising[ ]” because the U.S. Supreme Court shares the reluctance of English courts to accept the privilege.137

A. Argentina

The Constitution of Argentina, amended in 1994, protects the confidential information of registered journalists unconditionally. Article 43 of the Constitution stipulates: “The secret nature of the sources of journalistic information shall not be impaired.”138

The journalist’s privilege for the Argentine press is intertwined with freedom to receive information, along with the freedom to impart information, as part of the right to freedom of thought and expression, under Article 13(1) of the American Convention on Human Rights,139 an international instrument with the same rank as the Argentine Constitution.

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136. See Frederick Schauer, The First Amendment Exceptionalism, supra note 13, at 29-56.


138. Constitución art. 43 (Arg.).

139. Article 13 of the American Convention on Human Rights states:

Everyone has the right to freedom of thought and expression. This right includes freedom to seek, receive, and impart information and ideas of all kinds, regardless of frontiers, either orally, in writing, in print, in the form of art, or through any other medium of one’s choices.

In a 2004 media libel case, Prosecuting Attorney W. Richard Trinchera of the Province of Neuquen responded to a request to investigate the confidential source of the defamatory information published by the newspaper defendant: “No judicial or police authority may or should adopt measures in an enquiry that jeopardize the confidentiality of journalistic sources, particularly since the reform of the Constitution in 1994.”

B. Australia

The Evidence Act protects confidential information a journalist obtains in his “professional” capacity. Nonetheless, the journalistic source protection is balanced with other competing interests. In granting and rejecting the journalist’s privilege, Australian courts weigh “such factors as the probative value of the evidence, its importance, the nature of the claim or defense and the subject matter of the proceeding, the availability of the evidence from other sources, the extent of harm to the confider, whether the evidence is necessary to establish innocence in a criminal case.”

The judicial interpretation of the journalist’s privilege under the Evidence Act is analogous to Justice Stewart’s test in Branzburg. The Supreme Court of New South Wales held that the confidential information was “highly probative,” that it was “central” to the court proceedings, and that the plaintiff company, if denied access to the confidential information, would be left with no remedy and likely suffer future harm.

Thus far, Australian courts have refused to place press freedom in a preferred position over society’s interest in a fair trial. “[T]here is a paramount interest in the administration of justice which requires that cases be tried by courts on the relevant and admissible evidence,” the High Court of Australia held in 1988. “The role of the media in collecting and disseminating information to the public does not give rise to a public interest which can be allowed to prevail over the public interest of a litigant in securing a trial of his action on the basis of the relevant and admissible evidence.”

141. Abrams & Hawkes, supra note 135, at 188.
142. Id.
143. For a discussion of Justice Stewart’s test for the journalist’s privilege in Branzburg, see supra note 108 and accompanying text.
144. Abrams & Hawkes, supra note 135, at 188 (discussing NMRA v. John Fairfax Publications PTY Ltd., 2002 NSWSC 563 (unreported)).
146. Id.
Meanwhile, the High Court noted the high value of investigative journalism to the free flow of information in Australia. In this connection, the absolute protection of confidential sources will facilitate news reporting and reinforce the free flow of information to some extent. But this would deprive the defamed individual of an effective means to recover his damaged reputation. Thus, instead of the absolute protection of news sources, the High Court stated, courts followed the principle that the source should be disclosed if the interests of justice demand it.147

The Australian High Court also looked at factors beyond the balancing of press freedom and the right to evidentiary proof. The Court pointed out the additional benefit of compelling the media to disclose their sources:

> The liability of the media and of journalists to disclose their sources of information in the interests of justice is itself a valuable sanction which will encourage the media to exercise with due responsibility its great powers which are capable of being abused to the detriment of the individual. The recognition of an immunity from disclosure of sources of information would enable irresponsible persons to shelter behind anonymous, or even fictitious, sources.148

C. Canada

The journalist’s privilege has been recognized in Canada along the lines of John Henry Wigmore’s four criteria:

1. The communications must originate in a confidence that they will not be disclosed.
2. This element of confidentiality must be essential to the full and satisfactory maintenance of the relation between the parties.
3. The relation must be one which in the opinion of the community ought to be sedulously fostered.
4. The injury that would inure to the relation by the disclosure of the communications must be greater than the benefit thereby gained for the correct disposal of litigation.149

The journalist’s privilege has a high standard in Canadian law, and its justifications are grounded in privacy rather than in freedom of expression.150 In this connection, the Supreme Court of Canada has been tellingly coy about whether the journalist’s privilege is guaranteed by

147. Id.
148. Id. at 355.
149. 8 Wigmore, Evidence, § 2285 (McNaughton Rev. 1961).
150. Abrams & Hawkes, supra note 135, at 190.
the Canadian Charter of Rights and Freedoms, which provides for freedom of the press.

In *Moysa v. Alberta (Labor Relations Board)*, the Canadian Supreme Court refused to address the constitutional question head-on. The Court explained artfully that the facts of *Moysa* did not raise the kind of “broad and important constitutional” questions that the Court should adjudicate. The Court was skeptical that freedom of the press to disseminate news entails a right to gather news, which includes the journalist’s testimonial privilege. More unconvincing to the Court was the news media’s argument that compelling journalists to reveal their sources would harm their information-gathering ability. The Court found no evidence suggesting “such a direct relationship between testimonial compulsion and a ‘drying-up’ of news sources.”

D. El Salvador

In 2004, the national legislature of El Salvador revised its Criminal Code on the right of journalists to protect their sources. The statutory amendment aimed to protect journalists from having to disclose their sources in court. As of early November 2004, however, 10 journalists had been subpoenaed by various courts to reveal their sources and testify as witnesses.

E. Germany

The right to refuse testimony is provided by federal law in Germany. The Criminal Procedure Code allows “individuals who are or were professionally involved in the preparation, production or dissemination of periodically printed matter or radio broadcasts” to refuse to testify “concerning information received by them in their professional capacity insofar as this concerns contributions, documentation and information for the editorial element of their activity,” unless “they have been released from their obligation of secrecy.” Likewise, the Civil Procedure Code provides that individuals, including journalists, who

152. Id. at 7.
153. Id.
154. Id.
155. Id.
157. Id.
159. Id.
have had facts confided to them because of their profession may refuse to testify concerning those facts unless the source consents to the disclosure.\footnote{160}

Most Länder (state) laws recognize journalists’ right to keep their sources confidential. A good example is the North Rhine Westphalia Press Law, which states:

Editors, journalists, publishers, printers and others involved in the production or publication of periodical literature in a professional capacity can refuse to give evidence as to the person of the author, sender or confidant of an item published in the editorial section of the paper or communication intended wholly or partly for such publication or about its contents.\footnote{161}

The constitutional protection of journalistic sources is much weaker than statutory protections at the federal and state level. But the Constitutional Court of Germany has recognized the journalist’s privilege. The Court held protection of confidential sources essential to journalists in doing their professional duties.\footnote{162} Journalists are not required to reveal their sources unless their value in uncovering malfeasance outweighs the interest in the administration of justice.\footnote{163}

F. Japan

Japan appears to have been among the earliest of Western democracies to grapple with the journalist’s privilege as a legal issue. As early as 1952, the Supreme Court of Japan considered a news reporter’s refusal to divulge confidential sources under the privileged communication clause of the Code of Criminal Procedure.\footnote{164} The Supreme Court refused to accord privileged status to journalists, noting that establishing such a journalistic privilege was up to lawmakers.\footnote{165}

Japanese journalists are protected by Article 281 of the Code of Civil Procedure, which provides for the right of witnesses to refuse to disclose their “professional secrets.”\footnote{166} Article 281 stipulates that “[a] wit-
ness may refuse to testify . . . [i]n a case where he is questioned with respect to matters relating to a technical or professional secret.”167 News reporters as witnesses may withhold their confidential information on sources “unless it one-sidedly closes off the pursuit of evidence so as to result in an unfair trial.”168

In addition, the Supreme Court of Japan has recognized protection of journalistic sources, even when they are not confidential, as a matter of press freedom under the Constitution of Japan. Indeed, three years before the U.S. Supreme Court in Branzburg rejected the journalist’s privilege as a right, the Supreme Court of Japan in the Hakata Railway Station case noted the need to balance source disclosure in a criminal trial with the news media’s freedom to gather information:

> It should be said that we can not but restrict the freedom of news-gathering activity to a certain degree when the data collected by news media is considered to be necessary as evidence in order to secure such a fair criminal trial. Even in such a case, however, the character, mode and gravity of the crime which is the object of the trial, evidential value of the data and the existence of the necessity for the realization of a fair criminal trial should be considered at first, and then they should be balanced with the degree of the hindrance to the freedom of news-gathering activity which would occur when news media are obliged to submit the collected data as evidence with the extent of its consequential influence upon the freedom of news report and with all other necessary considerations. Even when the use of the data as evidence in a criminal trial is considered to be inevitable, the regard should be paid lest the disadvantage to be suffered by news media should exceed the indispensable degree.169

G. Norway

Norway’s Civil Procedure Code protects journalists and editors of newspapers, periodicals, and broadcasts against compelled disclosure of their sources. But the journalist’s privilege is overridden if the con-

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167. Id. For a recent judicial interpretation of the Code of Civil Procedure on journalistic “professional secrets,” see Toyko High Court, 2005 (Ra) 1722, March 17, 2006, Hanrei [Case Reports] Times, May 15, 2006, p. 113, pending on appeal to the Supreme Court of Japan (holding that confidential news sources fall within “professional secrets” under the Code of Civil Procedure, that a journalist has a testimonial privilege to shield his news sources unless there exist the special circumstances in which shielding the confidential sources will jeopardize the public or societal interests that deserve the same protection as press freedom—or more, and that even if the journalist’s news gathering leads a civil servant to breach his professional duty of confidentiality, it is not necessarily illegal for the journalist to use such reporting methods insofar as the methods are “sensible and reasonable” under the orders of Japanese society. Thanks to attorney Tomoki Debari of Anderson Mori and Tomotsune in Toyko, an MJur candidate at Oxford University, for alerting the author to the Toyko High Court case and for his thoughtful translation of the opinion.


169. Id. (quoting Hakata Railway Station, 1969 (Shi) No. 68, Supreme Court, 26 November 1969)). For a detailed discussion of the Hakata Railway Station case, see Beer, supra note 164, at 294-97.
fidential information sought is particularly important. To resolve a case, courts balance the conflicting interests of the parties in weighing whether the information is necessary. If the information is available through non-news media sources, courts do not require media disclosure. Abrams and Hawkes, however, noted the sensitivity of Norwegian courts toward news reporting in imposing contempt sanctions: “While defiance of an order to disclose can carry heavy penalties, such as imprisonment and large fines, such sanctions are rarely imposed. In most cases, if an editor or journalist refuses to disclose his or her source after a court order (as most do), he or she is either not sanctioned at all or lightly fined.”

H. Russia

In Russia, the Federal Law on the Mass Media provides for the institutional obligation of the press regarding confidentiality of news information and its source. Article 41 states:

The editorial office shall not have the right to divulge in distributed reports and materials the information submitted by a private citizen with the proviso of keeping this information secret.

The editorial office shall be obliged to keep the source of information secret and shall not have the right to name the person who has submitted information with the proviso of non-divulgence of his or her name, except for the case when the corresponding demand came from a court of law in connection with the case it disposes of.

This source confidentiality provision was adopted by legislatures in the newly independent states of the former Soviet Union, such as Kazakhstan, Kyrgyzstan, Moldova, Tajikistan, Turkmenistan, Ukraine, and Uzbekistan. Further, editors and journalists in Uzbekistan, when they violate their promise to keep their sources confidential, will be charged with “an abuse of the freedom of mass information” and their media outlet can be suspended or closed.

As the “Confidential Information” clause of the Russian media law indicates, informational disclosure is compelled only through the order of a court in adjudicating a case. Significantly from a reporter’s perspective, the judicial order to the news media to divulge confidential

170. Id. at 199.
173. Id.
174. Federal Law No. 2124-1 on the Mass Media, art. 49.
information must be directed at the editorial office, not at an individual journalist. This is because Article 49 of the Russian media law requires journalists “to preserve the confidential character of information and/or its source.” According to media law scholar Andrei Richer of Moscow State University, “no editorial office can be a witness in the legal sense of the word: it is not a physical person, it can only answer to a written demand of the court, if the media outlet at large—and not a particular journalist—has the information required by the court.”

Yet the journalist’s privilege as a right has for years been less than fully accepted into the general law of Russia. The mass media statute has lacked enforcement law like the Criminal, Civil or Administrative Procedure Code; furthermore, if the general procedural laws conflict with the special media statute “openly,” the former overrides the latter. Recently, however, this statutory loophole for the journalist’s privilege was addressed by the Criminal Procedure Code:

Reports on crimes, disseminated by the mass media, shall be checked upon instruction from the public prosecutor by the bodies of investigation. The editor, the chief editor of a corresponding mass media outlet shall pass upon demand of a prosecutor, investigator or investigating body the documents and materials in possession of the corresponding mass media outlet that confirm the report on a crime, as well as data on the person who provided the relevant information, with the exception of cases, whereas such a person made a condition that the source of information should be kept secret.

The explicit incorporation of the reporter’s privilege into the Criminal Procedure Code makes source protection closer to a reality in Russia.

I. Sweden

Sweden is a very media-friendly nation in protecting the journalist’s privilege. The privilege is a constitutional right under the Freedom of the Press Act, which is one of the three parts of the Swedish Constitution. The Freedom of the Press Act, first adopted in 1766, established the right of anonymity of “authors” in 1812. When it was strengthened in 1949, it protected news sources especially for the print media. Singularly significant is that the Swedish shield law, one of the strongest in Europe, empowers sources to take criminal prosecution against journalists if their confidential identity is revealed without their authorization. It further forbids public officials to inquire about the journal-

175. Id.
176. Richter, supra note 172, at 3.
177. Id. at 4.
178. Id. at 5 (quoting Article 144 of the new Criminal Procedure Code of Russia, which went into force on July 1, 2002).
180. Id. at 254.
istic sources. If public officials violate the law, they face fines or one year in jail.\textsuperscript{181}

Not surprisingly, however, the journalist’s privilege is not absolute in Swedish law. Courts may order source disclosure when national security is at stake, or when high treason, espionage or other similar crimes are involved.\textsuperscript{182} Exceptions to the source protection are also allowed when a court finds it “of exceptional importance” that a source is a witness in a crime and when information specifically made secret by statute is revealed.\textsuperscript{183} As in Norway, nonetheless, “[i]n practice, courts rarely exercise this power, because protection of sources is a powerful cultural and legal tradition in Sweden, even when the source is not confidential.”\textsuperscript{184}

\textbf{J. United Kingdom}

No English court had upheld a common law right of the news media to withhold their confidential sources.\textsuperscript{185} In the 1981 case, \textit{British Steel Corp. v. Granada Television Ltd.},\textsuperscript{186} the House of Lords stated flatly that “[n]o public interest in the press not being forced to disclose their sources of information at the trial has yet been recognised; and there are insufficient grounds for holding that such an interest ought to exist.”\textsuperscript{187}

The common law rejection of the reporter’s privilege, except in the limited “newspaper rule” context,\textsuperscript{188} was changed by the Contempt of Court Act in 1981. Section 10 provides:

\begin{quote}
No court may require a person to disclose, nor is any person guilty of contempt for refusing to disclose, the source of information contained in a publication for which he is responsible, unless it be established to the satisfaction of the court that disclosing
\end{quote}

\begin{footnotes}
\textsuperscript{181} Id.
\textsuperscript{182} Id.
\textsuperscript{183} Id.
\textsuperscript{184} Abrams & Hawkes, supra note 135, at 201 (emphasis added).
\textsuperscript{185} David Feldman, \textit{Civil Liberties and Human Rights in England and Wales} 849 (2d ed. 2002).
\textsuperscript{186} [1981] AC 1096 (H.L.).
\textsuperscript{187} Id. at 1120.
\textsuperscript{188} Lord Denning explains the “newspaper rule” in \textit{British Steel} as follows:
\begin{quote}
[W]hen a plaintiff sues a newspaper for damages for libel, the newspaper will not be compelled to disclose its source of information: at any rate in answer to interrogatories administered in interlocutory proceedings before trial. . . . Sometimes this is put as a rule of practice—on the ground that it is not necessary at the interlocutory stage to discover the name of the informant. At other times it is put as a rule of law—on the ground that the plaintiff has an adequate remedy in damages against the newspaper and that it is not in the public interest that the name of the informant should be disclosed—else the sources of information would dry up.
\end{quote}
\textit{Id.} at 1128.
\end{footnotes}
The Contempt of Court Act was a radical departure from the judicial rejection of the journalist’s privilege in that it was a statutory effort to strike a balance between journalists’ right to gather and publish information and competing public interests. Protection of confidential sources was supposed to be the norm, not the exception, insofar as its statutory exceptions were concerned.

But the practical value of the Contempt of Court Act has been limited. In their initial application of the Act, English courts have broadly interpreted the exceptions. In practice,” Professor Barendt argued, “the courts have still been almost as reluctant to uphold a press claim not to disclose its sources as they had previously been at common law.” Even more disconcerting from a media perspective, the courts have yet to formulate a standard for determining public interest in the free flow of information. Rather, they find that the level of public interest in freedom of expression varies from case to case, as is the societal interest in informational disclosure by the press. Nonetheless, the English law on the journalist’s privilege has led courts to recognize the right to nondisclosure of news sources as an aspect of press freedom which can be protected.

III. International Law on the Journalist’s Privilege

International law on the journalist’s privilege is still evolving, but it emerged as an issue of increasing significance in the past 10 years. Two international courts have considered claims that the confidentiality of journalistic sources is part of a right to freedom of expression. The European Court of Human Rights (ECHR) declared in 1996 that journalists have a right not to disclose their sources unless an overriding countervailing interest outweighs the confidentiality of news sources. The International Criminal Tribunal for the former Yugoslavia (ICTY)
held in 2002 that war correspondents cannot be compelled to testify about their sources, except under extraordinary circumstances. 194

A. Goodwin v. United Kingdom: The European Human Rights Court Recognizes the Journalist’s Privilege

William Goodwin, a trainee journalist for the Engineer magazine, obtained information from his source that Tetra Ltd. was raising a £5 million loan while experiencing financial difficulties. The unpaid and unsolicited information was provided on an “unattributable” basis. 195 He had no reason to believe that the information about Tetra originated from a stolen or confidential document. It turned out, however, that the information derived from a draft of Tetra’s confidential corporate plan.

When learning that Goodwin was writing a story on the basis of the confidential information, Tetra obtained an ex parte interim injunction against the Engineer publishing any information from the corporate plan. Tetra put all the national newspapers and journals in England on notice about the injunction. 196

Meanwhile, Tetra asked the High Court of Justice in London to order Goodwin to identify his confidential source. If its corporate plan were made public, the company argued, it would result in a complete loss of confidence in the company on the part of its creditors, its customers, and its suppliers. Furthermore, the company would risk losing orders and having goods and services no longer supplied. This would result in problems with the company’s refinancing negotiations. 197

In his order to Goodwin to identify his confidential source, Judge Hoffmann of the High Court of Justice stated:

[Tetra] wishes to bring proceedings against the source for recovery of the document, an injunction against further publication and damages for the expense to which it has been put. But it cannot obtain any of these remedies because it does not know whom to sue. In the circumstances of this case, in which a remedy against the source is urgently needed, I think that disclosure is necessary in the interests of justice. 198

Goodwin’s appeal to the Court of Appeal to stay the High Court’s order was rejected. The Court of Appeal held: “The test of the needs of justice is met, but not in superabundance. The general public interest in maintaining the confidentiality of journalistic sources exists, but the facts of this particular case add absolutely nothing to it.” 199

194. See Appeals Chamber Decision, supra note 15.
196. Id.
197. Id.
198. Id. at 127 (quoting Judge Hoffmann).
199. Id. at 129 (quoting Lord Donaldson of the Court of Appeal).
declined to comply with the Court of Appeal’s order that he deliver his notes to Tetra or to the Court of Appeal. 200

Again, Goodwin’s appeal, this time to the House of Lords, was unsuccessful. In the House of Lords, Lord Bridge found that the Contempt of Court Act required a “balancing exercise between the need to protect sources and, inter alia, the interests of justice.” 201 Lord Bridge reasoned: “It is . . . ‘in the interests of justice,’ in the sense in which this phrase is used in section 10 [of the Contempt of Court Act], that persons should be enabled to exercise important legal rights and to protect themselves from serious legal wrongs whether or not resort to legal proceedings in a court of law will be necessary to attain these objectives.” 202

As to balancing source protection and fair justice, Lord Bridge stated:

It will not be sufficient, per se, for a party seeking disclosure of a source protected by section 10 to show merely that he will be unable without disclosure to exercise the legal right or avert the threatened legal wrong on which he bases his claim in order to establish the necessity of disclosure . . . . In this balancing exercise it is only if the judge is satisfied that disclosure in the interests of justice is of such preponderating importance as to override the statutory privilege against disclosure that the threshold of necessity will be reached. 203

Applying the standard for the balancing test to the facts of the case, Lord Bridge agreed with the High Court and the Court of Appeal that the necessity for Goodwin to disclose his source’s identity was established. 204

Following the House of Lords’ dismissal of the appeal, Goodwin complained to the European Commission on Human Rights. He argued that the disclosure order of the English courts violated his freedom of expression under the European Convention on Human Rights. 205 Find-
of others, for preventing the disclosure of information received in confidence, or for maintaining the authority and impartiality of the judiciary.

European Convention on Human Rights, art. 10 (1950).


207. Id. at 137.

208. Id. at 137-38.

209. Id. at 143-44.
authorities “a certain margin of appreciation,” nonetheless, the margin of appreciation is especially narrow when freedom of the press is at stake. The Court held that disclosure of journalistic sources interferes with “the interest of democratic society in ensuring and maintaining a free press” and thus it calls for the “most careful scrutiny” by the Court.210

Similarly to the European Commission on Human Rights, the European Court of Human Rights expounded on freedom of expression as an “essential foundation of a democratic society” and more specifically on the “safeguards that a free press needs in serving its crucial role as a watchdog.” The Court was especially emphatic about the journalistic privilege as freedom of press:

Protection of journalistic sources is one of the basis conditions for press freedom, as is reflected in the laws and the professional codes of conduct in a number of Contracting States and is affirmed in several international instruments on journalistic freedoms. Without such protection, sources may be deterred from assisting the press in informing the public on matters of public interest. As a result the vital public watchdog role of the press may be undermined and the ability of the press to provide accurate and reliable information may be adversely affected. Having regard to the importance of the protection of journalistic sources for press freedom in a democratic society and the potentially chilling effect an order of source disclosure has on the exercise of that freedom, such a measure cannot be compatible with Article 10 of the Convention unless it is justified by an overriding requirement in the public interest.211

In applying this “most careful” scrutiny of the interference with press freedom, the Court considered the disclosure order of the UK courts in the broader context of the interim injunction granted to Tetra, which proscribed virtually any media in England from disseminating information derived from its corporate plan.

The European Court of Human Rights agreed with the European Commission on Human Rights on the limited utility of the disclosure. That is, the Court found little value in the compelled disclosure of Goodwin’s source because it aimed to a very large extent to achieve the same purpose already being achieved by the injunction—i.e., to prevent further distribution of the confidential material contained in Tetra’s corporate plan.212

Because the injunction largely neutralized the threat of damage to
Tetra from possible dissemination of the confidential information and, to the extent that the disclosure order merely served to reinforce the injunction, the additional restriction on freedom of expression through the disclosure order could not be a “sufficient reason” under Article 10 of the European Convention on Human Rights, the Court held.  

B. The Randal Case: The International War Crimes Court Recognizes the Journalist’s Privilege

The journalist’s privilege was explicitly recognized as a right by an international court in 2002, albeit in an unusual setting. The International Criminal Tribunal for the former Yugoslavia (ICTY), Appeals Chamber, in Prosecutor v. Brdjanin held that war correspondents cannot be forced to testify without proof that their testimony is essential to the case and that the evidence sought cannot be obtained from alternative sources. The ICTY’s ruling is extraordinary in broadly recognizing protection of journalistic sources as a right, although the Randal case centered not on source protection but on verification of published information from an identified source. Furthermore, it related specifically to war reporting, which has not been treated as special in American law.

1. FACTS

Jonathan Randal, a former Washington Post reporter, claimed journalistic privilege in January 2002, when the Trial Chamber of the ICTY ordered him to testify about an interview with Radoslav Brdjanin, the Serbian leader who was accused of, among others, crimes against humanity. Before being issued the subpoena from the Trial Chamber, he expressed his reluctance to give testimony before the Tribunal.

In February 1993, Randal published a story in the Washington Post, which was partly based on his interview with Brdjanin, then the Bosnian Serb housing administrator. Randal quoted Brdjanin as saying that
he “believes the ‘exodus’ of non-Serbs should be carried out peacefully, so as to ‘create an ethnically clean space through voluntary movement.’” Brdjanin was also quoted in Randal’s story: “Muslims and Croats . . . should not be killed, but should be allowed to leave—and good riddance.”

When the prosecution wanted to have Randal’s article admitted as evidence to prove Brdjanin’s intention to “cleanse” northwestern Bosnia of non-Serb people, Brdjanin sought Randal’s appearance for cross examination. When Randal declined the prosecution’s request to testify voluntarily, the Trial Chamber issued a subpoena to him, and he, with the support of the Washington Post, challenged the subpoena.

2. RANDAL v. PROSECUTION ON THE JOURNALIST’S PRIVILEGE

Randal argued that the ICTY’s power to subpoena witnesses could be constrained by various public policy concerns. The public interest privilege of journalists to avoid compulsory process brings about the “outstanding benefits” for international criminal justice. According to Randal, media coverage in combat zones provides the public with important information about international conflicts, and it also offers evidentiary material for investigation of war crimes. Compelling journalists to give testimony before international criminal courts against what they have observed or interviewed would likely curtail the benefits of war reporting.

If journalists are routinely forced to testify, Randal warned:

(i) [J]ournalists’ independence would be undermined and journalists would have fewer opportunities to conduct interviews with officials with superior authority, particularly in conflicts that are ongoing.

(ii) [J]ournalists would as a collective profession be put at risk of greater harm and danger, including exposing their sources to such risk and, as a result therefore,

(iii) [T]he amount of information that conflict zone reporters are able to produce, including specifically information about possible crimes against humanity, would tend to dry up.

Randal called attention to the Geneva Conventions (rule 97) and the European Convention on Human Rights (article 10) as legal safeguards adopted to protect journalists. He noted the watchdog role of the news


220. Prosecutor v. Brdjanin and Talic, Case No. IT-99-36-T, Decision on Motion to Set Aside Confidential Subpoena to Give Evidence, ¶ 1 (June 7, 2002).

221. Id. ¶ 9.

222. Id. ¶ 11.

223. Id. (citation omitted).
media, as recognized by the European Court of Human Rights and the Inter-American Court of Human Rights.\textsuperscript{224} He also posited that the journalist’s privilege has been recognized by the United States and other countries.\textsuperscript{225}

Drawing on these and other international and national mechanisms in recognition of a qualified journalistic privilege, Randal outlined the exceptional circumstances which might justify compelled testimony by journalists before an international criminal court: If “the unwilling journalist, forced to testify, would provide admissible evidence that is of crucial importance to [the court’s] determination of a defendant’s guilt or innocence, and the giving of this evidence would not put the journalist, his family or sources in any reasonably apprehended personal danger.”\textsuperscript{226}

In the alternative, Randal contended, the Trial Chamber’s subpoena should be set aside on the particular facts of the case. He asserted that the subpoena was issued with no inquiry as to its necessity. Further, his evidence was not vital or crucial to the prosecution or the defense. In addition, any evidence from him could not be probative because he could not testify to the accuracy of the statements attributed to Brdjanin. His Brdjanin interview was conducted through the help of a Serbo-Croatian speaking journalist. Randal also wondered why the prosecution was not able to secure the testimony of the unidentified journalist-interpreter nor willing to ask the Trial Chamber to subpoena him as a witness.\textsuperscript{227}

The prosecution responded strenuously, asserting that the facts of the case and various legal precedents disputed Randal’s claim of a journalistic privilege. In issuing the subpoena to Randal the Trial Chamber complied with the ICTY rules of procedure and Randal’s article and testimony would be directly relevant to the case. Meanwhile, the Trial Chamber pointed out that the prosecution did not explain why it had not requested a subpoena for the Serbo-Croatian speaking journalist, who served Randal as his interpreter when interviewing Brdjanin.\textsuperscript{228}

The prosecution challenged the authority Randal marshaled in support of a journalist’s privilege. It said that freedom of expression was


\textsuperscript{225} Id. (citations omitted).

\textsuperscript{226} Id. ¶ 14.

\textsuperscript{227} Id. ¶ 15.

\textsuperscript{228} Id. ¶ 17.
insufficient as a basis for recognition of the journalistic privilege. Moreover, the prosecution characterized as moot Randal’s concern that his compulsory testimony would jeopardize newsgathering because the publication of Randal’s article in the *Washington Post* had presumably affected his access to government officials as his sources.²²⁹

Regardless of whether the ICTY was limited or broad in its power to subpoena journalists, the prosecution argued, it would be a non-issue because there was no confidentiality in Randal’s interview with Brdjanin and that he published a story based on the interview.²³⁰

The prosecution disputed Randal’s reliance on the ECHR case, *Goodwin v. United Kingdom*, arguing that *Goodwin* stood in sharp contrast with the *Randal* case. Because *Goodwin* involved the protection of confidential sources, but *Randal* did not, *Goodwin* contradicts Randal’s claims about the journalistic privilege recognized to date. In challenging the relevance of various domestic cases Randal cited, the prosecution countered with several U.S. and U.K. court decisions that rejected the privilege.²³¹

The prosecution proposed that courts should balance the competing public interests in recognizing a journalistic privilege:

> [W]hether the courts should compel a journalist to testify by way of subpoena boils down to a matter of fact and degree, to be assessed by the court in each case, and dependent on factors such as the nature of the alleged offence and whether the journalist’s evidence goes to a major issue rather than to a peripheral one.²³²

Under the balancing test of the prosecution, Brdjadin’s right to confront witnesses and the Trial Chamber’s fact-finding responsibility were directly at issue. As a retired journalist, however, Randal stood in no danger of suffering the possible adverse professional consequences of his testimony before the court. On balance, according to the prosecution, Randal must testify because he offered no “substantial interest” that would override the “powerful public interest” in the ICTY’s access to all the relevant evidence and in Brdjadin’s right to a fair trial.²³³

### 3. THE TRIAL CHAMBER REJECTS THE JOURNALIST’S PRIVILEGE

In June 2002, the Trial Chamber dismissed Randal’s motion to set aside the subpoena. Its rejection of Randal’s arguments was strong and sometimes tended to be cavalier. The Trial Chamber, for example, argued that it would not focus on what “may be highly interesting and

²²⁹. *Id.* ¶ 18.
²³⁰. *Id.* ¶ 19 (citations omitted).
²³¹. *Id.* ¶ 20 (citations omitted).
²³². *Id.* ¶ 21 (citation omitted).
²³³. *Id.* ¶ 22 (citations omitted).
fundamental to the profession of journalism and the freedom of the media, as well as academically, but completely irrelevant” to Randal’s assertion of a journalistic privilege. Nor would it “indulge in academic exercises or attempt to decide issues that may well be very interesting and related to the so-called journalistic privilege in the multi-facets in which it is presented, but go beyond, and have no bearing on what is really involved in, and truly relevant to, the subject-matter of the Motion [to set aside the subpoena].”

The Trial Chamber acknowledged the vital role of news reporting on conflict areas in apprising the world of the horrors of the conflict and journalists’ contribution in establishing the ICTY. Nonetheless, it did not want a journalist’s privilege to be framed in such a way as to allow the journalist to determine the usefulness of his news reporting to the criminal tribunal as possible evidence.

While conceding the journalistic duty to be objective and independent in news reporting, the Trial Chamber distinguished the professional responsibilities of journalists from their legal consequences. It found little conflict between Randal’s testimony about his published articles and his concern about the deleterious impact of his compelled testimony on his objectivity and independence as a journalist. “What is published necessarily becomes public and readily available,” the Trial Chamber stated. “No journalist can expect or claim that once she or he has decided to publish no one has a right to question their report or question them on it. This is an inescapable truth and a consequence of making public one’s findings.”

Significantly, the Trial Chamber made an intriguing distinction between freedom of expression and freedom of the news media. Journalism is a professional exercise of freedom of expression available to every individual, but the Trial Chamber characterized freedom of expression and freedom of the media as “distinct fundamental freedoms.” Freedom of expression is an individual liberty for everyone and not exclusive to journalists, while freedom of the media is a privilege limited to the news media industry. Nonetheless, the Trial Chamber found, with little elaboration, that the Randal case involved the freedom of the media “only marginally.” The court rejected as utterly baseless Randal’s assertions that its subpoena would restrict journalists’ freedom of expression and the freedom of the media.

234. Id. ¶ 23 (emphasis added).
235. Id. ¶ 25.
236. Id. ¶ 26.
237. Id.
Further, according to the Trial Chamber, there is a need for balancing the journalist’s right to freedom of expression with the administration of justice. This balancing requires journalists to avoid unnecessary subpoenas, and it mandates that examination of journalists should not “unduly hamper, obstruct or otherwise frustrate the vital role” of news reporting.238

To the Trial Chamber, however, the Randal situation was the “wrong case” for the ICTY or similar courts to scrutinize the status, role and privilege of journalists reporting from conflict areas.239 The Randal case lacked a compelling justification for protection of journalistic sources because Randal was required to testify about his published story and his identified source.240 By contrast, the entire case law Randal invoked in arguing a journalistic privilege revolved around confidential sources.241 Moreover, Randal would not need the kind of journalistic privilege he asserted. He did not have to worry about physical harm or risk that might result from his forced testimony. The Trial Chamber stressed Randal’s status as a retired journalist and noted that he had rarely been in danger of being harmed after his story appeared in the Washington Post.242

More importantly, the Trial Chamber criticized Randal for overreaching in his journalistic privilege scenarios and implied that his failure to discriminate between the absolute and the qualified privilege would backfire. To Randal, “the consequences of a subpoena are the same irrespective of whether it is the case of a journalist who wishes to keep confidential his sources and the information he has received in confidence or the case of a journalist who has decided to publish.”243

The Trial Chamber did accept the journalistic privilege as articulated in Goodwin. It considered the Goodwin test of the ECHR as a benchmark in that to uphold a standard lower than Goodwin would constitute

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238. Id. ¶ 27.
239. Id. ¶ 28.
240. Id. ¶ 28 (A)(i)(ii) & (iv).
241. Id. ¶ 28 (A)(vi). The Trial Chamber explained:

This is . . . not a case in which Randal, if forced to testify, can claim that he has an interest in not disclosing and a right not to be forced to disclose his confidential source as part of his fundamental right to freedom of expression: his sources are known already and who has made them known is Randal himself. It is also definitely not a case of being forced to testify on unpublished material—Randal himself has not made that suggestion. Rather, it is the case where it was Randal himself that decided to disclose publicly in the Washington Post what he alleges to have been told by Brđanin himself.

Id.
242. Id. ¶ 28 (B).
243. Id. ¶ 29.
“a step in the wrong direction, a step backward, and a severe blow” to journalistic freedom of expression and freedom of the media. 244 Yet the Trial Chamber found the Goodwin standard inapposite in the Randal case, since it involved no confidential information. 245

Finally, the Trial Chamber bypassed Randal’s argument that his testimony would not be “crucial or significant” to the prosecution or Brdjanin. Rather than squarely address the relevance of Randal’s testimony, the Trial Chamber opted for the seemingly less rigorous test of the prosecution that if Randal’s testimony were “pertinent” to the case, he should testify as a witness before the court. 246

4. THE APPEALS CHAMBER ACCEPTS THE JOURNALIST’S PRIVILEGE

On appeal, Randal argued that the Trial Chamber had erred in not recognizing a testimonial privilege for journalists and in finding, on the facts of the case, that he should be compelled to testify. 247 Because he was entitled as a journalist to “a strong presumption” against compelled testimony, Randal asserted that the presumption should be overcome only by satisfying his multi-part test for balancing the journalistic right to freedom of expression with other competing public interests. 248 He set forth a five-part test for the journalist’s privilege, which outlined the circumstances in which a subpoena should issue:

Where the party requesting the subpoena can satisfy the Court that the unwilling journalist, if forced to testify, will provide admissible evidence that is of crucial importance to its determination of a defendant’s guilt or innocence; and
Which evidence cannot be obtained by any other means or from any other witness; and
That the giving of this evidence by the journalist will not require breach of any obligation of confidence;
That the giving of this evidence will not put him, or his family or sources in any reasonably apprehended personal danger; and
That the decision will not serve as a precedent which would unnecessarily jeopardise the effectiveness or safety of other journalists reporting from that conflict zone in the future. 249

A total of 34 media companies and press advocacy groups throughout the world filed a brief amici curiae in support of Randal’s appeal of the Trial Chamber’s decision. 250 The media organizations disapp
proved of the Trial Chamber’s balancing test. Because it was “so vague,” it would “inevitably lead to much unease and confusion in the journalistic community.” Furthermore, the test offered little guidance to the legal community on the journalist’s privilege. The amici preferred a “clear bright-line test” that would provide predictability for journalists and their sources and a presumption against issuance of subpoenas to journalists for testimony. They stated that the test would be fair to the accused, the prosecution, and the public while reflecting the “paramount” value of an independent press and the public’s right to information. Under a two-part journalist’s privilege test proposed by the news media organizations, “[n]o journalist should be subpoenaed to testify in front of a war crimes tribunal unless their testimony: (1) is absolutely essential to the case; and (2) the information cannot be obtained by any other means.”

In December 2002, the 5-judge Appeals Chamber of the ICTY unanimously reversed the Trial Chamber’s ruling and set aside the subpoena to Randal. Before ruling on the threshold issue of the case, the Appeals Chamber made clear that its decision concerned not journalists in general but only a smaller group of journalists, i.e., war correspondents. It further narrowed its ruling to the instances in which a war correspondent refuses a subpoena to testify. More directly relevant to the decision of the Appeals Chamber were the novel circumstances relating to the “particular character of the work done and the risks faced by those who report from conflict zones.”

In determining the scope of the journalist’s privilege for war correspondents, the Appeals Chamber framed the threshold issue by focusing on three subsidiary questions:

Is there a public interest in the work of correspondents?
If yes, would compelling war correspondents to testify before a tribunal adversely affect their ability to carry out their work?
If yes, what test is appropriate to balance the public interest in accommodating the work of war correspondents with the public interest in having all relevant evidence

Beck

Behalf of Various Media Entities and in Support of Jonathan Randal’s Appeal of Trial Chamber’s “Decision on Motion to Set Aside Confidential Subpoena to Give Evidence” [hereinafter “Amici Curiae Brief”], ¶ 22 (Aug. 17, 2002).

251. Id. ¶ 5.

252. Id. ¶ 24.

253. Id. ¶ 43.

254. Appeals Chamber Decision, supra note 15, ¶ 56.

255. “War correspondents” were defined as “individuals who, for any period of time, report (or investigate for the purposes of reporting) from a conflict zone on issues relating to the conflict.” Id. ¶ 29.

256. Id. ¶ 30.

257. Id. ¶ 29.
available to the court and, where it is implicated, the right of the defendant to challenge the evidence against him.258

To the first question—does the public have an interest in war reporting?—the Appeals Chamber concluded that it does. The Appeals Chamber embraced a widely accepted proposition that a vigorous press is indispensable to open societies, and compelling journalists frequently and casually to produce evidence will hinder their newsgathering abilities. The ECHR's recognition of the watchdog role of the news media and shield laws in several countries showcased the proposition.259

The Appeals Chamber viewed the public interest in protecting the integrity of war correspondents in newsgathering as "particularly clear and weighty." This was all the more so, given that news reporting in war zones is replete with difficulties in its information gathering and distribution, and plays a vital role in publicizing the horrors of international and regional conflicts and in helping international courts investigate war crimes.260

The Appeals Chamber also broadened the concept of the public’s interest in the work of war correspondents. It drew an important but often overlooked conceptual linkage of war reporting to people’s access to information as a positive right under the Universal Declaration of Human Rights. The Appeals Chamber stated: "[T]he right to freedom of expression includes not merely the right of journalists and media organizations freely to communicate information. It also incorporates a right of members of the public to receive information."261

In this way, the Appeals Chamber decoupled recognition of the public interest served by war correspondents from a possibly misplaced perception that war correspondents are a privileged group outside the law. In doing so, the tribunal emphasized that citizens gain as much as journalists do, if not more, from access to vital information from war zones thanks to war correspondents’ "vigorous investigation and reporting." Consequently, protection of war correspondents’ ability to do their work deserves adequate consideration.262

As to the second question whether compelled testimony would harm the journalistic work of war correspondents, the Appeals Chamber diverged from the Trial Chamber, which had predicted little "chilling effect" on war correspondents if they testify about published sources.263

258. Id. ¶ 34.
259. Id. ¶ 35 (citations omitted).
260. Id. ¶ 36 (citations omitted).
261. Id. ¶ 37.
262. Id. ¶ 38.
263. For a discussion of the Trial Chamber’s position that no harmful impact will accrue when journalists are compelled to testify about their published articles, see supra notes 239-242 and accompanying text.
While there is no determining “with certainty” whether and to what extent compelling war correspondents to testify would hamper their newsgathering, the Appeals Chamber stated, “it is not a possibility that can be discarded lightly . . . simply because the evidence sought concerned published information and not confidential sources.”

The Appeals Chamber was convinced that forcing war correspondents to give testimony could exert a “great” harmful impact upon their newsgathering activity and their personal safety. It countered the Trial Chamber by stating that the impact is no different regardless of whether the testimony of war correspondents involved confidential sources. The Appeals Chamber explained:

What really matters is the perception that war correspondents can be forced to become witnesses against their interviewees. Indeed, the legal differences between confidential sources and other forms of evidence are likely to be lost on the average person in a war zone who must decide whether to trust a war correspondent with information.

Consequently, compelling war correspondents to testify “on a routine basis” may substantially affect their newsgathering ability and their function to inform the public about conflicts. Therefore, war correspondents should not be unnecessarily hampered in carrying out their work in the public interest.

The third question—what test would balance appropriately the public interest in war correspondents’ work with the public interest in the administration of justice through access to all relevant evidence—led the Appeals Chamber to critically analyze Randal’s five-part test and the amici’s two-part test, as well as the Trial Chamber’s “pertinence” test.

Randal’s test would grant “a virtually absolute privilege” to war correspondents, and the amici’s standard might be so stringent as to exclude significant evidence from the judicial process. The Trial Chamber’s test was found to be insufficient because it was too general to ensure more protection to war correspondents than are allowed to other witnesses.

The Appeals Chamber then enunciated its own test for determining when a war correspondent can be subpoenaed:

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264. Appeals Chamber Decision, supra note 15, ¶ 40.
265. Id.
266. Id. ¶ 42.
267. Id. ¶ 43.
268. Id. ¶ 44.
269. Id. ¶ 47.
First, the petitioning party must demonstrate that the evidence sought is of direct and important value in determining a core issue in the case.

Second, it must demonstrate that the evidence sought cannot reasonably be obtained elsewhere.270

The Appeals Chamber did not apply its two-prong test to the facts. Instead, it left the Trial Chamber to apply the test if the prosecution or Brdjanin still wanted Randal to testify.271 In obiter dictum, however, the Appeals Chamber stated that it “finds it difficult to imagine [Randal’s] testimony could be of direct and important value to determining a core issue in the case,”272 for Randal spoke no Serbo-Croatian and relied on another journalist for interpretation for his interview with Brdjanin.

Judge Mohamed Shahabuddeen filed a separate opinion, in which he ruminated on the “difficulty” he had over the operation of the Appeals Chamber’s test on the journalist’s privilege. While Randal’s privilege claim was novel, he suggested that the ICTY search for a relevant source of law to address the issue. Because of its implied power from the U.N. Security Council, he asserted, the ICTY has a vested power and an authority as a judicial body to “act fairly” to a subpoenaed war correspondent.273 In accordance with the ICTY’s duty to deal fairly with freedom of expression, he said the ICTY must conform to the International Covenant on Civil and Political Rights, which comprehends the Universal Declaration of Human Rights.274

The balancing of freedom of expression with the administration of justice, however, is already made by Article 19(3) of the Covenant,275 according to Judge Shahabuddeen. Thus, what the ICTY has to do in weighing the journalist’s privilege is to determine whether restricting

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270. Id. ¶ 50.
271. Id. ¶ 55.
272. Id. ¶ 54.
274. Id. ¶ 6.
275. Article 19(3) of the International Covenant on Civil and Political Rights provides:

The exercise of the rights provided for in paragraph 2 (“Everyone shall have the right to freedom of expression; this right shall include freedom to seek, receive and impart information and ideas of all kinds, regardless of frontiers, either orally, in writing or in print, in the form of art, or through any other media of his choice”) of this Article carries with it special duties and responsibilities. It may therefore be subject to certain restrictions, but these shall only be such as are provided by law and are necessary:

(a) For respect of the rights or reputations of others;
(b) For the protection of national security or of public order (ordre public), or of public health or morals.
freedom of expression in a particular case is “necessary” on any recognized grounds, including the protection of the “essential elements of the administration of justice.”

Judge Shahabuddeen laid out the criteria for making the “necessary” determination: “[I]s the harm resulting from the withholding of the evidence to the public interest in the administration of justice greater than the harm resulting from the giving of the evidence to the public interest in the free flow of information which underlies freedom of expression?”

What are the definitions of “necessary” in the balancing of freedom of expression with the administration of justice? Judge Shahabuddeen turned to the experience of the European Court of Human Rights with Article 10(2) of the European Convention on Human Rights: “Necessary” meant “a pressing social need” and that the “social need” exceptions must be “narrowly” interpreted and “convincingly” established.

Freedom of expression for war correspondents can be restricted if their compelled testimony is justified by a pressing social need for the evidence that requires the restriction. The crucial question thus was: How can courts determine the weight of the evidence to be presented through compelled testimony, for it “may depend on all the other evidence in the case—already given or still to be given”?

Judge Shahabuddeen, unlike the Appeals Chamber, did not find the “pertinence” test of the Trial Chamber fatally flawed. He stated that it was not insufficient in protecting the freedom of war correspondents in their news gathering. If the word “pertinent” was considered in context and in connection with the capacity of Randal’s article to prove Brdjanin’s state of mind, the pertinent evidence from Randal was “advantageous” and “to the point” enough to satisfy the first prong of the Appeals Chamber’s test.

However, Judge Shahabuddeen determined that Randal’s journalist’s privilege prevailed due to the subpoena’s failure in the second prong of the Appeals Chamber’s test: evidence not available from alternative sources. There was an alternative source—the Serbo-Croatian speak-

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276. Appeals Chamber Decision, supra note 15, ¶ 9 (Separate Opinion of Judge Shahabuddeen).
277. Id. ¶ 8.
278. Id. ¶ 11.
279. Id. ¶ 13.
280. Id. ¶ 17.
281. Id. ¶ 22.
282. Id. ¶ 31.
283. Id. ¶ 30.
284. Id. ¶ 34.
ing journalist and interpreter—who could have provided the evidence that was expected of Randal. 285

5. THE TRIAL CHAMBER APPLIES THE ICTY TEST TO RANDAL

In response to the Appeals Chamber’s implicit invitation, the prosecution sought a new subpoena from the Trial Chamber against Randal in January 2003. 286 The prosecution argued that Randal’s testimony satisfied the Appeals Chamber’s test for overriding the journalistic privilege because it would be “of direct and important value” in determining the core issue of the case and it “cannot reasonably be obtained elsewhere.” 287

In examining the nexus of Randal’s evidence to the case, the prosecution said the evidence “goes to central, disputed issues in the case, rather than to issues of peripheral or marginal relevance to the charges” against Brdjanin. 288 Randal’s testimony would show Brdjanin’s “criminal intent” as to the core issue of the case—whether he was eager and willing to engage in the ethnic cleansing of non-Serbs in his area, according to the prosecution. 289

Was the testimony sought from Randal “of direct and important value” to the central issue of the Brdjanin case? The prosecution answered in the affirmative on two grounds: (1) Randal’s evidence was more direct than anything else because “it reflects the Accused’s [Brdjanin’s] own statements and conduct,” 290 and (2) Randal could testify, based on his firsthand observations of Brdjanin’s demeanor, about the “context and atmosphere” in which Brdjanin made his own incriminating statements. 291

Applying the second prong of the Appeals Chamber’s test, the prosecution told the Trial Chamber that there was no alternative source to obtain the evidence in question. 292 To the Appeals Chamber’s suggestion that “if the evidence sought is reasonably available from a source other than a war correspondent,” the Trial Chamber should first try that alternative source, 293 the prosecution replied that the unidentified

285. Id. ¶ 33.
287. Id. ¶ 2.
288. Id. ¶ 22.
289. Id. ¶ 24 (emphasis in original).
290. Id. ¶ 28 (emphasis in original).
291. Id. ¶ 29.
292. Id. ¶ 32.
293. Id.
reporter who helped as Randal’s interpreter could be the only possible alternative source. But he did not fall within the definition of the alternative source the Appeals Chamber envisioned, the prosecution argued, because the reporter-interpreter was also “a war correspondent,” and therefore could not be a source “other than a war correspondent.”

In any case, more problematic was the unreasonableness of subpoenaing the reporter-interpreter as an alternative source of Randal’s evidence. Unlike Randal, already a retired journalist who would likely face no physical harm or risk in connection with his testimony, the reporter-interpreter, still an active journalist who continued to cover the Balkans, would jeopardize his personal safety if forced to testify, according to the prosecution.

The prosecution strongly disagreed with Judge Shahabuddeen that the reporter-interpreter was a reasonable alternative source for Randal’s testimony. It also dismissed as “ill-founded” the majority opinion of the Appeals Chamber that Randal might be unable to confirm Brdjanin’s quotes in his Washington Post story because he relied on his interpreter’s help.

The Trial Chamber held in June 2003 that Randal’s proposed testimony, as the prosecution argued, went to the crux of the case because, “if accepted as true,” the Washington Post statements attributed to Brdjanin related to his criminal responsibility. Because Randal spoke no Serbo-Croatian, however, the Trial Chamber questioned how his testimony on the accuracy of the Brdjanin quotes “could be of direct and important value” in resolving the core issue in the case.

Further, the Trial Chamber rejected the prosecution’s contention that Randal’s testimony on Brdjanin’s demeanor during his interview and on the context of his admissions of genocidal intent would be important enough to determine the core issue in the case. There was no way for Randal to confirm the substance of the interview, the Trial Chamber said, and the value of Randal’s evidence depended on his understanding of the Brdjanin statements.

294. Id. ¶ 35.
295. Id. ¶ 37.
296. Id. ¶ 38.
297. For a discussion of Judge Shahabuddeen’s suggestion that the reporter-interpreter could be an alternative source, see supra note 285 and accompanying text.
298. Prosecution’s Second Request for a Subpoena, supra note 286, ¶ 39.
299. Prosecutor v. Brdjanin, Case No. IT-99-36-T, Decision on Prosecution’s Second Request for a Subpoena of Jonathan Randal (June 30, 2003), ¶ 17 [hereinafter “Trial Chamber Decision No. 2”].
300. Id. ¶ 29.
301. Id. ¶ 30-38.
The Trial Chamber concluded that the prosecution’s failure to meet both prongs of the Appeals Chamber’s test entitled Randal to his testimonial privilege. The Trial Chamber found it unnecessary to resolve the alternative-source issue of the test, since the prosecution could not overcome the first prong of the test.302

Judge Chikako Taya agreed with the majority of the Trial Chamber in rejecting the prosecution’s second attempt to subpoena Randal. In his separate opinion, however, he addressed how the Appeals Chamber’s test should operate in relation to the unpublished material of war correspondents.303

The Appeals Chamber was primarily concerned with published information of war correspondents, according to Judge Taya. Thus, the Appeals Chamber’s test failed to address journalistic privilege of unpublished materials. He argued that forcing war correspondents to testify about their unpublished matters affects not only the war correspondents but also their interviewees and the public. The public expects war correspondents to be professionally responsible for what they publish. At the same time, Judge Taya continued:

[It] seems to me that there is an expectation that war correspondents will not reveal unpublished material, particularly in the course of criminal proceedings against their interviewees. This is true whether the material is dropped from publication in the course of drafting or editing, and even if the unpublished material does not consist of confidential information or involved confidential sources. Compelling a war correspondent to testify on unpublished matters results in unfair surprise, not only for the interviewee but for the public as well. This risks destroying public confidence in war correspondents.304

Judge Taya noted that the ICTY should not limit itself to avoiding the perception that war correspondents can be compelled to act as witnesses against those they interview. Rather, the ICTY should ensure that if it applies its test, war correspondents will be asked about their published stories only, and not about their interviewees.305

Judge Taya stated that the Appeals Chamber’s standard for the journalist’s privilege was implicitly only for “the verification of published information and [for] such surrounding circumstances as relate to the accuracy of the published information.”306 For unpublished information of war correspondents, he proposed a stricter standard:

Testimonial privilege for war correspondents on unpublished matters should be recognized except when this unpublished testimony is crucial to determine guilt or

302. Id. ¶ 40.
303. Id. ¶¶ 2-11 (Separate Opinion of Judge Taya).
304. Id. ¶ 6.
305. Id. ¶ 7.
306. Id. ¶ 10.
innocence and there is no alternative means to accommodate the public interest in
the free flow of information and in having all the evidence before the Tribunal.307

In setting forth the stricter test for unpublished information, Judge Taya found the U.S. Department of Justice’s media subpoena guidelines “helpful” as a reference.308 He saw the underlying logic of the U.S. government policy on media subpoenas that in order to safeguard their independence in the eyes of the public, including potential interviewees, war correspondents must not “testify beyond their publications except when crucial needs exist to obtain such testimony to establish guilt or innocence.”309

IV. U.S. Law on the Journalist’s Privilege: An International and Comparative Benchmark?

The ever escalating tension between American news media and their government over the journalist’s privilege indicates that the freedom of the American press is not as extensive as it is perceived. From an international and comparative law perspective, U.S. jurisprudence with regard to the press’s right to confidentiality calls into question its often envied tradition of erring on the side of more press freedom, not less. Indeed, nearly 30 European intellectuals petitioned to American courts in August 2005:

We have always admired the United States for the freedom enjoyed by its press. A press that—under all circumstances—has informed, levied blame, and could make presidents tremble, or even topple them from power. In this area, America set an example for the rest of the world.

At a time when the most extremist ideas are gaining ground, and when growing numbers of reporters are being killed or taken hostage, arresting a journalist in a democratic country is more than a crime: it’s a miscarriage of justice.

After this, how can we demand that other countries in the world respect freedom of expression and information—one of the pillars of democracy?310

This collective concern of foreigners about jailing New York Times reporter Judith Miller contrasts with what First Amendment attorney

307. Id. ¶ 8.
308. Judge Taya quotes the U.S. Department of Justice policy on when to subpoena journalists: “The ‘use of subpoenas to members of the news media should, except under exigent circumstances, be limited to the verification of published information and to such surrounding circumstances as relate to the accuracy of the published information.” Id. ¶ 9 (quoting 28 C.F.R. § 50.10).
309. Id. ¶ 9.
Floyd Abrams argued vigorously in 2002 in the Randal case: That the ICTY should draw on, among others, U.S. law for adoption of a journalistic privilege. During oral argument before the ICTY and in the amici brief for more than 30 media outlets, he invoked the U.S. Department of Justice guidelines and U.S. case law on the journalistic privilege. Abrams cited the U.S. Court of Appeals for the Ninth Circuit in Shoen v. Shoen to document the 20-year application of Branzburg in support of the qualified privilege for American journalists.

During the ICTY oral argument, Abrams reemphasized the Shoen case as the authoritative reading of Branzburg:

As regards the legal side itself, I would urge the Court to—in terms of U.S. precedent to focus with particular interest on the Shoen versus Shoen case of the Ninth Circuit. There are a few cases—only a few, but a few—which are now contrary to that ruling. . . . The Shoen case cited case law and basically concluded that the majority rule in the U.S.—and it still is—is that there is a qualified privilege with respect to non-confidential as well as confidential material.

His argument was convincing. The ICTY accepted his claim that “[n]early every court” that considered the issue since Branzburg has read Justice Powell’s concurring opinion, as narrowing the U.S. Supreme Court’s majority opinion in Branzburg, and recognizing the journalist’s privilege.

Abrams was correct to observe that Branzburg was interpreted by many American courts as creating a First Amendment privilege against compelled disclosure by reporters. Now, however, it is increasingly unclear whether Abrams’s reading of U.S. courts on Branzburg remains

312. See id ¶¶ 48-53; Motion Hearing in Case No. IT-99-36-T (Oct. 3, 2002), unofficial transcript, at 10192, 10195-96 [hereinafter Motion Hearing Transcript].
313. 5 F.3d 1289 (9th Cir. 1993).
314. Amici Curiae Brief, supra note 250, ¶ 52.
315. Motion Hearing Transcript, supra note 312, at 10195-10196.
316. See Appeals Chamber Decision, supra note 15 n.29 (citing Shoen v. Shoen, 5 F.3d 1289 (9th Cir. 1993)); Judge Shahabuddeen’s Separate Opinion, supra note 273 n.10 (noting the Appeals Chamber decision referring to Shoen); Trial Chamber Decision No. 2, supra note 299 n.88 (citing the U.S. Department of Justice guidelines on the issuance of subpoenas to journalists).
317. For a discussion of Justice Powell’s concurring opinion in Branzburg, see supra notes 102-104 and accompanying text.
318. See Lystad, supra note 12, at 3. Lystad stated:

For more than thirty years, the overwhelming majority of state and federal courts had read Branzburg as conferring a First Amendment privilege, based largely on Justice Lewis Powell’s concurring opinion. The judicial consensus had been that the First Amendment provides journalists with a qualified privilege to resist efforts to compel testimony about their confidential sources or about unpublished information gained in the course of researching a story.

Id.
valid. American courts have begun to read *Branzburg* in such a way as to undercut the case law that recognized the journalist’s privilege. This judicial withdrawal of support for the *Branzburg*-based privilege has been especially pronounced in the past few years.

The U.S. Supreme Court’s denial of *New York Times* reporter Judith Miller’s petition for review should serve as an implicit message that *Branzburg* does not support back-door recognition of the journalist’s privilege. It will deter the further evolution of the journalistic privilege in the future. So there is now serious reason to question whether the U.S. Constitution accepts a reporter’s privilege to confidential sources in one way or another to the same extent that it was assumed previously.

American courts’ recent retreat on the journalist’s privilege will likely dismay journalists and others abroad who seek inspiration from the First Amendment. The insouciant disregard of Judge Richard Posner and others for the journalist’s privilege as a right is puzzlesome. Foreign journalists and media law scholars and practitioners may take it as a judicial aberration in U.S. law on free speech. They have been led to believe that the First Amendment makes a crucial contribution to the recognition—and expansion—of the news reporter’s rights to protect their sources internationally.

American constitutional law has furnished theoretical and doctrinal support for the ICTY and the ECHR in extending the journalist’s privilege in international law. The ECHR in *Goodwin* and in the ICTY in *Randal* have accepted the watchdog press concept and the free flow of information notion, respectively, in endorsing the journalist’s privilege. In recent years, however, American courts seem to have given little more than perfunctory attention to these principles when ruling on the privilege as a First Amendment right.

The most striking difference between U.S. and international courts on the journalist’s privilege is their varying concept of freedom of speech and the press. American judges tend to limit freedom of expression to freedom to disseminate information without governmental interference, although they sometimes take pains to state that newsgathering is not without protection as a right for the press. So they do not consider the public’s right to information from the news media to be nearly as important to freedom of expression. One possible explanation is that the right to be informed is secondary to the right to speak as the core of the First Amendment. Newsgathering is thus not necessarily essential to American courts in considering the boundaries of their press law on the journalist’s privilege.

On the other hand, as the ECHR in *Goodwin* and the ICTY in *Randal*
stated clearly, freedom of expression is not confined to a right to speak or publish without censorship; it is both a right to communicate and a right to receive information. Included in the broader right to receive information is news reporters’ right to gather information for distribution efficiently. In international law, newsgathering is part of freedom of expression, and journalists’ freedom of expression is violated when they cannot keep their sources confidential or when they are required to testify about non-confidential information. This is the case even when journalists, in asserting their right to protect both confidential and non-confidential information, claim a greater right of free speech than do ordinary people.

Further, American courts refuse to recognize the news media as a unique institution with a special function in democratic politics, which deserves a privilege as a matter of policy in the Dworkian sense. This explains in part why the watchdog argument of the American press in the journalist’s privilege cases makes little headway. Indeed, the U.S. Supreme Court in Branzburg makes not a single reference to the “watchdog” concept in considering a possible justification for the reporter’s privilege. In accepting the journalist’s privilege, nonetheless, the ECHR and the ICTY have highlighted the watchdog role of an independent news media.

In this connection, the ICTY is distinguished from the U.S. Supreme Court when considering the chilling effect of both source disclosure on the press and requiring the press to testify more broadly. The ICTY warned against the possible harmful impact of compelled testimony by news reporters on press freedom. But the U.S. Supreme Court in Branzburg was not impressed with the chilling effect argument of the American press. It dismissed the argument as conjectural. More recently Judge Posner expressed his belief that “sources will continue to leak sensitive information even if the reporters they leak to can be prosecuted for failing to name the source.”

319. For an informative critique of American courts’ “institutional blindness” in interpreting the First Amendment on freedom of speech and the press, see Frederick Schauer, Toward an Institutional First Amendment, 89 MINN. L. REV. 1256 (2005).
320. Ronald Dworkin makes a distinction between “principle” and “policy” as a justification for a legal rule:

Justifications of principle argue that a particular rule is necessary in order to protect an individual right that some person (or perhaps group) has against other people, or against the society or government as a whole. . . . Justifications of policy, on the other hand, argue that a particular rule is desirable because that rule will work in the general interest, that is, for the benefit of the society as a whole.

RONALD DWORIN, A MATTER OF PRINCIPLE 375 (1985).
All in all, the ICTY and the ECHR accept freedom of the press as an institutional notion discrete from freedom of expression. Their view of press freedom as a structural concept parallels Justice Stewart’s argument of the mid-1970s, which the majority of the U.S. Supreme Court has never embraced. Ergo the ICTY and the ECHR accord news reporters the benefit of the doubt as to their experiential, if not empirically proved, assertion of a generously wide privilege to do their job for the public. In rejecting the conceptual separateness of press freedom for the news media distinct from freedom of speech for individuals, the recent U.S. case law, as evinced in McKevitt, Judith Miller, and others couldn’t be more divergent from the ICTY and ECHR decisions.

The lack of a federal shield law in the United States is another indicator of the still fledgling evolution of the journalist’s privilege. A growing number of countries have made concerted efforts in recent years to address the conflict between press freedom and its competing interests. Many of those foreign shield laws borrow heavily from Justice Stewart’s three-prong test in Branzburg or from the U.S. Department of Justice media subpoena guidelines—or both. Some countries go further in guaranteeing the journalist’s privilege as a constitutional right. Argentina, which is still “partly free,” is particularly noteworthy in that its constitution provides for the journalist’s right to refuse to reveal sources.

But no one should assume that the shield laws of those countries surveyed in this Article protect journalists from forced disclosure of their sources exactly the way they are designed to. There is always a disparity between law on the books and law in action. And the balancing of the reporter’s interest in source protection with other public or personal interests is the norm, not the exception, in various shield statutes. More often than not, the balancing process reflects the sociopolitical and cultural traditions of a country. As Norway indicates, for example, the judicial enforcement of contempt charges against recalcitrant reporters is tempered by the free press tradition of the European country. Meanwhile, Sweden’s rarely used exceptions to source protection stand out from other shield laws because its detailed narrow exemptions make the journalist’s privilege more than an empty rhetoric. The message to the Swedish government authorities: Don’t subpoena reporters unless the rare exigencies are involved.

Summary and Conclusions

The Randy case of the International Criminal Tribunal for the former Yugoslavia should be the reverse case of exporting the First Amend-
ment. Although it is limited to freedom of the press for war reporting, the case offers the American press greater freedom abroad than in the United States. This is especially telling, given that U.S. law pays little attention to the unique circumstances of war correspondents, to which the ICTY was refreshingly sensitive in recognizing a testimonial privilege as part of press freedom.

In this light, the *Randal* case epitomizes an intriguing irony in the United States vis-à-vis international law on freedom of the press. Its broad recognition of the journalist’s immunity from testimony about news reporting was in considerable measure based on American law. However, U.S. law is now back-pedaling on the reporter’s privilege. At the same time, while the United States is uncharacteristically balking, foreign and international law is pushing the boundaries of freedom of the press.

The current retrenchment in U.S. press law on journalistic confidentiality is out of sync with a growing international consensus that journalists ought to be protected from compelled disclosure of their sources. The *Randal* case, which disproves American exceptionalism, is definitely a disturbing development in the longstanding American experiment with a free press, and its international ramifications are considerable. As Boston University law professor Pnina Lahav aptly noted:

> [The First Amendment] is a state of affairs which carries with it a heavy responsibility. Abuse of this legacy at home sends ripples all over the world; it might encourage the dark forces, sanction suppression. The impact of the First Amendment abroad can be positive but also negative, noble but also ignoble. American courts cannot escape this responsibility as they interpret the First Amendment . . . 322

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Wired But Mired:
Legal System Inconsistencies Puzzle
International Internet Publishers

Ashley Packard*

Table of Contents

Introduction .............................................................................. 57
I. Jurisdiction, Choice of Law and Enforcement ..................... 59
   A. Jurisdiction ................................................................... 60
      1. Jurisdiction to Prescribe ............................................ 60
      2. Jurisdiction to Adjudicate ......................................... 62
      3. Jurisdiction to Enforce ............................................. 63
   B. Choice of Law .............................................................. 64
   C. Enforcement ................................................................ 65
II. Transnational Cases Involving Conflicts over Jurisdiction
   and Choice of Law ............................................................ 65
   A. Australia’s Approach .................................................... 66
   B. Canada’s Approach ....................................................... 69
   C. The United Kingdom’s Approach .................................. 73
   D. The American Approach ............................................... 76
III. The European Union Approach ............................................. 83
   A. EU Jurisdiction ............................................................. 84
   B. EU Choice of Law ......................................................... 86
IV. Other Intergovernmental Agreements .................................. 89
Conclusion ............................................................................... 93

Introduction

The Internet is the only media segment experiencing growth and attracting young people to news.¹ So it is not surprising that media companies are developing websites to take advantage of the medium’s capabilities. What is surprising is the number of lawsuits they are facing in international jurisdictions for material they put online. The Washing-

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¹Associate Professor of Communication, University of Houston—Clear Lake.
1. See Project for Excellence in Journalism, The State of the News Media 2005:
narrative_online_audience.asp?cat=3&media=3 (last visited Feb. 3, 2006).
ton Post, Wall Street Journal, Barron's, Forbes, The Christian Science Monitor and numerous other publications and commercial content providers are finding that operating online amounts to entering into uncharted territory in the legal sense. Nowhere is the problem more pronounced than in the area of defamation, but transnational disputes also involve speech restrictions and copyright and trademark infringement.

The concern expressed by information providers—particularly those in the United States who enjoy the robust protection of the First Amendment—is that they will fall victim to the laws of other countries that are more restrictive. Parties involved in these cases, media organizations, and academic commentators have argued that this vulnerability and uncertainty could force content providers to erect technical barriers to prevent their information from flowing into other jurisdictions or to water it down to that which is palatable to the most restrictive jurisdictions. It may be unreasonable to expect all countries to agree on what expression should be protected when cultures vary so much. But that is not really what is required to reduce the level of uncertainty now associated with Internet publication. What is required is a better system to negotiate differences in the way various countries handle jurisdiction, choice of law, and enforcement of foreign judgments—the central branches of private international law.


This article examines transnational approaches to private international law involving material on the Internet, looking for areas of commonality that may be cultivated to facilitate the development of international agreements. It has four main objectives. The first is to briefly explain the basic concepts of jurisdiction, choice of law, and enforcement of foreign judgments to set the groundwork for the rest of the discussion and supply additional information to readers who may be less familiar with these concepts. The second is to examine transnational cases involving the Internet, particularly those related to defamation, and to understand how different countries have resolved issues of jurisdiction and choice of law. The cases come primarily from Australia, Canada, England and the United States, countries whose courts have had the most experience with this issue. The third is to examine the European Union’s (EU) approach to harmonization of laws among its twenty-five member States through its treaties governing jurisdiction and proposed treaty on choice of law in non-contractual disputes. The fourth is to consider the impact of EU treaties on the development of alternative international agreements. In taking the initiative to harmonize its laws in these areas, the EU has transformed itself into a power player on the world stage with the ability to influence the development of other transnational agreements.

The information presented here indicates that in its approach to private international law, particularly in the area of defamation, the United States differs from its commonwealth counterparts as well as civil law countries in the EU. But there are also areas of commonality, which through the push and pull of the Internet and e-commerce, are growing, indicating that although past attempts at global agreements have been unsuccessful, these agreements may have failed because they were premature.

I. Jurisdiction, Choice of Law and Enforcement

A discussion of this issue must begin with a clarification of private international law (more commonly referred to in the United States as
conflict of laws) and its three branches: jurisdiction, choice of law and enforcement. Very broadly, jurisdiction refers to a court’s prerogative to hear and adjudicate a case, in other words, the forum in which the case will be decided. Choice of law—a separate issue—refers to the law to be applied in the case once jurisdiction is determined. The law applied may or may not be the law of the forum. Enforcement refers to the willingness of a court in another jurisdiction to enforce the judgment rendered by the forum court.

A. Jurisdiction

There are three kinds of jurisdiction: a) jurisdiction to prescribe, b) jurisdiction to adjudicate, and c) jurisdiction to enforce, according to the Restatement (Third) of the Foreign Relations Law of the United States.10

1. JURISDICTION TO PRESCRIBE

Jurisdiction to prescribe refers to a state’s authority to apply its substantive law11 to particular individuals and circumstances.12 A state may proscribe norms for private conduct as long as there is a sufficient nexus between the state and the conduct at issue to justify the state action.13 There are three bases of jurisdiction: territory, nationality and effect.14 A state has the right to exercise jurisdiction over activities that take place in its territory. Likewise, it may exercise jurisdiction over its citizens or businesses based within its territory or its nationals abroad. A state may also exercise jurisdiction over conduct that has particular kinds of effects within its territory.15 The third factor, known as the

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7. See BLACK’S LAW DICTIONARY 867 (8th ed. 2004).
11. Substantive law defines the rights and limitations that govern a society, as opposed to procedural law, which defines the rules to access a legal system, or constitutional law, which defines the limits of government authority and the rules that may be created. See BLACK’S LAW DICTIONARY 1470 (8th ed. 2004).
14. Id. at 290-91.
15. The Restatement (Third) of the Foreign Relations Law of the United States § 402 summarizes the circumstances likely to lead a state to assert jurisdiction to prescribe:

Subject to section 403, a state has jurisdiction to prescribe law with respect to
(1) (a) conduct that, wholly or in substantial part, takes place within its territory;
(b) the status of persons, or interests in things, present within its territory;
“effects principle,” is the one most often invoked in conflicts over jurisdiction involving material on the Internet. In this case, jurisdiction is based on the location of the injurious effect, regardless of where that conduct takes place. Although widely accepted as a legitimate source of jurisdiction, its scope can be controversial because it creates the possibility of “concurrent jurisdiction,” in which more than one state seeks to exercise jurisdiction and prescribe different norms.

An interesting aspect of the effects principle is that it was propagated by the United States in conjunction with the Sherman Act. According to Professor David Gerber, “Many foreign countries challenged the effects principle and U.S. assertion of it, particularly in the 1950s and 1960s. Both governments and scholars claimed that effects had not been accepted as a basis for jurisdiction” and looked on it as an attempt to expand American hegemony. Now that the effects principle is internationally accepted, American publishers are being summoned to foreign courts to answer for the effects of publications that would be protected in the United States.

In exercising prescriptive jurisdiction, a state should consider the interests of other states that might assert jurisdiction. This is referred to as comity. “The doctrine of comity asserts that the courts of each country should exercise their judicial powers in a manner that takes into consideration the aims and interests of other states in order to further cooperation, reciprocity and international courtesy.” Many courts equate comity with reasonableness, and assume it is unlawful to exercise jurisdiction over a person or activity connected with another state unless such an exercise is reasonable.

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(c) conduct outside its territory that has or is intended to have substantial effect within its territory;

(2) the activities, interests, status, or relations of its nationals outside as well as within its territory; and

(3) certain conduct outside its territory by persons not its nationals that is directed against the security of the state or against a limited class of other state interests.


exercise of jurisdiction over a person, company or activity is reasonable, a court must consider:

(a) the link of the activity to the territory of the regulating state, i.e., the extent to which the activity takes place within the territory, or has substantial, direct, and foreseeable effect upon or in the territory;

(b) the connections, such as nationality, residence, or economic activity, between the regulating state and the person principally responsible for the activity to be regulated, or between that state and those whom the regulation is designed to protect;

(c) the character of the activity to be regulated, the importance of regulation to the regulating state, the extent to which other states regulate such activities, and the degree to which the desirability of such regulation is generally accepted;

(d) the existence of justified expectations that might be protected or hurt by the regulation;

(e) the importance of the regulation to the international political, legal or economic system;

(f) the extent to which the regulation is consistent with the traditions of the international system;

(g) the extent to which another state may have an interest in regulating the activity; and

(h) the likelihood of conflict with regulation by another state.22

2. JURISDICTION TO ADJUDICATE

Once a court has determined that, as a matter of law, it can exercise jurisdiction over a foreign defendant, it must then decide whether it should.23 Jurisdiction to adjudicate refers to a state’s authority to subject persons or things to the process of its courts or administrative tribunals, regardless of whether the state is a party to the proceedings.24

As with jurisdiction to prescribe, standards of reasonableness apply. Jurisdiction to adjudicate is not triggered by simple accessibility. In disputes involving material on the Internet, jurisdiction should not lie at any point from which the particular content can be accessed. A rule to the contrary would promote forum shopping among plaintiffs who seek an unfair advantage. “Furthermore, exorbitant assertions of jurisdiction could provoke diplomatic protests, trigger commercial or judicial retaliation, and threaten friendly relations in unrelated fields.”25

Consequently, courts that have the power to assert jurisdiction may still decide not to under the doctrine of forum non conveniens.26 The

22. Id. § 403(2).
23. This is the standard two-step analysis for determining the convenient forum in Canada under Mascutt v. Courcelles, [2002] 60 O.R.3d 20, 35-36 (C.A.).
25. Wilske & Schiller, supra note 16, at 175.
The doctrine of *forum non conveniens* permits a court to dismiss or stay an action when it finds that in the interest of justice and the convenience of the parties involved, it would be more appropriate to try the case in an alternative forum. In Canada, for example, a court would consider the following factors in an analysis of *forum non conveniens*:

1. Where each party resides;
2. Where each party carries on business;
3. Where the cause of action arose;
4. Where the loss or damage occurred;
5. Any juridical advantage to the plaintiff in the jurisdiction of the suit;
6. Any juridical advantage to the defendant in the jurisdiction of the suit;
7. Convenience or inconvenience to potential witnesses;
8. Cost of conducting the litigation in the jurisdiction of suit;
9. Applicable substantive law;
10. Difficulty and cost of proving foreign law, if necessary; and
11. Whether there are parallel proceedings in any other jurisdiction.

It is the plaintiff’s responsibility to demonstrate a real and substantial connection between the case and the forum. Once the plaintiff has done so, it falls to the defendant to produce evidence that another forum would be more appropriate. Frequently, courts assign greater weight to the plaintiff’s preference when the forum in question is the plaintiff’s home jurisdiction.

### 3. JURISDICTION TO ENFORCE

Jurisdiction to enforce refers to a state’s authority to induce or compel compliance or to punish noncompliance with its laws and regul-
tions. At the international level, enforcement measures, whether judicial or nonjudicial, are also subject to the requirement of reasonableness. Jurisdiction to enforce depends on the interests of the territorial state, suggesting that enforcement of a foreign judgment is dependent on the territorial state’s consent.

B. Choice of Law

Once jurisdiction is settled, a court must determine the law that applies to the particular conflict. A court can apply the law of its own forum (lex fori), which is generally the case when the law in question is procedural. Or it may apply the law of the site where the harm took place (lex loci delicti commissi), which is generally the case when the applicable law is substantive.

Historically, courts have applied the law of the “place of wrong”—particularly when that location coincides with the plaintiff’s domicile. However, in a cyber-setting, applying the “place of wrong” rule can lead to confusion. In a cyber-defamation case, for example, the place of injury is the place where the information is published. Depending on how the court defines publication, this could be everywhere.

In the United States, courts generally apply the law of the forum with the “most significant relationship to the occurrence and the parties.” Courts using this approach consider factors, such as the needs of the interstate or international system; policies of the forum and interested states; protection of the parties’ expectations; general policies underlying the particular area of law; the need for certainty, predictability and uniformity of result; and ease in determining and applying the law. Using this methodology, courts also consider the place where the injury

32. Id. § 431 cmt. d.
33. Restatement of Conflict of Laws § 377 (1934) (described as “the state where the last event necessary to make an actor liable for an alleged tort takes place”—defined as “the state where the injury occurred.”).
34. Id. § 377 n. 5.
36. Restatement (Second) of Conflict of Laws § 145 (1971) (Montana is the most recent state to adopt the Restatement’s “most significant relationship” approach. In Phillips v. General Motors Corp., 995 P.2d 1002, 1007-8 (Mont. 2000), the Montana Supreme Court noted deficiencies in the lex loci delicti rule as well as its declining use. See also Symeon C. Symeonides, Choice of Law in the American Courts in 2000: As the Century Turns, 49 Am. J. Comp. L. 1, 2-5 (2001) (describing the fourteenth Annual Survey of American Choice-of-Law Cases, which indicates that for tort cases only 10 U.S. states still follow the lex loci delicti rule).
37. Id. § 6.
and conduct causing the injury occurred, the nationalities of the parties, their
cridence or place of incorporation, and where the relationship
between the parties, if any exists, is centered.\textsuperscript{38} Of course, in cyberspace, factors other than the parties’ nationality and domicile are subject to dispute.\textsuperscript{39}

C. Enforcement

Standard among conflict of law rules is the principle “that foreign
laws and judgments will not be enforced if they conflict with the fund-
damental public policy of the forum country or its mandatory rules.”\textsuperscript{40} This rule, however, is meant to be applied narrowly. A foreign judgment will normally be enforced, unless, in the words of then Associate Judge of the New York State Court of Appeals Benjamin Cardozo, enforcement “would violate some fundamental principle of justice, some prevalent conception of good morals, some deep-rooted tradition of the common weal.”\textsuperscript{41}

II. Transnational Cases Involving Conflicts over Jurisdiction and Choice of Law

Courts in Australia, Canada, the United Kingdom, and the United
States have all dealt with transnational cases involving the Internet and conflicts over jurisdiction and choice of law. Each country’s legal system is based on common law, and their approach to jurisdiction was once very similar. But in 1945, the United States veered off on its own path, developing enhanced protection for defendants upon whom states exercised long-arm jurisdiction. The U.S. Supreme Court interpreted the Due Process Clause of the Constitution to mean that in the interest of “traditional notions of fair play and substantial justice,” a defendant must have sufficient “minimum contacts” with a forum state, before the defendant may be subjected to the jurisdiction of that state.\textsuperscript{42} Then in the 1980s, the Court required the defendant’s “contact and connection with the forum state [be] such that he should reasonably anticipate being haled into court there”\textsuperscript{43} and that the “action of the defendant [be] purposefully directed toward the forum state.”\textsuperscript{44}

\begin{footnotesize}
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\item \textsuperscript{38} Id. § 145, cited in Vu, supra note 35, at 7.
\item \textsuperscript{39} Vu, supra note 35, at 7.
\item \textsuperscript{40} Ben-Ezer & Bendor, supra note 20, at 2133; See also Bachchan v. India Abroad Publ’n., Inc. 585 N.Y.S.2d 661, 662 (N.Y Gen. Term 1992).
\item \textsuperscript{41} Loucks v. Standard Oil Co., 120 N.E. 198, 202 (N.Y. 1918).
\item \textsuperscript{42} International Shoe Co. v. State of Washington, 326 U.S. 310, 316 (1945).
\item \textsuperscript{43} World-Wide Volkswagen Corp. v. Woodson, 444 U.S. 286, 297 (1980).
\item \textsuperscript{44} Asahi Metal Indus. Co. v. Super. Ct, 480 U.S. 102, 112 (1987).
\end{itemize}
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The United States also granted additional protection to defendants accused of defamation. In the landmark case, *New York Times Co. v. Sullivan*, the Supreme Court rejected strict liability for defamation as antithetical to the Constitution’s protection for freedom of expression and, in matters of public interest, required the plaintiff to prove falsity of the defendant’s statement. In other commonwealth and civil law countries, fault is presumed in defamation cases until the defendant can prove otherwise.

The cases examined below illustrate the differences in approach taken among these countries. Because Australia has been the only country to address the issue of jurisdiction and choice of law regarding material on the Internet in its highest court, the analysis will begin there. The 2002 Australian case of *Dow Jones v. Gutnick* is particularly important because it has been persuasive authority among other courts seeking guidance on these issues.

### A. Australia’s Approach

*Dow Jones & Co. v. Gutnick* is an Australian defamation case that attracted international attention when Australia’s High Court determined that an American publisher fell under its jurisdiction and was thus subject to Australian law. Dow Jones publishes *The Wall Street Journal* and *Barron’s* magazine, both of which are available online. *Barron’s* carried a story about Joseph Gutnick, a resident of the state of Victoria in Australia, which implied that he was involved in money-laundering and tax evasion. Gutnick sued the publisher for defamation in Victoria.

In most commonwealth countries, under the doctrine of *forum non conveniens*, a court may stay or dismiss an action if another forum is clearly more appropriate. But Australia has adopted the “clearly inappropriate forum” test, which requires a defendant seeking a declaration of *forum non conveniens* to show that the forum in Australia is wholly inappropriate. In asserting jurisdiction, the Australian High Court con-
sidered it sufficient that the Barron’s article was available online, where Australian readers could download it, and that any harm to Gutmnick’s reputation would have occurred in Victoria.50 Once jurisdiction was determined, the Court observed that “matters of substance are governed by the law of the place of commission of the tort,” and consequently chose to apply Australian law.51 Of its 550,000 subscribers to Barrons, Dow Jones conceded that around 1,700 were from Australia and several hundred resided in Victoria.52 Nevertheless, Dow Jones argued that the appropriate jurisdiction and choice of law should be that of New Jersey, where the material was uploaded onto the website, and where it considered publication to have taken place.53 But the Australian Court disagreed, distinguishing “between the (publisher’s) act of publication and the fact of publication (to a third party),” which the court believed took place at the time the material was downloaded in Victoria.54 The Court reasoned that “[h]arm to reputation is done when a defamatory publication is comprehended by the reader, the listener, or the observer. . . . This being so it would be wrong to treat publication as if it were a unilateral act on the part of the publisher alone.”55 In fact, the Court added, it is “the bilateral nature of publication [that] underpins the long-established common law rule that every communication of defamatory matter founds a separate cause of action.”56

Australia’s law of defamation differs substantially from that of the United States. Australia recognizes multiple causes of action for a single publication, while the United States recognizes only one.57 Australia also views defamation as a strict liability tort, in which intent to harm is not a factor and damage is assumed upon proof of publication.58 American law requires an element of intent for media defendants under New York Times Co. v. Sullivan.59

50. Dow Jones & Co., 210 C.L.R. 575, ¶ 44.
51. Id. ¶ 9.
52. Id. ¶ 169.
53. Id. ¶ 9.
54. Id. ¶ 11.
55. Id. ¶ 26.
56. Id. ¶ 27.
57. The Single Publication Rule is explained in the Restatement (Second) of Torts in § 577A (4) (1977):
   As to any single publication,
   (a) only one action for damages can be maintained;
   (b) all damages suffered in all jurisdictions can be recovered in the one action; and a judgment for or against the plaintiff upon the merits of any action for damages bars any other action for damages between the same parties in all jurisdictions.

Restatement (Second) of Torts in § 577A (4) (1977).
Under the circumstances, Dow Jones naturally would have preferred to litigate the case in the United States. It argued that if publication is understood to occur at the place material is downloaded and separate causes of action are allowed, then content providers will be forced to litigate in any and every jurisdiction in which their content is accessible. But the Australian court inferred natural limits to actions emanating from content on the web. It considered that substantial damages were likely to be awarded only if the plaintiff has a reputation in the place where the material is received, that plaintiffs would be unlikely to sue in another jurisdiction unless the judgment obtained would be of value to them, and that the value of a judgment in another jurisdiction would depend on whether the defendant had assets there.

Although the decision surprised many Americans who consider it an invitation to chaos, the case was not decided haphazardly. Justice Kirby of the High Court, in particular, showed a significant understanding of the stakes involved. In his concurring opinion, he acknowledged the uniqueness and potential benefits of the Internet, the difficulty of controlling access to content across international borders, the potential threat to freedom of expression if publishers are liable for content in every jurisdiction, the negative potential of doing so on comity of nations, the potential advantages of a single publication rule, and the difficulty of enforcing judgments in other jurisdictions. Nevertheless, he rejected Dow Jones' argument that appropriate jurisdiction should be where content is uploaded or that the single publication rule should apply. He indicated that while the Internet is a unique medium, the law should be technologically neutral; that even if the Court altered common law, legislative reform would be required in some parts of the country; and that the suggested change would make it difficult for plaintiffs to vindicate their reputations in the place that matters most.

61. Id. ¶ 53.
62. Id. ¶ 88 and 164.
63. Id. ¶ 84.
64. Id. ¶ 117.
65. Id. ¶ 114.
66. Id. ¶ 120.
67. Id. ¶ 121.
68. Id. ¶ 125.
69. Id. ¶ 126.
70. Id. ¶ 133.
B. Canada’s Approach

The Australian approach to Internet defamation is not unique. Canada has decided several cases involving international jurisdiction and the Internet, based on similar reasoning. One, which Justice Hedigan, the trial judge in Gutnick, considered was Kitakufe v. Oloya Ltd (1998). The case involved a Canadian court’s decision to assume jurisdiction over a defamation suit resulting from an article published in a Ugandan newspaper that was available via the Internet. Both the plaintiff and the defendant were Canadian residents of Ugandan descent. The defendant, a reporter for the Ugandan newspaper “The New Vision,” wrote an article about the plaintiff titled “Uganda Doctor Arrested in Toronto.” When the plaintiff sued, the defendant argued that the most appropriate jurisdiction for the suit would be Uganda because the suit involved allegations of ethnic rivalry and questioned the defendant’s credibility. Nevertheless, an Ontario court assumed jurisdiction based on Canadians’ ability to access the website. The court was also concerned that if the case were tried in Africa the plaintiff might be deprived of a legitimate juridical advantage. Canadian courts consider juridical advantage a factor in forum non conveniens analysis. They assume that all things being equal, plaintiffs fighting for their reputation should be allowed to do so in the forum in which they are most familiar and have the best advantage.

Canada, like Australia, assumes that exercise of personal jurisdiction over a foreign defendant is appropriate if the tort in question was committed within its boundaries or if the damage from the tort was sustained there. However, a case must have a “real and substantial connection” to the forum. This issue, in fact, was key in Braintech, Inc.
v. Kostiuk," when the British Columbia Court of Appeal refused to enforce a Texas judgment based on lack of jurisdiction. A British Columbia company sued a resident of British Columbia in Houston, Texas, for defamation regarding material the defendant had placed on the Internet. A Texas court accepted jurisdiction, based on the fact that the material was accessible in Texas, and rendered a default judgment when the defendant failed to answer the claim. No evidence existed that anyone in Texas had read the material; there was also a question of whether the defendant had been properly served. Aside from the fact that Braintech had once operated an office in Austin, Texas, the Canadian court thought Braintech had no real and substantial connection with the state and that, under the circumstances, Texas was not the appropriate forum.

In contrast, the Supreme Court of British Columbia believed a substantial connection did exist in Imagis Technologies v. Red Herring, when it asserted jurisdiction over a California-based magazine because the publication was available in British Columbia both in print and through the Internet. As in Gutnick, defendants supported their argument for forum non conveniens by citing New York Times Co. v. Sullivan. Presumably, because the U.S. Supreme Court rejected strict scrutiny in the landmark case, any judgment rendered under a strict scrutiny analysis would be unenforceable in the United States. But the Canadian court pointed out that because the “plaintiff has a reputation to protect in the province, the plaintiff is at liberty to decide whether it wishes to pursue judgment [there] in order to have the benefit of finding in its favour, whether or not any monetary damages may be recovered. . . .” The court also considered the juridical disadvantage the company would face if it had to prove fault and malice under Sullivan in the United States.

The Superior Court of Ontario also cited Gutnick when it assumed jurisdiction over The Washington Post and three of its writers in Ban-
goura v. Washington Post, a decision that was subsequently reversed by the Ontario Court of Appeals. The plaintiff in the defamation case, Cheickh Bangoura, was a native African who attained Canadian citizenship during the period in which The Post published three articles questioning his job performance as a representative for the United Nations in Kenya. Bangoura moved to Ontario three years after the articles were published in The Post. Although the articles were still available on The Washington Post’s website, Bangoura’s attorney was the only person who had accessed them. The defendants had no real connection to Ontario (The Washington Post had only seven subscribers there), but the Superior Court reasoned that as a “major newspaper in the world’s most powerful country . . . made figuratively smaller by, inter alia, the Internet . . . [f]ew well-informed North Americans (including Canadians) do not encounter, at least indirectly, views expressed in the Post.” Meanwhile, the lower court noted that the plaintiff had no connection with the jurisdictions in which the defendants resided, but would have a juridical advantage in Ontario.

In its argument for forum non conveniens, The Washington Post also questioned whether a Canadian libel judgment inconsistent with New York Times v. Sullivan would be enforceable in the United States. This argument carried no weight with Judge Pitt, who cited Hill v. Church of Scientology, in which the Supreme Court of Canada expressly rejected the importation of U.S. First Amendment standards into Canadian law. In fact, it appeared to antagonize him because he added reproachfully, “Our courts do not share the American view that British libel law, which is similar to our own, is any less civilized than the American law.” Remarking that the Australian High Court did not share that view either, Judge Pitt devoted seven paragraphs to the Gutnick decision and finished by adding, “Frankly, I see the unwillingness of an American court to enforce a Canadian judgment as an unfortunate expression of lack of comity.”

88. Id. ¶ 1.
89. Id. ¶ 8.
90. Id. ¶ 11.
92. Id.
95. Id. ¶ 20; see also Trizec Prop. v. Citigroup Global Markets, Inc., No. 03-CV-253286CM1, 128 A.C.W.S (3d) 910, ¶ 45 (Ont. S.C. Feb. 2, 2004), available at 2004 A.C.W.S.J LEXIS 717 (Ontario Superior Court assumed jurisdiction over a New York-
Judge Armstrong, who wrote the Ontario Court of Appeals decision reversing the lower court’s ruling, took a different perspective.

The motion judge’s conclusion does not take into account that the rule in New York Times v. Sullivan is rooted in the guarantees of freedom of speech and of the press under the First Amendment of the U.S. Constitution. In any event, the reality is that American courts will not enforce foreign libel judgments that are based on the application of legal principles that are contrary to the actual malice rule. Although the Supreme Court of Canada has rejected the rule for perfectly valid reasons, it is, in my view, not correct to say that the American courts’ unwillingness to enforce a Canadian libel judgment is “an unfortunate expression of lack of comity.” Canada and the U.S. have simply taken different approaches to a complex area of the law, based upon different policy considerations related to freedom of speech and the protection of individual reputations.96

Judge Armstrong also distinguished Bangoura from Gutnick in which the plaintiff was clearly a resident of the jurisdiction when the publication occurred and there were 1,700 Australian subscribers to the publication in question.97

The same day the Ontario Court of Appeals released its decision, the Supreme Court of British Columbia asserted jurisdiction over the New York Post in a libel case, based on the newspaper’s accessibility via the Internet.98 Plaintiff Brian Burke, the general manager of the Vancouver Canucks hockey team, contended that a New York Post column damaged his reputation by claiming that he encouraged his players to hurt an opposing team member. The New York Post is not sold in British Columbia and the Post was not able to determine if anyone from British Columbia had accessed the article electronically. But the court in Burke v. NYP Holdings, Inc. was satisfied that the plaintiff had established a “real and substantial connection” between the jurisdiction and the subject matter, based on its publication on the Internet.99 In explaining its decision, the court quoted extensively from Justice Pitt’s writings in Bangoura.100

97. Id. ¶ 44-45.
99. Id. ¶ 31.
C. The United Kingdom’s Approach

As Judge Pitt pointed out, Canadian and English approaches to libel law are similar, so when The Wall Street Journal published an article comparing well-known London retailer Harrods to the disgraced American company Enron, it was not surprising that Harrods was allowed to sue for defamation in England.101 Because the article in question only appeared in the American version of the newspaper, Dow Jones applied for a stay on the grounds of forum non conveniens.102

The court acknowledged that only ten printed copies of the American edition were sent to England and that there were “a very small number of ‘hits’” on the The Wall Street Journal website. However, it decided the case should proceed in England because it involved a claim by an English company whose reputation is vulnerable in England.103 In making this determination, the court cited Gutnick v. Dow Jones & Co.104 The court observed that it was not surprising that proceedings had not been filed in the United States, considering First Amendment protection against libel claims.105

In fact, Dow Jones had already tried and failed to persuade a U.S. District Court in New York to issue a declaratory judgment in the matter. But, in that case, Judge Victor Marrero held that “. . . a more appropriate alternative remedy exists for the parties in proceeding with the London action.”106 He noted that if Dow Jones lost its case in England it would not necessarily be left without a remedy in the United States. Writing for the English court, Justice Eady opined, “That was, I believe, a reference to the unwillingness of courts there to enforce judgments based upon legal principles inimical to prevailing American First Amendment jurisprudence and public policy.”107

As in Australia and Canada, English libel law has three features that distinguish it from U.S. libel law: (1) England does not recognize a single publication rule108 so each communication is considered

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103. Id. ¶ 36.
104. Id.
105. Id. ¶ 6.
108. The single publication rule is inconsistent with the policy underlying the acceptance by the European Court of Justice in Case C-68-93, Fiona Shevill v. Presse Alliance S.A., [1995] ECR-1-415, that separate actions in each relevant jurisdiction are in principle permissible.
a separate libel,\textsuperscript{109} (2) publication takes place where the words are heard or read,\textsuperscript{110} and (3) damage is presumed.\textsuperscript{111} Justice Eady explained:

Even though a newspaper’s primary circulation may be in one or more foreign jurisdictions, English law recognises that there may also be separate publications in other jurisdictions, each being sufficient to found a separate cause of action. Thus, however limited and technical it may appear, there have been publications within this jurisdiction which are arguably tortuous and which give rise to a cause of action here.\textsuperscript{112}

Furthermore, he pointed out that even though any damages that might be won would be “very nominal or limited” and likely unenforceable, the point of “involving no doubt considerable inconvenience and expense to parties outside this jurisdiction” is still “vindication of reputation”—the main public policy consideration underlying defamation law.\textsuperscript{113}

Justice Eady also cited \textit{Berezovsky v. Michaels}\textsuperscript{114} in which an English Court of Appeals allowed two Russian citizens to sue the American publication, \textit{Forbes}, in the United Kingdom. In an exposé on crime in Russia, \textit{Forbes} compared the plaintiffs to mobsters.\textsuperscript{115} Circulation for the magazine, which appeared in print and on \textit{Forbes’} website, amounted to 785,710 subscribers in the United States and Canada, 1,915 in the England and Wales, and 13 in Russia. \textit{Forbes} asked for a stay on the grounds that either the United States, the source of publication, or Russia, the claimant’s primary residence, would be a more appropriate jurisdiction for the suit. However, the plaintiffs conducted business in London and kept apartments there, indicating to the court “a substantial connection” to England and “an important business reputation to protect” there.\textsuperscript{116}

With respect to jurisdiction, \textit{Forbes} argued that “the correct approach is to treat the entire publication—whether by international newspaper circulation, transborder or satellite broadcast or Internet posting—as if it gives rise to one cause of action and to ask whether it has been clearly proved that this action is best tried in England.”\textsuperscript{117} The House of Lords’
The opinion on the case rejected the “one cause of action” proposal, observing that its natural result would be to favor trial in the foreign publisher’s jurisdiction, the United States, where the bulk of publication takes place.\textsuperscript{118} It rejected this arrangement as “not underpinned by considerations of justice.”\textsuperscript{119}

The Boston-based publication, \textit{The Christian Science Monitor}, also faced libel charges in the United Kingdom. Relying on false documentation, the newspaper published an article in its print and online editions, alleging that George Galloway, a former British Labor Party member, opposed sanctions on Iraq and its subsequent invasion because he had been paid by Saddam Hussein’s regime.\textsuperscript{120} In 2004, England’s High Court awarded Galloway £ 50,000 for libel damages and a public apology.\textsuperscript{121}

More recently, however, in \textit{Dow Jones & Co., Inc. v. Jameel},\textsuperscript{122} an English court concluded that assertion of jurisdiction over a U.S. publisher for a libel suit would be an abuse of the legal process, after it came to light that only two neutral subscribers had read the disputed material. The claimant in the case, Saudi businessman Yousef Jameel, sued Dow Jones for publishing a Wall Street Journal.com article that implied he supported the terrorist group Al Qaeda. The article did not identify Jameel directly, however, it contained a link to another document that included Jameel’s name among a list of former donors to Osama bin Laden during his fight against the Soviet invasion of Afghanistan.\textsuperscript{123} Only five subscribers to the online publication followed the link to the donor list; three of them were connected to Jameel’s legal team.\textsuperscript{124} Although the court acknowledged that publication to the other two readers may have caused the claimant modest damage, it concluded that committing the court’s resources to an action in which so little was at stake would be an abuse of process.\textsuperscript{125} Interestingly, in dicta, the court also noted that Section 6 of the Human Rights Act of 1998,\textsuperscript{126} which incorporated the European Convention on Human

\textsuperscript{118} Id.
\textsuperscript{119} Id.
\textsuperscript{121} Id. ¶ 8.
\textsuperscript{123} Id. ¶ 8.
\textsuperscript{124} Id. ¶ 17.
\textsuperscript{125} Id. ¶ 70.
Rights, into UK law, required the court to administer the law in a manner compatible with the convention:

Keeping a proper balance between the Article 10 right of freedom of expression and the protection of individual reputation must, so it seems to us, require the court to bring to a stop as an abuse of process defamation proceedings that are not serving the legitimate purpose of protecting the claimant’s reputation.

D. The American Approach

Even in the United States, it has been a common practice to assert long-arm jurisdiction in cases when the defendant appears to target another jurisdiction, leading to a negative effect in that jurisdiction. In fact, the trial court in Gutnick considered U.S. cases dealing with long-arm jurisdiction before rendering its opinion. One of those cases was Edias Software International v. Basis International, an Arizona case holding a defendant who posted statements concerning the plaintiff on a website based in New Mexico subject to Arizona jurisdiction. Another was Telco Communications v. An Apple a Day, a case in which the Virginia Supreme Court held a defendant who published two press releases about the plaintiff that were written in Missouri, but published in Connecticut, New York and New Jersey, subject to Virginia jurisdiction.

But the United States offers an added protection to defendants. Assertion of personal jurisdiction must be consistent with due process requirements of the Constitution. To ensure due process is met, a court must be certain that the defendant has established “certain minimum contacts with [the forum state] such that maintenance of the suit does not offend traditional notions of fair play and substantial justice.” The Supreme Court has said the defendant must have personally availed “of the privilege of conducting activities within the forum” in such a way that the defendant “should reasonably anticipate being haled into court there.”

So while most countries exert jurisdiction over a defendant based on

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the connection between the court and the claim (based on effect), the United States requires a connection between the court and the defendant as well.\textsuperscript{135} This has been called jurisdiction based on effects plus targeting.\textsuperscript{136} In other words, American courts look not only at effects, but also for an element of intent.

Although approaches to determine personal availment in the United States have varied, at present, courts predominantly rely on a test originated in the non-Internet case \textit{Calder v. Jones}.\textsuperscript{137} In \textit{Calder}, the Supreme Court determined that it was appropriate to go beyond the forum to exercise personal jurisdiction over a defendant if the defendant intentionally committed a tortious act aimed at the forum, knowing that the brunt of the harm would result there.\textsuperscript{138}

Three days after Australia’s High Court rendered its decision in Gutnick, the U.S. Court of Appeals for the Fourth Circuit applied the \textit{Calder} effects test in \textit{Stanley Young v. New Haven Advocate}\textsuperscript{139} to reach a different conclusion. The case concerned a Virginia prison warden who sued two Connecticut newspapers, accessible via the Internet, in Virginia for articles he considered defamatory. In deciding that Virginia was not a suitable forum for the case, the Fourth Circuit considered that the newspapers were directed toward Connecticut readers, had no offices or personnel in Virginia, and had not sent reporters there.\textsuperscript{140} In other words, there was no evidence the defendants had targeted Virginia.

In relation to the media, the “targeting” approach to Internet jurisdiction is publisher-focused. It considers the effects caused in the defendant’s jurisdiction, but also looks at the publisher’s intentions. Other countries that focus on the place where the harm occurs consider effects, but reduce the concept of “targeting” to the choice to write about the plaintiff with reasonable foreseeability that a suit is possible.

Still, levels of gradation blur what constitutes targeting in the United States. For example, in \textit{Northwest Healthcare Alliance, Inc. v. Healthgrades.Com, Inc.},\textsuperscript{141} a case concerning alleged defamation and

\begin{footnotesize}
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\item \textit{Id.} at 788-89.
\item 315 F.3d 256 (2002).
\item Id. at 260.
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violation of Washington’s Consumer Protection Act, the U.S Court of Appeals for the Ninth Circuit allowed the state of Washington to assert personal jurisdiction over a Colorado company. The court determined that the Colorado company “purposely interjected itself” into the Washington market through its intentional act of offering healthcare ratings information of interest to Washington residents on its website. The ratings provided by Healthgrades.com were obtained from public sources, including the federal government and the state of Washington.

Due to its multi-jurisdictional nature, the United States has produced more cross-jurisdictional Internet cases than any other country in the world, and the outcomes of those cases are sometimes contradictory. The difference, of course, at least in defamation cases, is that while common law may vary somewhat from state to state, all jurisdictions in the United States are subject to First Amendment restrictions under the U.S. Constitution.

Conflicts arise between the United States and other nations when U.S. courts refuse to enforce foreign judgments that fail to take into account the level of due process required under the U.S. Constitution. Although not a defamation case, Yahoo!, Inc. v. La Ligue Contre le Racisme et L’Antisémitisme (Yahoo v. LICRA) is often cited as an example of this pattern. This case is frequently contrasted with Gutnick to illustrate contradictory approaches to Internet jurisdiction and choice of law. In Yahoo! v. LICRA, a U.S. district court refused to enforce a French judgment against an American Internet company. After finding that Nazi paraphernalia sold on Yahoo’s auction site violated French laws prohibiting exhibition and sale of Nazi propaganda, a Paris court ordered the California-based company to block French users’ access to Nazi material on its website. Failing to persuade the French court

142. Id. ¶ 7.
143. Id.
that it was impossible to block access to the site, Yahoo! turned to the American judicial system for relief. The Internet company asked a federal district court in California to issue a declaratory judgment finding the French order unconstitutional and, consequently, unenforceable in the United States. The district court held that the French order violated Yahoo’s rights to freedom of expression under the First Amendment. In 2004, the Ninth Circuit Court of Appeal reversed the decision, holding that the district court did not have jurisdiction over the French defendants because they had not yet “personally availed” themselves of the forum by attempting to enforce the French judgment in California. Yahoo! petitioned the court for a rehearing en banc. The full court also concluded that the lower court’s decision should be reversed, but on justiciability grounds that the case was not yet ripe.

There have been other instances in which American courts have refused to enforce foreign judgments that appeared to run counter to domestic public policy regarding freedom of expression. The district court in Yahoo! relied on Bachchan v. India Abroad Publications, Inc., a case in which the Supreme Court of New York refused to enforce a libel judgment rendered by the High Court of Justice in London against a New York newspaper. The American court determined that the case concerned a private figure plaintiff and a matter of public concern. Under English law, the defendant bears the burden of proving the truth of a statement. But the U.S. Supreme Court rejected that practice in Philadelphia Newspapers, Inc. v. Hepps. The N.Y. Court of Appeals explained that “[p]lacing the burden of proving truth upon media defendants who publish speech of public concern has been held

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147. But see Playboy Enter. v. Chuckleberry Publ’g, Inc., 939 F. Supp. 1032 (S.D.N.Y. 1996) (demonstrating that American judges are not above attempts to control content on foreign websites. A New York District court barred an Italian publisher from soliciting American subscriptions to its Playmen.com website because it infringed upon Playboy Magazine’s trademark. But no attempt was made to shut the website down or block Americans’ access to it. The court reasoned the defendant could not be prohibited from operating its Internet site merely because the site is accessible from within one country in which its product is banned without asserting that jurisdiction applies in every court all over the world.).
151. 475 U.S. 767, 775 (1986).
unconstitutional because fear of liability may deter such speech.” The court stated that this “chilling effect” is antithetical to the First Amendment. By extension, it argued “[t]he ‘chilling’ effect is no different where liability results from enforcement in the United States of a foreign judgment obtained where the burden of proving truth is upon media defendants.” Some commentators have criticized this holding because the alleged libel appeared in a story published by a British subsidiary of the defendant’s American company. The article ran in India Abroad’s newspapers in England and New York, but the complaint, which was filed in England, only addressed the story printed there.

The Maryland Court of Appeals also rejected a libel judgment by England’s High Court of Justice as offensive to public policy in Telnikoff v Matusevitch. The case concerned a letter that Matusevitch, the defendant, sent London’s Daily Telegraph in response to an article the newspaper had published by Telnikoff. At the time, both men were residents of England who had emigrated from Russia. As the case moved through the appeals process, Matusevitch, who worked for an American corporation, moved to Maryland. After winning the suit in England, Telnikoff sought to enforce the judgment through the Maryland court system. The Maryland Court of Appeals concluded that “[a] comparison of English and present Maryland defamation law does not simply disclose a difference in one or two legal principles. Instead, present Maryland defamation law is totally different from English defamation law in virtually every, significant respect.” The Maryland court refused to enforce the English judgment because the defendant’s statements, which it considered rhetorical hyperbole, were presumed to be false by the English court and examined in isolation rather than in context of the plaintiff’s statements. This decision is also considered controversial by some because when the suit was initiated both parties lived in England and the alleged libel took place there; then defendant relocated to the United States after the initial judgment.

More recently, a New York court refused to enforce a French copyright judgment against an American website operator for First Amendment reasons. In Sarl Louis Feraud International v. Viewfinder, a

152. Bachchan, 585 N.Y.S.2d at 664.
153. Id.
156. Id. at 248 (citations omitted).
157. See Rosen, supra note 154, at 182-84.
French clothing designer sued the publisher of a fashion website for unauthorized use of intellectual property and unfair competition because the website posted pictures of models wearing its designs without permission. The couture photos were taken at fashion shows open to the press and public. When Viewfinder did not answer the claim in a timely manner, a default judgment was issued against it. While French copyrights would normally be protected in the United States, the case in question really concerned fashion reporting, an activity that falls “within the purview of the First Amendment.”

A few commentators have been highly critical of U.S. courts’ decisions to allow the Constitution to trump foreign judgments. As Mark Rosen explains, “[c]ategorically refusing to enforce such Un-American Judgments is tantamount to imposing U.S. constitutional norms on other countries.” Professor Rosen argues that

The First Amendment does not preclude an American court from enforcing a foreign judgment that is based on substantive law that the First Amendment would not have allowed an American polity to enact, because the substance of the judgment would not be attributed to the court for purposes of the state action doctrine. Attribution to the court occurs only if the underlying legal right was created by an American polity.

Professor Rosen considers the enforcement of foreign law analogous to the enforcement of contract law. U.S. courts will enforce contracts that require action that the government could not require. But contracts involve mutual agreements between actors who voluntarily assume those commitments. A publisher distributing a magazine in a foreign country through traditional channels arguably may be said to have agreed implicitly to be bound by the foreign country’s laws, based on the publisher’s voluntary decision to distribute the magazine there. But the same publisher who places the magazine on the Internet cannot be said to have agreed to fall under the jurisdiction of every country with Internet access.

Other commentators have asserted that refusing to enforce a judgment on constitutional grounds is not unreasonable. As Professor Ayelet Ben-Ezer and Dean Ariel Bendor point out, private international law is technically a branch of domestic law. Countries decide unilaterally how to resolve situations involving conflicts of law. And therefore, “[b]ecause the conflict of law question is a domestic one, each country’s

159. Id. at *7.
160. Rosen, supra note 154, at 172.
161. Id. at 186.
162. Id. at 207.
163. Ben-Ezer & Bendor, supra note 20, at 2092.
conflict of law rules must conform to its constitution,” which is the supreme law of the land. It is, in fact, the Constitution that empowers governmental bodies, including courts, to promulgate rules of private international law in the first place. American rules regarding private international law “cannot be structured to create outcomes that are themselves unconstitutional,” noted Ben-Ezer and Bendor, particularly “in cases involving human or civil rights.” Since a country’s constitution generally embodies the political, social and moral principles of that country, application of foreign laws or judgments that conflict with it may be seen as a violation of public policy.

In Yahoo! v. LICRA, Judge Fogul wrote:

The Court has stated that it must and will decide this case in accordance with the Constitution and laws of the United States. It recognizes that in doing so, it necessarily adopts certain value judgments expressed in the First Amendment that it is preferable to permit the non-violent expression of offensive viewpoints rather than to impose viewpoint-based government regulation upon speech. The government and the people of France have made a different judgment based on their own experience.

With its focus on areas that affect individuals, such as contracts, property, torts, trusts and estates, private international law has long been assumed to be unaffected by constitutional principles. But particularly when a judgment interferes with the transmission of information valuable to the public, the distinction between public and private law is blurred and public policy becomes a relevant issue.

Even the Gutnick opinion took constitutional law into consideration. In his concurring opinion, Justice Kirby pointed out that “the Court is bound by the Constitution. No principle of the common law may be inconsistent with its language or implications.” He used this assertion as a justification to deny Dow Jones’ request to contradict established Australian law by adopting the single publication rule and the principle that publication takes place where the material is uploaded onto the Internet.

A number of law review articles have mentioned the need for a treaty to regulate international jurisdiction and choice of law in Internet cases. In Yahoo! v. LICRA, Judge Fogul also referred to the need to

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164. Id. at 2095.
165. Id. at 2102.
166. Id. at 2105.
167. Id. at 2133.
169. Ben-Ezer & Bendor, supra note 20, at 2099-2100.
170. Id.
172. See Charles T. Kotuby, Jr., International Developments and External Effects:
balance First Amendment interests in absence of a treaty. Such a treaty would certainly promote greater consistency and predictability regarding the application of private international law in cases involving Internet publishing and e-commerce. Theoretically, if the United States were to sign an international agreement or treaty establishing jurisdictional and choice of law standards for speech on the Internet, the treaty would take precedence over domestic rules on private international law. However, the federal government’s power to enact international treaties emanates from the U.S. Constitution. Therefore, any treaty that operated in opposition to the Constitution would be unenforceable.

III. The European Union Approach

It is perhaps instructive to examine how the European Union is attempting to resolve transnational conflicts over jurisdiction and choice of law. As the European Union continues its efforts to resolve these conflicts, it is not only acting as a model for harmonization of laws, but also as a powerbroker in the larger global community.

In an effort to facilitate a strong European market, the twenty-five member States of the European Union are harmonizing their laws through a serious of treaties, and in the process creating a supranational government with a structure of its own. The European Union includes

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174. U.S. CONST. art. VI (declaring that the laws and treaties of the United States are the supreme law of the land).
175. Ben-Ezer & Bendor, supra note 20, at 2136.
several legislative bodies: the European Parliament, which is elected by the citizens of member states; the Council of the European Union, which represents the governments of the member states; and the European Commission, which is the EU’s executive body. When these bodies are acting together in operational mode, they are called the European Community. Together these legislative bodies are responsible for efforts to harmonize the disparate laws of member nations, which might otherwise act as a barrier to a strong European market. The law that results from these treaties and the provisions enacted by these bodies and interpreted by the European Court of Justice is called Community law.

Members of the EU have already agreed upon a treaty to settle the question of international jurisdiction—known as the 1968 Brussels Convention (recently updated by the Brussels Regulation)—and a treaty to settle choice of law in contractual disputes—known as the 1980 Rome Convention. The European Community is now in the process of negotiating a new treaty to settle choice of law procedures in non-contractual disputes, which would include Internet cases related to defamation, invasion of privacy or copyright infringement that might have an impact on freedom of expression. The proposal has been dubbed “Rome II.”

A. EU Jurisdiction

In 2000, the EU adopted the Brussels Regulation, which codified and essentially replaced the earlier Brussels Convention determining juris-
diction in cross-border disputes regarding civil and commercial matters. The treaty refers to its signatories as “Member States.” All EU Member States, except Denmark, are now governed by the Brussels Regulation.182

Under its general provisions, the Brussels Regulation requires that defendants of Member States be sued in their home countries.183 Article 3 effectively prohibits a plaintiff from invoking national rules of jurisdiction against an EU defendant based on the plaintiff’s domicile.184 Exceptions to this general rule fall under the category of specific jurisdiction, which includes torts. Litigation involving a tort, such as defamation or invasion of privacy, takes place “where the harmful event occurred or may occur.”185 Moreover, Article 3 does not apply to defendants who reside outside the European Union. Article 4 of the Brussels Regulation stipulates that when an EU plaintiff sues a defendant domiciled outside the EU’s borders, the national provisions of the plaintiff’s state apply.186

In reference to Internet publication, this means that when EU plaintiffs sue content providers outside the EU, the plaintiff’s country will assume jurisdiction. Thus EU plaintiffs enjoy the use of their own national provisions.187 But when non-EU parties initiate suits against EU defendants, the foreign plaintiffs will fall under the jurisdiction and legal rules set up for the European Community as a whole.

While this inequity might frustrate publishers outside the EU, it is not particularly unusual. The United States also favors its own plaintiffs when determining jurisdiction. The Supreme Court has held that in forum non conveniens analysis, foreign plaintiffs are entitled to less deference than domestic plaintiffs.188 Specifically, the Court stated:

When the home forum has been chosen, it is reasonable to assume that this choice is convenient. When the plaintiff is foreign, however, this assumption is much less

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183. Brussels Regulation, art. 2.
184. See Kotuby, supra note 172, at 166 (2002).
185. Brussels Regulation, art. 5, No. 3.
186. Brussels Regulation, art. 4.
187. See Id.
188. See Jennifer M. Anglim, Crossroads in the Great Race: Moving Beyond the International Race to Judgment in Disputes over Artwork and Other Chattels, 45 HARV. INT’L. L.J. 239, 270 (2004).
reasonable. Because the central purpose of any forum non conveniens inquiry is to ensure that the trial is convenient, a foreign plaintiff’s choice deserves less deference.189

Although the Brussels Regulation controls jurisdiction in the EU, the treaty does not address which country’s laws apply in a particular case. In the case of contractual disputes, the 1980 Rome Convention controls choice of law selection. In the case of non-contractual disputes, choice of law is still in question. This is the purpose of the proposed Rome II treaty.

B. EU Choice of Law

For several years, the EU has been attempting to negotiate the Rome II treaty to resolve questions of choice of law in non-contractual cross-border disputes. Both the European Council and the European Parliament must approve the treaty before it can take effect.

The EU is largely made up of civil law countries, which traditionally follow the principle that, in fairness to the victim, the choice of law should be that of the claimant’s habitual residence or where the damage occurs. However, proposals to make this the standard choice of law met with vocal opposition from publishers and broadcasters, particularly in the United Kingdom, a common law country that has traditionally protected its citizens using a “double actionability rule.”190 Under England’s double actionability rule, claims must be justified under UK law as well as the law of the country where the harm occurs.191 English courts cannot recognize rights that do not exist under English law.

The most disputed section of the Rome II treaty is Article 3(1), which relates to online publishing. The first draft of Rome II provided that the applicable law in a dispute should be that of the claimant’s habitual residence.192 This standard was rejected because publishers conceivably could be tried under the laws of a country in which they never published.193 A second draft provided that disputes be resolved under the

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law of the country in which the damage occurred.\textsuperscript{194} This standard, while more favorable to publishers, was still problematic because content providers would be subject to the laws of any country in which their content was available, as opposed to the laws of their own country.\textsuperscript{195} The European Commission presented this version of Rome II to the European Parliament, which amended it and released a third iteration in June of 2005. The European Parliament suggested that, in general, the applicable law should be that of the country “in which the most significant element or elements of the loss or damage occur.”\textsuperscript{196} But Parliament added that with respect to the law applicable in tort actions, such as a violation of privacy or rights relating to the personality,

\begin{quote}
\textit{a manifestly closer connection} with a particular country may be deemed to exist having regard to factors such as the country to which a publication or broadcast is principally directed or the language of the publication or broadcast or sales or audience size in a given country as a proportion of total sales or audience size or a combination of these factors. This provision shall apply mutatis mutandis\textsuperscript{197} to Internet publication.\textsuperscript{198}
\end{quote}

Parliament’s amended provision retained the traditional \textit{lex loci} aspect of choice of law applied by most countries. But it also provided additional security to publishers who principally target a domestic audience, but who might circulate a few publications in another country or whose publications are accessible online.\textsuperscript{199}

Parliament’s proposed wording was also extremely similar to the choice of law provision for torts in the United States. According to the Restatement (Second) of Conflict of Laws,

\begin{quote}
In an action for a personal injury, the local law of the state where the injury occurred determines the rights and liabilities of the parties, unless, with respect to the particular issue, some other state has a more significant relationship under the principles . . . to the occurrence and the parties, in which event the local law of the other state will be applied.\textsuperscript{200}
\end{quote}

\begin{footnotesize}
\begin{itemize}
\item[195.] Olswang, supra note 187.
\item[197.] A Latin term meaning “with respective differences taken into consideration.”
\item[198.] European Parliament, supra note 190, amend. 30, art. 6 (1), at 21-22 (emphasis added).
\item[199.] Olswang, supra note 193.
\item[200.] Restatement (Second) of Conflict of Laws § 146 (1971).
\end{itemize}
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In the case of multi-state defamation, which might occur through a regional, national or international publication, for example, “the state of most significant relationship will usually be the state where the person was domiciled at the time.”

Choice of law in copyright infringement cases was not a point of contention because it is generally settled from a European Community perspective. Under the Berne Convention, courts apply the law of the country in which the act of infringement took place. However, an earlier draft by Parliament clarified that in “the case of infringements committed over the Internet or as a result of satellite broadcasts, the applicable law is that of the country of reception.”

Parliament also clarified Rome II’s scope by adding that it would not interfere with existing provisions, such as the E-Commerce Directive. The E-Commerce Directive is commonly understood to assert that in cross-border commercial disputes, the applicable law should be that of the country of origin. In other words, under the directive, an EU-based website operator generally would be subject only to the laws of the Member State in which the operator is based. As such, the rule would prevent a Yahoo!-like situation from occurring between EU Member States.

Mark Kightlinger, who participated in the policy-making process that led to the legislation, notes that the E-Commerce Directive is unusual in the context of Community law because it applies a country of origin rule without first harmonizing the relevant laws of Member States. The measure includes an override mechanism to assuage the concerns of Member States that feared the directive would

201. Id. § 150.
202. Id. § 152-53.
205. European Parliament, supra note 196, amend. 24, art. 1, § 2 a (new), at 15-16.
207. See Kightlinger, supra note 172, at 723 (noting that the directive excludes certain areas of law, such as copyright, taxation, and data privacy, and also contains a safe harbor for laws related to national culture).
208. Id.
209. Id. at 732.
limit their power to protect their citizens against Internet content that violated their national policies. In situations in which online material violates an important public policy of the country of reception, that country can launch discussions with the country of origin to determine how best to regulate the offending content. Kightlinger argues that the E-Commerce Directive should serve as a model for an international agreement on jurisdiction and choice of law rules for the Internet.

However, at this point, that seems unlikely. In February of 2006, the European Commission responded to Parliament’s suggested changes. Unable to accept Parliament’s amendments concerning press liability, it withdrew the provision related to defamation. Calling the move extremely disappointing, Rapporteur on Rome II for the European Parliament’s Legal Affairs Committee Diana Wallis stated that

the European Parliament will have to consider its stance when we receive the Common Position from the Council (scheduled for June 2006). It is inconceivable that we should regulate Private International Law at European level without including the media because this is an area which is so much cross border. Even if we agree to leave the media out of the scope of the Regulation, this would have to be on the understanding that it should be revisited promptly, soon, i.e. within two years.

IV. Other Intergovernmental Agreements

The world has no other comparable intergovernmental convention on private international law. But in light of transnational disagreements over jurisdiction and choice of law emanating from the Internet’s reach, the need for such an agreement is obvious. In 1992, the United States asked the Hague Conference on Private International Law to negotiate a global convention on jurisdiction and recognition of civil judgments. The Hague agreed and formal negotiations began in 1997, leading to a preliminary draft in 1999 and a second interim draft in 2001. Ultimately, though, the attempt was unsuccessful. To salvage the process, the Hague Convention Commission on General Affairs and

210. Id. at 733.
211. Id. at 737.
212. Id. at 721.
216. See Brand, supra note 135, at 191; Teitz, supra note 3, at 59.
Policy decided in 2002 to focus on the much narrower goal of developing a treaty on choice of court agreements in business-to-business cases.\(^{218}\) According to Masato Dogauchi and Trevor Hartley, who drew up the later convention draft on this topic, failure to achieve the larger goal was due to “wide differences in the existing rules of jurisdiction in different States and the unforeseeable effects of technological developments, including the Internet, on the jurisdictional rules that might be laid down in the Convention.”\(^{219}\) Others also argue that the EU’s Euro-centric policy was the problem.\(^{220}\)

During the Hague negotiations, members of the European Community signed The Treaty of Amsterdam, which extended Community authority to represent members’ interests beyond EU borders in matters related to its internal market.\(^{221}\) The Treaty of Amsterdam, and subsequent interpretations of it by the European Court of Justice,\(^{222}\) provided that where international action is “inextricably linked” to an express internal power, “[c]ommunity authority on the international plane is exclusive and irreversible.”\(^{223}\) Although the Treaty of Amsterdam did not include a provision on responsibility for judicial cooperation, the passage of the Brussels Regulations brought the issue of jurisdiction under the Community law umbrella, giving the European Community leverage on the world stage that it used at the Hague.\(^{224}\)

As negotiations proceeded, the Hague document began to reflect the

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\(^{219}\) Id. at 6.


\(^{223}\) See Kotuby, supra note 172, at 168. See also Case 22/70, Comm’n v. Council (ERTA), 1971 E.C.R. 263, ¶17, available at http://europa.eu.int/eur-lex/lex/LexUriServ/LexUriServ.do?uri=CELEX:61970J0022:EN:HTML (explaining that “each time the Community, with a view to implementing a common policy envisaged by the Treaty, adopts provisions laying down common rules . . . the Member States no longer have the right, acting individually or even collectively, to undertake obligations with third countries.”).

\(^{224}\) Kotuby, supra note 172, at 167.
Brussels Regulation.225 According to Professor Ronald Brand, a member of the U.S. delegation negotiating the convention, there was common ground between the EU and American positions.226 For example, both agreed, in general, that jurisdiction is proper in the courts of the defendant’s habitual residence or in the courts of a state where the defendant operates a branch establishment if the claim arises from its activities.227 Also, both agreed on jurisdiction based on effects.228 However, to meet constitutional requirements for due process, the United States needed recognition of the defendant’s intent as well, or at least a greater focus on the nexus between the court and the defendant.229 The American delegation thought this might be possible, considering that a general provision of the Brussels Regulation provides that jurisdiction is proper in the defendant’s habitual residence.230 However, the EU delegation focused instead on the treaty’s provision for specific jurisdiction, which concentrates on the nexus between the court and the claim in tort cases. It suggested wording that would give the plaintiff a right to bring an action related to tort claims in the state:

a) in which the act or omission that caused injury occurred, or
b) in which the injury arose, unless the defendant establishes that the person claimed to be responsible could not reasonably have foreseen that the act or omission could result in an injury of the same nature in the State.231

The U.S. delegation offered the following alternative:

A plaintiff may bring an action in tort in the courts of the State in which the defendant has engaged in frequent or significant activity, or has directed such activity in that State, provided that the claim arises out of that activity and the overall connection of the defendant to that State makes it reasonable that the defendant be subject to suit in the State.232

An attempt was made to reconcile the two approaches in proposed wording, but the conference concluded without an agreement to include the second paragraph.233 While American representatives could not get

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227. Id.
228. Id.
229. Id. at 202.
230. Id.
233. See Brand, supra note 135, at 207.
past EU standards that, from a U.S. perspective, lacked sufficient due process, European representatives took issue with what they considered insufficient protections for plaintiffs.234 There were other aspects of American jurisprudence that disturbed Member States as well. These included high jury awards, class action suits, anti-suit injunctions235 and tag jurisdiction236—factors which make foreign courts reluctant to uphold some U.S. judgments.237

The U.S. government had hoped the Hague treaty would encourage greater acceptance of U.S. judgments abroad. To facilitate the process, the American Law Institute (ALI) initiated a parallel effort called the International Jurisdiction and Judgments Project.238 This project’s original purpose was to draft federal legislation to codify the Hague treaty expected to emerge from the negotiations.239 When the treaty project was scaled back, the ALI decided to draft a federal statute “to make recognition and enforcement of foreign-country judgments uniform through the United States.”240 The proposed legislation adopts a modified version of the *lis pendens* principle, favored by the EU and civil law nations, which assumes that the court in which an action is first filed will assume jurisdiction and that, barring certain exceptions, U.S. courts will enforce the judgments of those courts.241 But it also bases U.S. recognition and enforcement of foreign judgments on reciprocity from other countries.242 Although this provision will likely decrease the number of foreign judgments recognized and enforced by the United States, at least initially, the ALI considers this carrot and stick approach a way to exert pressure on other nations to enforce U.S. judgments.243

The proposed statute, the Federal Judgments Recognition and Enforcement Act, contains the standard provision rejecting foreign judgments that violate public policy.244 But it also includes a discussion of
the exception’s relationship to the First Amendment.245 The ALI is of the opinion that American courts should enforce judgments, such as those in Bachchan v. India Abroad Publications and Telnikoff v. Matusevitch, in which the plaintiffs were seeking defendants’ assets in the U.S., but “values represented in differences about the limits of free expression do not appear to be engaged.”246 The ALI is suggesting that the United States has no public policy interest to protect in cases involving complaints initiated in another country over material produced abroad. Both Telnikoff and Bachchan involved suits filed in England over material produced there. The ALI is more sympathetic to cases such as Yahoo! v. LICRA and Dow Jones v. Gutnick, “where expression emanates from the United States or is directed or connected to the United States in some way.”247 But The ALI’s reasoning is somewhat strained in reference to Bachchan because, while the article in question was produced in England and the lawsuit was filed there, the article was produced by an English subsidiary of an American company and published in New York as well as England. By The ALI’s definition, it was connected to the United States.

The ALI offers no other substantive guidelines on First Amendment concerns related to jurisdiction other than expressing its hope that other treaties, such as the EU’s European Convention on Human Rights and the United Nations’ International Covenant of Civil and Political Rights, may foster “greater sensitivity to principles akin to the First Amendment.”248

Conclusion

Four years have passed since negotiation of the broader treaty on jurisdiction and recognition of foreign judgments failed, and during this period European Community and American law have taken steps toward one another. The European Community passed the E-Commerce Directive, making the country of origin the choice of law in product liability cases. This indicates a practical awareness that consistency and predictability facilitate market productivity. Also, in Rome II, the European Parliament suggested wording that retains a traditional focus on choice of law based on the place where harm occurs, while offering a second alternative—the “manifestly closer connection,” which is very

245. Id. § 6(d) at 67-70.
246. Id. at 68.
247. Id.
248. Id. at 70.
similar to the standard used in the United States. Although the European Commission rejected the compromised wording, it is significant that the elected body of EU government with co-decision making power on EU law recognizes the need for flexibility in determining the law that will be applied to media operating on the Internet and intends to keep working toward that goal.

Recent changes in U.S. law suggest that the United States may have to compromise as well. Despite recent set-backs involving the adoption of an EU Constitution, the European Union is gaining power on the world stage and influencing American policy in the process.\(^249\) European Community law precipitated a substantial change in American copyright law in 1998, when Congress extended copyright terms by twenty years both prospectively and retrospectively to bring U.S. copyright law in line with EU copyright law.\(^250\) Fearing the loss of twenty years of returns on intellectual property—one of the main exports in the United States—Congress enacted the law, despite its negative effects on expression.\(^251\) Also, to preserve American companies’ access to the EU electronic market, the U.S. Department of Commerce was forced to create a “safe harbor” database of U.S. companies with privacy standards similar to those mandated by the EU.\(^252\) The Safe Harbor was developed in response to the European Community’s Electronic Communications Data Protection Directive, which prohibits Member States from engaging in electronic commerce with countries that do not protect EU citizen’s privacy rights.\(^253\)

Continued negotiations at The Hague on a Choice of Court Conven-


\(^251\) See H.R. Rep. No. 105-452 at 4 (1998) ("U.S. works will generally be protected for the same amount of time as works created by the European Union authors; therefore, the United States will ensure that profits generated from the sale of U.S. intellectual property abroad will come back to the United States.") and The Copyright Term Extension Act of 1995: Hearings on S4839 Before the Senate Judiciary Comm., 104th Cong. 4 (1995) (statement of Sen. Feinstein) (observing that "perhaps the most compelling reason for this legislation is the need for greater international harmonization of copyright terms.").


tion for contract disputes—while much smaller in scope than the original treaty conceived—signal a willingness among Member States to seek compromise where it can be found. The ALI’s proposed federal statute is also a move toward compromise. If Congress passes the measure, the Act would provide uniform standards for recognition of foreign judgments across the fifty states, making future negotiations with the United States much less unwieldy. But the provision on reciprocity is a step backward that will likely antagonize other convention members.

Undoubtedly financial considerations are an incentive for change in the legal arena. The American trade deficit is now more than $600 billion. The United States imports fifty four percent more than it exports. Meanwhile, growth in domestic sales is slower due to increasing consumer debt. While Internet sales in the United States remain strong, a recent Nielson NetRatings report on e-commerce indicates that growth in mature markets like the United States is “flattening.” Opportunities for growth are to be found in “emerging markets,” such as Australia, France, Hong Kong, Italy and Japan. Meanwhile, a survey by the International Chamber of Commerce showed that companies are foregoing opportunities abroad due to their concerns about which courts would adjudicate disputes and which nation’s law would apply. The United States has an extraordinary interest in facilitating international opportunities in e-commerce, and one way to do that is to make the legal implications of operating on the Internet as predictable as possible.

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256. See Lauren Weber, Consumer Debt May Drag Retail Sales, NEWSDAY, Jan. 18, 2005, at A34.
258. Id.
Transnational cases involving conflicts over jurisdiction and choice of law indicate a disparity in approaches between the United States and other countries, which courts are obviously unwilling to bridge. For practical, if not for noble reasons, governments are going to have to negotiate a solution.
Speaking Freely: At Home and Abroad

Floyd Abrams*

Not long after our Pentagon Papers victory in 1971,1 I traveled to England, France, and Israel. In all three nations I met with judges, attorneys, and journalists, and was told that it would have been unthinkable to permit a newspaper to publish such material in their countries. Even journalists were stunned by the outcome of the case in the United States and not at all sure that it was a good idea.

The difference in approach here and abroad to issues concerning freedom of speech remains startling. How many of the cases described in earlier chapters in this book could have been won in, say, England? The answer may well be none. Not one of them would have resulted in a certain victory for the equivalent of the First Amendment side, and most of them plainly would have been decided to the contrary. All the cases involving prior restraints on the press described in chapters 1 and 2 would have been decided against the press—not just the Pentagon Papers case itself, but the Nebraska Press Association3 ruling as well. Publication of classified national security information not only would have violated British criminal law, but would have been subject to a prior restraint before publication. British law, as the distinguished British barrister and human rights attorney Geoffrey Robertson has written, ensures that “the British equivalent of the Pentagon Papers would never see the light of day.”4 As for publication after an indictment and before the trial of the prior criminal record of a defendant, that would constitute a contempt of court leading to the likely jailing of the editor responsible for it. That was true forty years ago; it remains true today.

*Senior Partner, Cahill Gordon & Reindel. Editors Note: The following is excerpted from Mr. Abrams’ recent book, Speaking Freely (Penguin 2005). Explanatory footnotes were added by the editors.


The cases described in chapter 3, relating to punishment of the press for telling the truth about sensitive matters, would all have been determined in England against the journalists involved. Statutes that barred publication of one or more pieces of truthful information—the name of a judge, the name of a juvenile, the voices on an intercepted wiretap—would have been deemed the subjects of legitimate criminal punishment.

Each of the three libel cases described in chapters 4 through 6 would likely have been decided against the press. England has no equivalent of the requirement established in *New York Times Co. v. Sullivan* in 1964 that a plaintiff can prevail in a libel action relating to matters of public interest only by proving a level of fault in the preparation of the challenged article. The cases described involved ultimate press victories based on the failure of the plaintiffs to prove precisely that. In *Newton*, Mr. Las Vegas failed to prove that material about him was broadcast with actual malice—that is, with knowledge of its falsity or with serious doubts as to its truth. In *Karaduman*, the Istanbul businessman failed to prove the statements about him were published with gross irresponsibility. Only the *Lasky* case might have been decided in England as it was here, since the jury determined that Lasky had failed to prove that the information broadcast about him was false. But even with respect to that issue, the law leans far more strongly in favor of journalists here than in England. One of the critical determinations of the Supreme Court in *New York Times Co. v. Sullivan* was that a plaintiff has the burden (what the English call the “onus”) of demonstrating that statements made about him were false. That is why Lasky was obliged to

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8. The author is referring to Las Vegas based entertainer Wayne Newton who, as described in chapter 4, sued NBC for defamation in connection with a report examining Newton’s alleged relationship with certain organized crime figures.

9. Chapter 5 discusses a libel action brought against *Newsday* by Mahmut Karaduman, an Istanbul businessman whose allegedly illicit smuggling activities were discussed in a series of articles on the Heroin trade.

10. As discussed in chapter 6, in 1982 right-wing journalist Victor Lasky sued ABC News over a report that he alleged wrongly accused him of having identified Luella Mundel, the chair of the art department of Fairmont State College in Fairmont, West Virginia, as a Communist and being responsible for her attempted suicide.
prove that what ABC had said about him was false, rather than ABC being obliged to prove that what it said was true. In England, no such burden rests upon a plaintiff. It is the speaker or publisher that must demonstrate that what was said was true, a difference of emphasis that may sound like legal legerdemain but that has enormous real-world consequences in a courtroom.

The Brooklyn Museum case\(^\text{11}\) is probably the closest call of all. While an English equivalent of Mayor Giuliani might have lost his argument on the grounds that he did not have the power to cut off funding for a museum, that result is not a certainty. What does seem certain is that even a Giuliani defeat in England would not have been based on principles rooted in the nature of free expression itself. Judge Gershon’s careful analysis of the law relating to free speech would have seemed alien indeed to a British court. The same would be true of any challenge to any new English equivalent of the McCain-Feingold law. (England already has one that permits less speech than does ours.) English courts do not have the power to strike down laws enacted by Parliament as unconstitutional, and while English courts are now obliged under the Human Rights Act adopted in 1998 to abide by the European Covenant on Human Rights (a document that provides significant free speech protection, although less than here), there is no chance at all that the constitutionality of a campaign finance statute such as was enacted in this country would have posed a close call for any English or European court.

To state that we have a different body of law than exists in England and other democratic nations is not, of course, to imply that our law is necessarily wiser than what exists abroad. We protect so-called “hate speech,” speech that denigrates the race or religion of others. We don’t like the speech or deny that it can do harm, but we protect it under the broad legal umbrella provided by the First Amendment. There is an inevitable trade off in doing so. By broadly protecting such speech, we avoid the risks of suppressing valuable speech that could be argued to be unacceptably offensive to others—Salman Rushdie’s *The Satanic Verses*, for example, which was banned in most of the Muslim world. We avoid the sort of speech-destructive efforts routinely made abroad to ban books such as Oriana Fallaci’s recent impassioned attack on

\(^{11}\) Chapter 7 discusses the efforts by the administration of New York City Mayor Rudolph Giuliani to punish the Brooklyn Museum for presenting a controversial art exhibit. See The Brooklyn Institute for the Arts and Sciences v. New York, 64 F. Supp. 2d 184 (E.D.N.Y. 1999).
Islamic radicalism. Perhaps most important, we avoid legitimizing direct governmental censorship of speech based upon its content.

In England, Canada, France, Germany, and virtually every other democratic nation in the world, hate speech is banned. International treaties and conventions call upon nations not only to bar racial and other forms of discrimination but to ban speech advocating such behavior as well. The United States duly signed the International Convention on the Elimination of All Forms of Racial Discrimination, but President Jimmy Carter did so by adding a legally binding reservation declaring that “nothing in this Convention shall be deemed to require or authorize legislation or other actions by the United States which would restrict the right of free speech protected by the Constitution.”

Are we right to continue to insist on safeguarding freedom of speech to such an extent? For our particular culture, I think we are. It may be the case that in India permitting the denigration of one religion by believers in another will inevitably lead to communal strife. It may be that in postwar Germany permitting people to deny the reality of the Holocaust was an unacceptable risk to take. Both countries may thus have acted consistently with their needs in criminalizing such speech. Other circumstances in other nations may justify less protection of freedom of expression than we have embodied in the First Amendment.

But the history of suppression of speech abroad has led me to conclude that, as Supreme Court Justice Byron White put it in *Miami Herald v. Tornillo*,12 “we have learned, and continue to learn, from what we view as the unhappy experiences of other nations” that have allowed “government to insinuate itself into the editorial rooms” of the press.13 The same is true of nations—often the same nations—that have permitted governments to decide what individuals may or may not say. “The right to think,” Justice Anthony Kennedy observed last year, “is the beginning of freedom, and speech must be protected from the government because speech is the beginning of thought.”14

We are not alone in the world in protecting free expression. Indeed, in one recent case in which I was involved, an international court provided at least as much protection in a matter relating to freedom of the press as any American court would have. The case arose in 2002 before the International Criminal Tribunal for the former Yugoslavia in The Hague. In the midst of preparations for the trial of Serbian leader Ra-

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13. Id. at 259 (White, J., concurring).
doslav Brdjanin, who was accused of war crimes in Bosnia, the prosecution sought the testimony of Jonathan Randal, a former Washington Post reporter who had interviewed the defendant about his views regarding ethnic cleansing. Randal resisted testifying in the absence of a demonstration by the prosecution that his testimony was essential to the case, and that the substance of it could not be obtained in any other manner. Geoffrey Robertson represented Randal. I represented a group of forty journalists and journalistic organizations from around the world that supported Randal, a group that I believe I fairly characterized to the tribunal as probably the largest and most diverse group of its kind ever to join a single brief. After an argument before jurists from France, Guyana, Sri Lanka, Turkey, and the United States, the court unanimously ruled that Randal could not be required to testify in the absence of a demonstration by the prosecution of the centrality of the information he had and the unavailability of that information from other sources.15

It was an extraordinary victory, not least because it provided protections for war correspondents that went far beyond those afforded journalists in many, if not most, reported decisions in the United States. So far as I know, it is the only ruling of an international tribunal to address the issue, and it is thus all the more significant as a possible precursor of future rulings. But it remains rare for rulings abroad to provide anything like the level of legal protection for journalists or others involved in communicating their views that is provided in the United States.

Except in one area. Increasingly, in countries that are fairly regarded as democratic, journalists are not required to identify their confidential sources of information. In a number of European nations including Germany, France, and Austria, there are no circumstances in which journalists may be required to break their word to their confidential sources by identifying them. In many other nations ranging from Japan to Canada to New Zealand, the rule is that confidential sources are protected, with exceptions being few and narrow. In Sweden, for example, not only are confidential sources protected, but it is a breach of law for journalists to reveal their sources.

A typical ruling abroad with regard to this subject was that of the European Court of Human Rights, which concluded in 1996 that:

Protection of journalistic sources is one of the basic conditions for press freedom, as is reflected in the laws and the professional codes of conduct in a number of

15. Prosecutor v. Brdjanin and Talic, Case No. IT-99-36-AR73.9, Decision of Appeals Chamber (Dec. 11, 2002).
Contracting States and is affirmed in several international instruments on journalistic freedoms. Without such protection, sources may be deterred from assisting the press in informing the public on matters of public interest. As a result the vital public watchdog role of the press may be undermined and the ability of the press to provide accurate and reliable information may be adversely affected. Having regard to the importance of the protection of journalistic sources for press freedom in a democratic society and the potentially chilling effect an order of source disclosure has on the exercise of that freedom, such a measure cannot be compatible with the [European] Convention unless it is justified by an overriding requirement in the public interest.16

In the United States the situation is bleaker. While forty-nine of the fifty states have provided total or partial protection for confidential sources, and many federal courts have done so as well, a number of courts in recent years have provided little or no protection at all. Worse yet, a spate of “leak investigations,” in which journalists have been targeted to reveal the identities of individuals who provided them, in confidence, with information, have posed increasing threats to the ability of the press to do its job.17

As I conclude this book in late 2004, two clients of mine—Judith Miller of the New York Times and Matt Cooper of Time magazine—have been ordered jailed in Washington, D.C., because they refused to reveal the identities of government officials who provided them with information in confidence. At the same time, the Bush administration has sought to obtain the telephone records of Ms. Miller and another Times journalist, Phil Shenon, in a different leak investigation in Chicago, an effort that would, if successful, reveal scores of sources who provided information who have nothing to do with the government’s investigation. Other efforts have been made by the federal government in places from Providence, Rhode Island, to San Francisco, California, to require journalists to disclose their sources.

These cases may be close ones from a legal perspective in light of the Supreme Court’s decision in 1972 in the first case described in this book, the confidential source ruling of the U.S. Supreme Court in Branzburg v. Hayes.18 But it is not the Branzburg case that has led to this new threat to the ability of journalists to gather information. It is a purposeful decision made by federal prosecutors, usually authorized by the attorney general’s office itself, that the disclosure in one leak investigation after another of who provided information to the press is more important than the press’s ability to gather news and report it to the public. American lawyers rarely fare well when they try to persuade

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17. A comparative examination of reporter’s privilege in the Randal case, the United States, and elsewhere can be found beginning on page 1 of this issue.
our courts to adopt rulings from abroad. But I would feel a lot more comfortable about the future if our judges would weigh carefully the conclusion of the European Court of Human Rights, expressed in 2003, that “the protection of journalistic sources is one of the cornerstones of freedom of the press.”

Any comparison of foreign and American approaches to free speech leads me inevitably back to the question of why I changed my mind so radically about the amount of legal protection that the First Amendment should provide from my original views on the subject. Unavoidably, part of my shift in attitude stemmed from what I was saying on behalf of my clients. Lawyers don’t have to agree with their clients, to condone (not to say approve of) their conduct, or to share their ideological preferences. But it is not uncommon for lawyers to persuade themselves of their clients’ virtues. Sometimes that is harmful: A lawyer who is too close to a client may be the same fool the client would be if he were representing himself. On other occasions, such advocacy is both genuine (the lawyer means it) and useful (the lawyer can speak with special zeal on behalf of the client). I think my own evolution was the latter, not self-induced, but the product of what I had learned.

But my change of mind was rooted in even more than that. I began to practice in this area at about the same time President Richard Nixon began to take on the press and, more important, to threaten constitutional liberties. When Nixon served as president, it was unnecessary to cite John Adams’s sponsorship of the Alien and Sedition Acts to exemplify the risks that an administration might pose to constitutional government. Nixon was a self-proving risk, and his constitutional misbehavior in office led me to understand far better than I had previously the need for broadly interpreted protections of the Bill of Rights.

I came to the view, as well, that what I had previously dismissed (as some people still do) as mere self-serving rhetoric of journalists about the need for a free and unthreatened press was in fact firmly rooted in reality. Journalists made their share of mistakes, and continue to do so, but I concluded that they genuinely served the public in a manner that should only rarely be subject to any legislative or judicially imposed sanctions. The libel cases discussed in this book are illustrative of why the press should remain as free as our law permits. The behavior of a figure such as Wayne Newton prior to and in the very process of being licensed by a state in which he was both “worshipped” (as his counsel put it) and enormously powerful was of genuine public import. So was *Newsday’s* effort to set forth in terms all could understand the path of heroin from the poppy fields of Turkey to the bars of Long Island. So,
as well, was the elegiac portrayal thirty years after the fact of the on-the-ground impact of McCarthyism in a small West Virginia town.

Many of the printed articles or televised segments that I have defended in the courts have served the public exceptionally well. *Time* magazine’s valiant cover story depicting the ever-ominous and indefatigably litigious Church of Scientology as a “cult of greed” led to a seemingly endless and paralyzingly expensive litigation. Nina Totenberg’s expose on National Public Radio of Anita Hill’s charges against Clarence Thomas led to a prolonged Senate “leak investigation” seeking to expose her sources. Both stories were in the best tradition of journalism, and the authors of both needed the strongest legal protection to protect them. *Time* defeated its Scientology foes, and the Totenberg investigation was ultimately abandoned. But they were both deeply threatening to the journalists involved, and only the high level of First Amendment protection that exists in the United States ensured victory for them. The same is true of other cases described in the preceding chapters. Had First Amendment law been weaker, the members of the Brooklyn Museum’s board would have had a far tougher decision to make about resisting the enormous pressure that Mayor Giuliani placed upon them. Had anything but American-level First Amendment protections existed, the *New York Times* could have been shut up and shut down because of its publication of the Pentagon Papers.

While my work has led me to the view that sweeping First Amendment protections are essential to protect us against efforts—in bad faith or good—to limit speech, that does not mean that I believe that the institutional press or the multitude of speakers that now fill the Internet with information are free from error or that what is published and otherwise communicated does no harm. A free press is not necessarily an accurate or wise one. Precisely because speech matters so much, it can do great harm, and in fact sometimes does so. Our approach under the First Amendment has wisely, I think, generally been to risk suffering the harm that speech may do in order to avoid the greater harm that suppression of speech has often caused.

Protecting freedom of speech in as sweeping a fashion as the First Amendment does, however, makes it all the more important that we also both protect and honor thoughtful critics of the press and of others who exercise their First Amendment rights. We are not obliged to honor those who substitute ideologically rooted fervor for rigorous analysis. But some critics are entitled to special kudos.

Renata Adler has published two books containing pungent and powerful criticism of the performance of some of the leading journalistic
organizations in the nation. In *Reckless Disregard*, she takes on both *Time* magazine and CBS for their coverage of the events that led to the prominent libel litigations commenced in the 1980s by former Israeli defense minister (and now prime minister) Ariel Sharon and by former general William Westmoreland. In *Canaries in the Mineshaft*, she takes on the *New York Times* for some of its recent coverage. I have represented all three of these institutions on a variety of matters, including one that involved the publication of some of the journalism that Adler savages. I know how angry her books have made the authors of each of the offerings she has criticized, and how strongly all of them believe that her criticism is wrong-headed and unfair. I will leave that debate to another forum. What is more important, I think, is that Adler be honored for writing the most scintillating press criticism in the nation over the past few decades.

Here she is, setting the stage for her analysis, in *Reckless Disregard*:

> With few and small exceptions—*The Nation*, say, or the *National Review*—an American no longer expects from his source of news a political viewpoint that comports with his own. His expectation, as in no other country and at no other time in history, is rather this: that, given the technology of news gathering and dissemination, given also the scale, the news is going to be, honestly and within human limits, factual. Whether it is a tabloid reporting a sensational murder or a network reporting a political coup somewhere, there is a trust that what is being reported (with the aura of authenticity not just of the printed word but of tape recordings and photographs) is factually true. And the contemporary American journalist aspires, in theory and as a professional matter, to meet that honorable, essentially moral expectation. The difficulty is that most facts, at least those with which journalism is concerned, are what they are; and, in spite of bromides to the effect that there is no such thing as objectivity in journalism, statements of fact are either true or not. Their implications, political and other, are, of course, another matter; but the “truth” of the facts in question tends to be unitary—tends, in an almost religious sense, to be one. No one disputes this with respect to those subjects on which so much of reporting, at all times, depends: the Yankees won on a certain day or they did not, and by a certain score; the people whose deaths are reported in the obituary section held certain positions and are dead, or not. Stock closing prices, earthquakes, invasions, election returns. It is only with stories of another kind that the unitary standard seems to waver and meditations about objectivity begin. The reporter, meanwhile, not only wants to find out and report the facts; as a competitor, he wants to report them before anybody else. And the difficulty with that form of competition is that once a journalist has been the first to publish certain “facts” amounting to a “story” all other journalists tend to go after the same story, wanting only to tell more of it, sooner. At the same time, there has arisen in the profession an almost unimaginable solidarity; it is exceptionally rare for a story in one publication to contradict, or even to take the mildest exception to, a story published in another. Whether by temperament, or for whatever other reason, whatever rivalry exists, however intense it may be, is the rivalry of a pack going essentially in one direction. There is simply no notion, for instance, among journalists of a counter-scoop—and journalists are notoriously vindictive when the work of any of their number is criticized in print.19

19. **RENEA ADLER, RECKLESS DISREGARD** 16-17 (1986).
That is serious stuff, which remains thoughtful, incisive, and provocative, whether or not one still agrees with it in the aftermath of the noisy and contentious addition of Fox News to the ranks of news providers.

So has the writing of Professor Jay Rosen of New York University who crafted a revealing essay about the press treatment of the speech that the then newly elected president Vaclav Havel of Czechoslovakia gave in Washington on his first official visit in 1990.20 Havel had been jailed for years under Communist rule for his writing, and Washington—bipartisan Washington—was delighted to welcome him. Near the end of Havel’s address to Congress, Rosen recounted, he observed that the people of Eastern Europe could offer to the West lessons of their “bitter experience” under Communist domination. That experience, Havel said, had left him certain of this proposition: “Consciousness precedes being, and not the other way around, as the Marxists claimed.”

Havel’s words, Rosen wrote, led members of Congress to break into hearty applause—but hearty applause without the slightest understanding of what they were applauding. The press was amused. The *Boston Globe* wrote about the speech as follows: “Whaaaat? A real, live philosophical notion? Discussed in front of our congresspeople? What gives? Hey, folks, the man is an intellectual.” The *Washington Post* editorial about the speech referred to it as “impressive and humbling”; it observed that Havel “is not kidding about this stuff,” and headlined its editorial “Let’s Hear It for Hegel.” And a *Washington Times* article put it this way: “I don’t think ten men in the chamber knew what he was talking about, and in fact, I don’t know what he was talking about.”

One thing was missing from the bemused press commentary about the speech: No reporter, not one, even tried to explain what Havel was talking about. Journalists, Rosen observed, who had mastered matters of complex economics and of sophisticated weapons systems, laughed at Congress, even laughed a bit at themselves—but made not the slightest effort to understand what Havel was saying or to tell their readers what Havel’s words might have meant. The portrait of Havel offered by journalists to its readers was thus that of “a speaker of alien discourse.”

The answer, Rosen argued, “has less to do with a lingering anti-intellectualism in the press than with its resistance to a certain kind of

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To raise the issue of ‘consciousness’ is to speak frankly of the inner life, rather than outward events. Journalists tend to dismiss such talk, but not because they are godless technocrats unmoved by deeper questions. They are simply more interested in the game of power, and they consider ideas about the nature of ‘being’ irrelevant to their journalistic task.”

That, too, is serious criticism of the press written at a level that should shame most press critics.

There remains another sort of response to free speech-suppression. I began this book with a discussion of censorship around the world in the twentieth century, and I close with one example. Early in the 1990s I was asked to speak at a law school in Kuala Lumpur, Malaysia. My topic was freedom of speech, a somewhat anomalous topic in a nation that is not known throughout the world as being a leading protector of it. Malaysia did not approach its neighbor in Singapore in its degree of repression of speech (I have yet to be invited there), but it remained an authoritarian nation in which free speech as we understand it is hardly the rule. One example of this was the banning in that nation of Salman Rushdie’s work The Satanic Verses.

I spoke to the Malaysian students for about an hour about American cases. The Pentagon Papers case, in particular, startled them. “Wasn’t the New York Times afraid that it would lose its license?” one student asked. When I explained that the Times had no license and that it would be unconstitutional—a difficult concept to explain—for the government to require one, they were nonplussed.

Then they asked about what really interested them. Had I read The Satanic Verses? Yes, I lied. Had I liked it? Yes, I said. Was it blasphemous? No, I said, adding that in the United States there was no legal doctrine of blasphemy, anyway. No book could be suppressed because it was critical of, even hostile to, religion. They liked that answer.

I turned the questioning back on them. “The Satanic Verses is banned here,” I said. “If I had brought it into your country, I could have been arrested. How do you even know about it?” Their eyes shone as they answered: “CNN,” they said, “CNN.”

I gave that talk ten years ago, in pre-Internet days. If students then knew about Rushdie’s book notwithstanding the position of their government, today they could probably read it despite their government’s opposition. That is real, ultimately irresistible, progress. You don’t have to be a First Amendment voluptuary to believe that.
Globalization Comes to Media Law

Richard N. Winfield*

In July, 2005 an *amici curiae* brief was filed in the European Court of Human Rights in an appeal presenting fundamental issues in media law; namely, whether governments or their subdivisions may sue for defamation, and whether the equivalent of a fair report privilege should apply in Russia. Perhaps as interesting as these issues in *Romanenko v. Russia* were these facts: the *amici* were two prominent non-governmental organizations (NGOs) headquartered in Moscow and New York, respectively; the brief was written *pro bono* by a collection of experienced media lawyers from the United States, the United Kingdom and Albania; and the brief cited authorities not only from the European Court, but also the United States, United Kingdom, India, Germany, Ukraine, Bulgaria, Georgia, Serbia and Montenegro, and the Parliamentary Assembly of the Council of Europe.¹

The *Romanenko* project illustrates what many media law practitioners and scholars have recognized, that media law has increasingly become internationalized. This trend is explained by the Internet, with its nearly infinite and instantaneous capacity to distribute problematic copy and liability exposure everywhere; and by the global reach of powerful media conglomerates, by satellite television, and by the efforts of states to assert sovereignty over their information space and protect it.

Internationalization has taken many forms. At the most pragmatic level, *i.e.*, litigation, media lawyers increasingly find themselves defending their United States-based clients in foreign courts, criminal and civil defamation or insult actions, privacy claims, contempt proceedings, and the like. For example:

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¹Richard N. Winfield teaches comparative mass media law at Columbia Law School and American mass media law at Fordham Law School. He coordinates the media law working groups of the International Senior Lawyers Project and Central European and Eurasian Law Initiative, and he serves as Chairman of the World Press Freedom Committee.


• Dow Jones & Co. is haled into English and South Asian courts on a depressingly regular basis. Stuart Karle, Dow Jones’ lead litigation counsel, has probably spent more time in these courts than in American courts. Few lawyers this side of the Atlantic possess his knowledge of the common law of defamation.

• Kurt Wimmer and Brian Macleod Rogers successfully represented a 50-party coalition of media companies and associations from the United States, Canada, Europe, Australia, Japan and Central and South America in support of the defendant in Bangoura v. Washington Post in the Ontario (Canada) Court of Appeal. The Post, and the coalition, convinced the court to dismiss this defamation action based on dubious access to the defendant’s online archives.

• Robert Balin played a key role in the amici effort mounted by several international news organizations—including The Associated Press, ABC, CBS, NBC and The New York Times—in Taipei on behalf of two Taiwanese journalists who were prosecuted for criminal defamation by the business manager of the Kuomintang. The result was a landmark victory in 1997 in Liu Tai-Ying v. Yuen Ying Chan.

London remains, in solicitor David Hooper’s phrase, “the Town Called Sue.” Libel tourism is alive and well in London, the world’s most hospitable forum for well-heeled plaintiffs from Russia, Saudi Arabia and the United States seeking to sue American media outlets. English notions of in personam jurisdiction are seemingly limitless, and United States-based media organizations rarely prevail on motions challenging jurisdiction. American defense lawyers representing virtually every major media organization, including Dow Jones & Company, The New York Times Company, Forbes, CNN and Hearst, continue to assist their solicitor and barrister counterparts to try cases which, in American courts, would only rarely survive dispositive motions.

At the appellate level, when the High Court of Australia was about to consider the case of Dow Jones & Co v. Gutnick, media lawyers here and abroad correctly understood that it would very likely acquire watershed status. At issue was nothing less than the prospect of global


exposure to liability of on-line publishers who had negligible contacts with remote foreign jurisdictions. Stuart Karle retained barrister Geoffrey Robertson and solicitor Mark Stephens from London, in addition to Australian counsel. David Schulz, representing Associated Press, organized an *amicus curiae* brief which included most major American news organizations, in addition to Reuters and Amazon.com. Media lawyers from Australia, United Kingdom, United States and Hong Kong cooperated in what proved to be an unavailing effort to avert a High Court judgment allowing global exposure for online media.

To return to the *Romanenko* appeal mentioned above, this pro bono project in the European Court was preceded in 2005 by two draft *amicus curiae* briefs in that Court. In both cases Russian journalists had been held liable in civil defamation actions brought by unnamed Russian public officials and political activists; the national courts dismissed the appeals; and the European Court determined that both cases were admissible. A Russian NGO, Lawyers for Constitutional Rights and Freedoms (JURIX), filed *amicus* briefs based on drafts written by David Schulz and the author, on behalf of the media law working group of the International Senior Lawyers Project.

In the *Romanenko* appeal, the Open Society Justice Initiative (OSJI) assumed the lead role in the person of Darian Pavli, an Albanian lawyer and media law specialist. The Russian NGO was the Moscow Media Law and Policy Institute. With some help from the author, Kurt Wimmer organized the brief, which was written by Professor Peter Krug, David Bodney and David Heller of the Media Law Resource Center. The media law working group of the International Senior Lawyers Project and the Open Society Justice Initiative organized this pro bono effort.7

It is fair to ask why media lawyers spent the time and effort on these cases. At one level, we were simply helping to defend some Russian journalists whose reputations and solvency were assaulted by a Russian judicial system operating well outside international norms. At another level, we saw the cases as opportunities to present our views before a supra-national court about to adjudicate some of the anti-democratic excesses of Vladimir Putin’s Russia. There was considerable admira-

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7. A few months after the *amicus* brief was filed, the European Court of Human Rights in late 2005 granted admissibility in *Romanenko*. The Court’s determination cited both amici by name and devoted most of its analysis to the amici’s arguments, which the Court adopted in full. *Romanenko v. Russia*, App. No. 11751/03 (Eur. Ct. H.R. Nov. 17, 2005) (admissibility decision), available at www.jurix.ru/patterns/Romanenko_Applicability.pdf.
tion for the courage of the Russian journalists. We saw the rights of a free press as indivisible and transcending both geographic boundaries and languages. To diminish one journalist’s rights to criticize political elites is to diminish all journalists’ rights. It is likely that this philosophy motivates many media lawyers confronting oppressive governments and unfairness in foreign media litigation.

For many media lawyers there may be another explanation, and it has to do with corruption. Of all the obstacles to equitable economic development in the third world, and there are many, one stands out as particularly enfeebling and pernicious, namely corruption in government and business. Unlike other obstacles, such as drought or lack of natural resources, corruption does not rely on nature for a cure. Its cure lies solely with humans.

We tend to overlook the links between a free and independent press (the product, in part, of press-friendly media laws); the exposure and reduction of corruption (the product of a probing, courageous free and independent press); and economic vitality (the product of corruption-free, efficient markets). The World Bank conducted a study of the press, corruption, and economic and social indicators in 97 countries, and released a report in 2001 which supported the existence of those links.8 The World Bank survey found:

- Greater freedom of the press is associated with lower perceived corruption.
- Greater levels of government ownership of the press is associated with less free press, and dissemination of less information relevant to market economies.
- Government ownership of the press is associated with negative political and social outcomes, namely more corruption, inferior economic governance, less developed financial markets, and poorer education and health outcomes.

Where corruption is rife in a developing country, local businesses suffer, markets are distorted, and foreign capital stays away in droves. Corruption flourishes best where transparency is conspicuous by its absence, and where the press is unfree and dependent. As the World Bank report argued, a free and independent press can contribute significantly to economic vitality. To help foster such a press through liberalizing repressive media laws is to make a small but positive step in that direction.

Media lawyers are making some important contributions to this effort, as suggested by these cases:

- Before he became a judge on the U.S. Court of Appeals for the Second Circuit, Robert Sack appeared as co-counsel in Strasbourg before the European Court of Human Rights. He contributed to the Court’s judgment in *Goodwin v. United Kingdom* in 1996, finding that the English courts’ orders to compel disclosure of journalist Goodwin’s confidential source violated Article 10 of the European Convention.

- In a more recent reporter’s privilege appeal, Floyd Abrams represented an *amicus curiae* group of 40 journalists and journalistic organizations before the International Criminal Tribunal for the former Yugoslavia. He contributed to the Tribunal’s important finding in 2002 that Jonathan Randal, formerly of *The Washington Post*, need not testify at a war crimes trial concerning his interview with the defendant, Radoslav Brdjanin.

- An *amicus curiae* brief written in 2004 by a *pro bono* team from Simpson Thacher & Bartlett, led by S. Todd Crider with Darian Pavli of OSJI, before the Inter-American Court of Human Rights successfully challenged the criminal defamation conviction of journalist Maurice Herrera Ulloa by the Costa Rican courts.

- David Schulz and his colleagues wrote an *amicus* brief in 2004 for Associated Press and eight other major news organizations before the Inter-American Commission on Human Rights in a public official defamation case arising in Jamaica, *Abrahams v. The Gleaner*, which produced the highest libel verdict in Jamaican history.

- In *Ehrenfeld v. Bin Mahfouz*, a Saudi Arabian plaintiff won a defamation judgment by default in London, and the American defendant seeks a declaratory judgment in New York barring enforce-
ment of the judgment here. Kurt Wimmer led the brief writing effort for a group of amici curiae which included Article 19, the London-based NGO; European Publishers Council; one of the biggest publishers in Australia; and the Sunday Times of London.

- In 2001, an appeals court in Bucharest, Romania, considered the author’s brief. At trial, the Associated Press correspondent in Bucharest had been found civilly liable for calumny for reporting that a prominent politician had collaborated with the state security police of the discredited Ceausescu regime. While local counsel concentrated on Romanian law, our separate brief relied exclusively and successfully on the Article 10 jurisprudence of the European Court of Human Rights.

Aside from litigation, media lawyers are increasingly active as speakers and consultants assisting in the reform of media laws abroad. The scope and importance of this work is described by Professor Monroe Price in his 2002 book, Media and Sovereignty:

The American Bar Association through its Central and East European Law Initiative (CEELI) organizes lawyers around the United States to participate in what was deemed an important national opportunity to reshape the law elsewhere. Funded by USAID, CEELI, and similar public and private organizations, established offices with full-time staff in a score of countries throughout the former Soviet Union, and dispatched volunteer lawyers to work with local parliamentarians, judges, law schools and law offices there. Given the quantity and loci of contact, patterns of technical assistance emerged. CEELI organized workshops, trained and exchanged judges and lawyers and, like a dry cleaning service, provided almost overnight legal assessments of draft legislation and of proposed structural changes in a legal system. Media law received a great deal of attention . . . .15

The experiences of two CEELI volunteer lawyers are typical. Roger Myers recently spent a year in Almaty, Kazakhstan training Kazakh media lawyers and successfully lobbying to defeat a particularly toxic media law. Barbara Swann performed similar long-term training functions in Georgia and Armenia. The author has undertaken short-term training assignments in media law in Albania, Algeria, Armenia, Croatia, Georgia and Serbia. Within recent years media lawyers also have traveled abroad and conducted media law reform workshops in Bulgaria, Romania, Macedonia, Russia, Moldova and an international conference in London. The workshops typically take two or three days, followed by exchanges of emails containing revisions of draft media laws.

Often the technical assistance takes the form of comprehensive written assessments of draft legislation pending in parliaments dealing with the media, insult, defamation and privacy laws, broadcast regulation, advertising, access to information, and the like. The assessments evaluate the legislation from the perspectives of Article 10 of the European Convention on Human Rights, our First Amendment, Article 19 of the Universal Declaration of Human Rights, and Article 19 of the International Covenant on Civil and Political Rights. Over the years, under the sponsorship of such organizations as CEELI, the Promedia program of the International Research and Exchanges Board (IREX), Internews and the International Center for Journalists (ICFI), media lawyers have written assessments for such legislation in, among others, Albania, Algeria, Armenia, Azerbaijan, Belarus, Bosnia and Herzegovina, Bulgaria, China, Croatia, Czech Republic, Georgia, Indonesia, Iraq, Kazakhstan, Kosovo, Kyrgyz Republic, Macedonia, Moldova, Mongolia, Montenegro, Romania, Russia, Serbia, Slovak Republic, Turkey, Ukraine and Yemen.

In April 2005, seven members of the media law working group wrote assessments of the Decision of the Plenum of the Supreme Court of the Russian Federation of February 24, 2005, an important document providing guidelines and explanations for the disposition of defamation cases. Submitting assessments for this CEELI project were Kevin Goering, Kevin Goldberg, Professor Peter Krug, Madeleine Schachter, Barbara Swann, Kurt Wimmer, and the author.

In addition to CEELI, a number of other institutions sponsor media law technical assistance and training programs. They include OSJI, the U.S. Department of State, the United States Agency for International Development (USAID), Freedom House, and IREX. The Media Law Resource Center (MLRC) monitors developments abroad and conducts biennial conferences in London for media lawyers from many countries. Additionally, the media law working group of the International Senior Lawyers Project, an informal collection of media lawyers having an interest in reform of media laws abroad, often provides experienced volunteers for these institutions.

The roots of the volunteers’ competence to provide training and technical assistance admittedly lie in their accumulated experience representing media outlets domestically. As if to compensate for any insu-
larity, a body of comparative literature has emerged within the last ten years. Some important contributors include Professor Monroe Price (including Media and Sovereignty), Professor Peter Krug (law review articles on Russian constitutional and media law),17 Professor Benjamin Liebman (law review articles on Chinese media law),18 CEELI (concept papers on media law,19 Article 10 jurisprudence,20 and freedom of information law,21 all produced by the media law working group), and the London-based NGO, Article 19.22 USAID published a monograph by Professors Price and Krug through the Programme in Comparative Media Law & Policy Centre for Socio-Legal Studies at Wolfson College, Oxford University. Their work, The Enabling Environment for Free and Independent Media, has received wide distribution. Charles Glasser’s major work, International Libel & Privacy Handbook, was published by Bloomberg Press in early 2006.23

This represents but a sketch of the work of media lawyers in an age of internationalization. The work produces some unintended consequences. To learn the law of defamation of a nation is to glimpse into that society’s tolerance for dissent and freedom to criticize the powerful. To study or practice international media law is to acquire, by reverse perspective, a deeper understanding of the American system of free expression. To work with media lawyers and journalists abroad to reform media laws is to write, with no sense of messianism, a professionally satisfying coda.

Entertainment Without Borders: 
Transcript of Proceedings 

Edited by Wayne Levin, Lon Sobel, and 
Robert E. Lutz*

Table of Contents
Symposium Brochure ............................................................... 118
Panel 1: Not In My Backyard: Navigating Territorial and 
Cultural Barriers .............................................................. 123
Panel 2: Show Me the Money: Repatriating Royalties From 
Abroad ............................................................................... 147
Panel 3: Can’t We All Just Get Along: Strategies For Resolving 
Cross Border Disputes ....................................................... 167

*Wayne Levin is Executive Vice President and General Counsel of Lions Gate En-
tertainment. Lon Sobel and Robert E. Lutz are Professors of Law at Southwestern Law 
School. They served as moderators of the Symposium panels. The editors would also 
like to thank the various panelists for their editorial suggestions.
The Donald E. Biederman Entertainment & Media Law Institute

Southwestern Law School has had a long and intensive involvement with the entertainment and media industries, particularly in the Los Angeles area. Located at the center of “The Entertainment Capital of the World” and the “Digital Coast,” Southwestern has an outstanding entertainment- and media-oriented faculty. Southwestern graduates occupy important positions with a broad range of entertainment and media companies and with law firms specializing in the representation of entertainment and media clients. Recognizing the growing interest in this area around the country and internationally, Southwestern launched the Donald E. Biederman Entertainment & Media Law Institute in 2000 to provide a broad-based entertainment, media and intellectual property law curriculum for law students as well as information and assistance to practitioners.

www.swlaw.edu

The Beverly Hills Bar Association

Founded in 1931 to serve lawyers practicing on the Westside of Los Angeles, the Beverly Hills Bar Association has long been committed to advocating for justice in the community, as well as assuring its lawyer members to reach and exceed the highest skill levels and ethical standards in the legal profession. The Association, which today has the largest entertainment law section of any bar association in the United States, currently has over 3,600 members practicing in all areas of the law who share a professional commitment to excellence and service.

www.bhbar.org
As a truly global business, the entertainment industry knows no borders. The same cannot always be said of those who regulate, distribute and consume the industry’s products. This conference examines three critically important aspects of doing business on a global scale.

The first panel looks at territorial and cultural barriers to the cross border distribution of films through both traditional and digital channels as well as challenges presented by language & cultural differences.

The focus then shifts in the second panel to repatriating royalties both from two-party negotiated agreements, and statutory and collectively administered licenses.

Finally, the third panel considers strategies for resolving international disputes when things go wrong.

Whether one’s clients are in Los Angeles, London or Beijing, these are issues about which every entertainment lawyer needs to be aware in the increasingly dynamic and complex entertainment environment.
Agenda

1:00 - 2:30 p.m.  Registration

2:30 - 2:40 p.m.  Welcome and Introductory Remarks
    David Kohler—Director, Bladerman Entertainment and Media Law
    Institute and Professor of Law, Southwestern Law School
    Marc Steinberg—Executive Director, Beverly Hills Bar
    Association

2:40 - 4:00 p.m.  Not In My Backyard: Navigating Territorial and Cultural Barriers
    **Moderator:** Wayne Levin, Executive Vice President and General
    Counsel, Lions Gate Entertainment
    Bruce Eisen, President, CinemaNow, Inc.
    Howard Frumes, Partner, Alexander Nau Lawrence & Frumes
    Jacqueline Hurt, Partner, Ofswang

4:00 - 4:10 p.m.  Break

4:10 - 5:30 p.m.  Show Me the Money: Repatriating Royalties From Abroad
    **Moderator:** Lon Sobel, Professor, Southwestern Law School
    Damon Bonesteel, Vice President, Legal and Business Affairs,
    Warner Bros. Pictures International
    Todd Brubec, Vice President, ASCAP
    Lynn Weisman, Executive Director, Legal Rights Clearance,
    Twentieth Century Fox Film Corp.
    Guild Representative Invited
5:30 - 5:40 p.m.  Break

5:40 - 7:00 p.m.  Can’t We All Just Get Along? Strategies for Resolving Cross Border Disputes

Moderators:  Laine R. Kline, Senior Vice President, Business & Legal Affairs, Yari Film Group, LLC, and Robert E. Lutz, Professor, Southwestern Law School

Richard Cherneck, Vice President and Managing Director, Arbitration Practice, JAMS

William Immerman, Chief Administrative Officer, Yari Film Group LLC

Martin D. Katz, Partner, Sheppard Mullin Richter & Hampton

Bruce Lillian, Managing Director, Manifest International, LLC

The Honorable Richard Mosk, Justice, California Court of Appeal

7:00 - 8:00 p.m.  Reception
Panel 1: Not In My Backyard: Navigating Territorial and Cultural Barriers

DAVID KOHLER: Welcome to what I hope is the first of an annual event co-sponsored by the Donald E. Biederman Entertainment and Media Law Institute and the Beverly Hills Bar Association. In organizing this event, our intention is to do an annual program that focuses on the international dimensions of entertainment law in different contexts.

I was reading something the other day that brought home how global the entertainment business has become. The copyright industries in the United States, if the statistics I was reading are correct, bring in through exports more money than aircraft, automobiles or agriculture. And the entertainment business is the only industry in this country that has a positive trade balance with every other country in the world. So, I think this demonstrates how global this business is. And whether you practice primarily domestically or internationally, you need to understand what’s going on in the rest of the world in order to effectively represent your client.

Before we get started, I need to thank some people. First, I need to thank the planning committee for this event. Susan Pollyea, Ron Gertz, and Ken Freundlich of the Beverly Hills Bar, and Robert Lind, Lon Sobel, and Bob Lutz of Southwestern. I need to thank our student syllabus committee, which put this fairly massive collection of materials together, chaired by Jennifer Davis and Zeina Hamzeh. But there were a number of students who worked on this and thank you. And I need to thank Tamara Moore. They say everybody is indispensable and certainly that’s usually true. But for the Institute, Tamara is not dispensable. I will tell you she had a lot to do with putting this event together. And with that, I’d like to extend a final thank you to Mark Staenberg, the Executive Director of the Beverly Hills Bar, who, when I called him and suggested this event, was enthusiastic and has thrown the Bar’s resources behind it. With that, I’m going to turn it over to Mark to say a few words to get the first panel started. So welcome.

MARC STAENBERG: Thank you, thank you very much David Kohler. Thank you all for being here. On behalf of the Beverly Hills Bar Association—the largest voluntary bar association in the state of California that is not a county bar—and truly one of the premier bar associations in the country, I thank you for being here, and I thank David Kohler, Southwestern Law School, and the Biederman Institute for suggesting that we come up with a joint program. We were kicking around ideas, and the idea that there was no ongoing international en-
tertainment law symposium leapt to mind, because as David said, there is no component of entertainment law, I believe, today that doesn’t have an international aspect. And if we’re not thinking about it, then we’re committing malpractice. So this was the perfect area for us to begin creating a new international law symposium.

For those of you who are Southwestern faculty or students, I invite you to look into joining the Beverly Hills Bar Association, especially if you’re interested in international law because the Beverly Hills Bar Association has the largest and most active international law section of any Bar in the country. So again, thank you all for being here. I will not repeat what David said about the thanks to the planning committee; they are listed in your material, and this doesn’t happen without them. And to the syllabus committee, we thank all of you because it doesn’t happen without you. For the terrific faculty advice and participation from Southwestern Law School, the Beverly Hills Bar thanks you. And to my colleagues in the entertainment law section of the Beverly Hills Bar, I’m glad that we are part of this, and I look forward to this being the first, but there will be many, many more years of doing this together.

It’s now my pleasure to introduce the moderator and chair of the first panel, Wayne Levin, who is Executive Vice President and General Counsel of Lion’s Gate Entertainment.

WAYNE LEVIN: Thanks for the introduction. I think as David indicated, the entertainment business, like many other businesses that we all work in, has become a global industry. This is true both in terms of distribution and production. When it comes to financing and producing motion pictures, the list of countries and financial incentive programs is enormous. They generally take the form of tax-incentive programs, labor-spending programs, content based programming, subsidized loans and sale lease back arrangements. The usual suspects for these kinds of programs are Germany, the U.K., Australia, Canada, Romania, South Africa, The Isle of Mann, China, Hungary, and many nations of the former Soviet Union. But this list continues to grow.

Many, but not all, of these programs require that the copyright and distribution rights flow through a business entity within the subsidized nation, giving rise to inter-company benefit and distribution agreements and a plethora of legal documentation, based on the laws of, at least, two nations and sometimes a lot more when we do co-productions. When it comes to distribution, while there is a slight downward trend this year, U.S. box office and worldwide box office show tremendous globalization. Worldwide box office in 2004 was 25.2 billion dollars with the U.S. comprising about 10 billion dollars.
The trend clearly also shows the rest of the world gaining on a proportionate basis. Box office admissions in 2004 in Europe, the Middle East, and Africa increased by 47 percent, with France leading that pack. In Asia and the Pacific, those numbers increased by 44 percent. China has exploded, tripling admissions in the last five years. Latin America, even with a sluggish economy, has increased by 14 percent. Japan now has over 2,800 screens. Vietnam is building its first mega-plex and Korea is fast establishing a homegrown movie industry with stars gaining popularity throughout much of Asia.

Complicating matters even further is that we now live in the era of the Internet, which may provide for the seamless distribution of pictures across territorial borders. So while before the Internet we had geography to separate various territories and various distribution rights, this may no longer be true, reinforcing just how global the world is becoming in terms of entertainment product and how it will likely continue that way in the future.

Against this backdrop, lawyers are charged with navigating the choppy waters based upon the different legislation of multiple nations. Our panel today will discuss a few of these issues. More specifically, Jackie Hurt will be discussing the recent European Union legislation and directives. Howard Frumes will be discussing the growing Asian film market and other issues. And Bruce Eisen will discuss Internet film delivery and the licensing of motion pictures to the Internet through on demand services such as CinemaNow.

Before I turn it over, I should tell you a little bit about each of the people sitting to my right. Bruce Eisen is the president of CinemaNow, the leading IP based video on demand film distribution company. Eisen parlayed his law degree from the University of Southern California into a 10-year degree in the Hollywood entertainment industry. His expertise spans a diversity of business and creative enterprises ranging from heading up legal and business affairs at TriMark Pictures to writing and producing the films. He has exceptional judgment, except for one failure. He was actually the individual that hired me to join TriMark Pictures back in 1996.

BRUCE EISEN: This is payback. [Laughter]

WAYNE LEVIN: Sitting directly to Bruce’s right is Jackie Hurt. Jackie Hurt is a partner at Olswang. Olswang recently represented Lions Gate in Lions Gate’s acquisition of Red Bus Entertainment, which is the second largest entertainment film distributor in the U.K, further demonstrating how global the entertainment business has become. An
independent like Lions Gate now finds it necessary to establish its own distribution in other territories throughout the world.

Other than doing a fantastic job for us, Jackie specializes in financing, production and distribution of film and television programs with particular expertise in financing the films and with the structure of co-productions and the combination of any one of the government subsidies that I’ve just described. So if you’re working with Title 42 or with Title 48, or if you’re looking to get some soft money out of the U.K., Jackie is the person to call.

Turning lastly to Howard, who I describe as a true academic at the table. Howard graduated from Harvard University in 1974. Before that, I only give the props to Harvard. [Laughter]

HOWARD FRUMES: You think you would get old enough, and it wouldn’t matter. [Laughter]

WAYNE LEVIN: But actually for those of us who have been around for awhile, Howard is the guy when it comes to international film distribution. He’s worked for many years with IFTA. He’s written a number of law review articles, including *Distributing Motion Pictures Around the World.* When it comes to international distribution, I think that he’s one of the leading authorities working today. So after those brief introductions, I think I’ll turn it over to people who actually know what they’re talking about, so Jackie, why don’t you take it away with the European Union legislation.

JACQUELINE HURT: Good afternoon, everybody. As Wayne said, I’m going to talk to you about E.U. legislation and case law developments with respect to the online distribution of films. Of course, online distribution of films has certain advantages in that it’s quicker, easier, and cheaper than before to distribute perfect duplicate copies. Though there are advantages, there are, also, disadvantages, as it gives rise to a greater risk of piracy.

The film industry is generally frozen in online acquisition of films because of the security concerns, and they’re really going to agree to unfreeze it only if they can rely on law or other means to protect their rights and prevent piracy from occurring. So the legal protections in Europe to protect rights in this digital world are similar to those enshrined in the U.S. Digital Millennium Copyright Act. The relevant piece of legislation in Europe is the Information Society Directive,
which has been implemented in most member states, including the U.K. Even when it’s not implemented in national law, because it is a directive, it will have a direct effect and can be relied upon by residents or businesses in their states.

So the Information Society Directive has tweaked existing European copyright law to account for technological developments. It’s always been a restrictive act to copy copyrighted works, but now it’s clear that the restrictive acts may be temporary before the permanent reproductions. Similarly, its already been made clear that not only is distribution or making available communication to the public a restricted item, but that includes communicating in a way which enables the user to access that material at the time and in the place chosen for themselves. In other words, now On Demand services are covered by copyright law, and it will be a restricted act.

Now, sadly, this legislation, or like legislation in other parts of the world, has not been sufficient to prevent the large scale piracy which has occurred as a result of file sharing as the music industry knows. While file sharers themselves are obviously committing restricted acts, it’s not really practical for rights holders to pursue every single file sharer in the world, although it is necessary, of course, to take those actions to impress upon file sharers that what they’re doing is an illegal act and they will be subject to the full rigors of the law.

The developers of the file sharing technology themselves have attempted to hold themselves above legal scrutiny by decentralizing their services, so that they cannot be pursued by right holders for direct infringements and copyright. And to that extent, they’ve been successful. Rights holders will have to pursue these developers not for direct infringement of copyright, but on the basis that they’ve been induced, or they’ve authorized infringement of copyright.

Now, most of these cases tend to be in the United States, so you’ll know the outcome. They’ve been generally long, drawn out affairs, which can be quite expensive. But thankfully at the end of the day, the rights holder’s interests have been protected, and the courts have held in their favor.

Now, in Europe, there haven’t really been these cases, so it’s not really known the extent to which developers or service providers of these file sharing services can be brought to task for authorization or inducement of breach of copyright. The only case that has been heard is one in Holland in 2002, which held that Kazaa was not actually directly infringing the rights of rights holders on the basis that just providing a means of reproduction or publication of work did not con-
stitute reproduction or publication in itself. So that’s not a particularly good decision for rights holders.

The leading case in the U.K. is one called *CBS Songs v. Amstrad*, which is quite an old case from the 80’s. And it’s very similar to the *Sony Betamax* case in the U.S. In this case, *Amstrad* produced a double tape recorder and so CBS sought a course of action to enjoin infringing copies from being made. Of course, there could be lawful uses for this product, and what the court held in *Amstrad* was that just because you create something that could facilitate the infringement of the copyright, that doesn’t actually amount to unlawful authorization of a breach of the copyright.

Now, the concept of authorization of breach of copyright, or infringement of copyright, is a much narrower concept than that of inducing the infringement of copyright as formulated by the *Betamax* case. In the *Sony Betamax* case, as long as someone created something which is capable of being used to produce infringing copies, then it could be possible for that person to be held liable for intruding or inducing infringement of copyright. And in the *Amstrad* case, you have to show so much more. You have to show some direct communication and encouragement on an individual basis to carry out the infringing activity. And only that kind of direct individual communication amounts to authorization of a breach of copyright.

On the surface of it, you’d imagine that *Amstrad*, then, would protect file-sharing websites in the U.K. and actions brought against such websites or certain providers. And that has been the case. As you know, generally these websites and service providers are very well aware of the extensive criminal activity going on and often promoted. And I think in the light of the recent decisions in the U.S. and Australia against Kazaa, the House of Lords and other European courts may well follow their example in determining whether infringement has occurred and look at issues such as promotion, whether or not warnings have to be posted on the website, and whether or not filtering technology has been used to try to limit infringing activity.

In addition to relying on legal cases and legislation—rights holders have also turned to copy protection technology to protect their rights and to try to prevent piracy, using such things as encryption and water marking and various digital rights management, or DRM techniques.

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As with the Digital Millennium Copyright Act in the U.S., the Information Society Directive requires member states to provide adequate protection to prevent circumvention of these methods and to prevent production or distribution of products or services which can circumvent or disable copy protection technologies.

The use of copy protection technologies and the legislative protection of them has led to the contention in some quarters that the use of copy protection technology actually gives rights holders greater rights than they should have and that they have currently under copyright law, and that this can lead to digital lockup. In other words, users and consumers will be unable to take advantage of the exceptions and limitations that currently exist in copyright law and limit copyrighters’ rights.

The Information Society Directive doesn’t actually address this point at all. What it says it’s trying to do is to create a fair balance between the rights of users, on the one hand, and rights holders, on the other hand. But it also acknowledges that digital copies are likely to be much more widespread and have a greater economic impact than other copies have had in the past. And, therefore, the application of any exceptions should not interfere with the normal exploitation of the work or interfere with the legitimate rights of rights holders.

In fact, the Information Society Directive only requires member states to implement one limitation and exception. And that’s the one that allows temporary transient reproductions purely for the purpose of transmission when it’s an essential part of the technological process. But the Information Society Directive does allow member states, if they so wish, to legislate additional limitations and exceptions on rights holders’ rights, such as the right to fair use and the right to tutor; the right to teaching and studying. And a number of member states have introduced in their national laws these kinds of exceptions and limitations. In particular, the private use exception has been implemented by Germany, Holland, France, and Spain.

The problem is if you’re using copy protection technologies, half of these allow consumers and users to take advantage of the limitations and exceptions that exist in the law. And so is, in fact, the use of copy protection technologies unlawful? This was the point of issue in a case which was heard in France recently called the *Mulholland Drive* case. A guy in France had bought a DVD and wanted to copy it onto video for his parents to watch. When he tried to do so, he was unable to, because of the copy protection policy, and so he sued the distributors and the rights owner of the film.

The court, at first instance, held that the exception of private use was
not the right of the consumer. It was just an exception to apply and could only apply as per the Information Society Directive if the application did not prevent normal exploitation of work and prejudice right holders in interest. And the court, at first instance, thought that by making private copies, especially if it’s a digital copy, those rights shouldn’t be compromised.

The Court of Appeal overturned the lower court’s decision and found for the plaintiff. It said that although the private use exception was not a right of the consumer, it could not be disregarded by rights holders, and that if there was an impossibility of making private uses, then that was impermissible under French law. Further, it said that the interests of the rights holder were not compromised, because the rights holders would get compensation through the levee system that existed in France.4

Obviously this decision is not good for rights holders. Although it may be disregarded as just a peculiarly French decision [Laughter], I think it still holds open the possibility that where international legislation has permitted exceptions and limitations to copyright rights, then if copy protection technology is used to prevent the use of such exceptions and limitations, it could be held unlawful. So that’s a summary of the current E.U. condition.

WAYNE LEVIN: Anything happening in Germany?

JACQUELINE HURT: In Germany, there’s something which you should be aware of. It’s not so much about online distribution, but it is important—under the German copyright laws it’s impossible to grant a use that is unknown at the time that somebody enters into the license. And this could be of concern to studios if they fund films through a German fund where the German funds or the producer of the film acquires rights and, then, subsequently assigns all rights in the film to the studio. It’s possible that the studio would be in a position where they do not own the rights to the film, because a subsequent new use is developed.

There was a recent case, heard before the highest German civil court, which will give some comfort to the studios and which gives some indication as to what is meant by a new use. In this case, a set designer

4. Subsequent to the symposium, on March 1, 2006, the French Cour de Cassation reversed the decision of the Court of Appeal, ruling that private copying is not an absolute right of users and that technology that inhibits private copying is not illegal under French law. See Gabriele Parussini, France’s Highest Court Boosts Copyright Protection on Film DVDs, BLOOMBERG.COM, Mar. 1, 2006, http://www.bloomberg.com/apps/news?pid=10000085&sid=a8Dz7xQuA_14&refer=europe.
had assigned the rights to his set designs to a film producer in the seventies when the film was made. And that grant of rights specifically included the right to release the film on video.

Some years later, when DVD’s were introduced, the producer, of course, released the film on DVD. The set designer sued on the basis that DVD was a new use, and it had not been included in his initial grant of rights. The court held that DVD was not a new use, which the producer was pleased to hear, I’m sure. And the mere technical innovations, which enable a new form of use, do not constitute a new use per se.

A new use is one that has an independent market from any earlier use. And in this case, DVDs did not create a new market. They merely replaced an earlier market, which was the video market. And the DVD market did not promise a new stream of revenue, a new kind of profit for rights owners. So in the studio cases as I’ve described where the majority of the film is funded by the studio—the studio will be protected as long as they can argue that any new use or right which develops in the future is, in fact, not a new use, but a replacement of an earlier market. Of course, the studio will want to argue that, because it will want to argue that they’ve got all rights in the film. But that may be a good argument for the studio to use if, in fact, it wants to argue for slightly different forms of market for the purpose of trying to agree to a different kind of revenue sharing based on the exploitation of the film in that market.

WAYNE LEVIN: Maybe a hypothetical question to think about is that German tax funds postdated the Internet. But how do you think the General Court would view the impact?

JACQUELINE HURT: Well, I think the Internet is not a right. It’s a form of delivery in my view. And I think what everybody is trying to do at the moment is determine what online distribution actually means. To the extent what you’re doing by distributing on the Internet is distributing in a way that has affected television or has affected DVD rental or DVD sales because of the effect it has on the the consumer, then I think the studio would argue that delivery by way of the Internet is not a new right; it’s just another way of delivering a film in similar markets.

WAYNE LEVIN: And Jackie, thanks, and let me come back to you and talk about the Television Without Frontiers Directive. But let’s move from Europe over to Asia and have Howard update us on what’s happening with the Asian film market.
HOWARD FRUMES: Thank you, Wayne. I want to say one thing about this seminar today, which is we definitely need this sort of forum. It’s hard for me to even imagine practicing law anymore without having continual updates of information from around the world, and as Wayne said, it seems that there is rarely a film now that doesn’t have financing elements in one form or another with international components. And even those that get financed from wholly North American sources usually have had offers for financing from other places, which helped them negotiate deals in the United States. It’s essential and I think it’s going to become even more important over the years.

I think that the best way I can introduce what’s going on in Asia right now is to simply provide anecdotes, examples and stories, because I feel like that’s the best way to start to get a feel for what’s going on. It’s extremely difficult to come up with a theme or an analysis which covers everything, but clearly things are changing. To start with, I want to give an example.

Let’s look at the following hypothetical situation in the film industry: one where most of the films that are being licensed around the world are created by a few big studios in the United States. There is increasing pressure for free trade, lots of international growth and development of a variety of economic models, which allow companies to cross borders with fewer and fewer restrictions. Certain countries have decided that film is not the same as other products—that it’s a cultural product of one kind or another and, therefore, needs protection.

Meanwhile, a huge technological change is coming. Everybody can see it in the means in which film and other entertainment product is going to be delivered to people and viewed, and that’s going to change things dramatically.

The studios decide that one way they can deal with these changes, in particular the quotas and subsidies, is to start financing companies and forming subsidiaries in Germany, in France, the U.K. and other countries to produce films and to try to access subsidies.

The reason I’m describing this is because I didn’t only describe 2005; I described 1925. In the mid 20’s, we were in that exact situation. Now, the technological change is one we don’t view anymore as being so dramatic, but at the time it was. It was the change from film being a medium with no spoken language, and thus it did not appear in French or Chinese or Japanese. Sound was about to be added, and at that point in time, all the things I just said were true. In fact, I believe by 1925, if not, then 1926, every studio which we now think of as a major motion picture studio was already in existence. The only studio that’s been
created since then that calls itself that is DreamWorks*. Every other studio was in existence.

WAYNE LEVIN: From time to time Lions Gate would. [Laughter]
HOWARD FRUMES: Only since Monday. No offense. [Laughter]
WAYNE LEVIN: None taken.
HOWARD FRUMES: And good luck.
WAYNE LEVIN: You could always use change.
HOWARD FRUMES: My point is not that the film industry is cyclical and that’s what we’re talking about. It’s that one has to look at what happens in the rest of the world and historically to any industry, but particularly this one to truly begin to understand it. And things that seem to be uncertain aren’t always, and things that seem to be written in stone often are the things that are going to disappear the fastest.

One of the areas of this industry which has really, really been changing is in its international business. In the late 70’s, if you asked an independent sales agent about how much the marketplace could be for an average motion picture—an average independent picture—the average revenue created outside of the United States and Canada would be somewhere in the 16 to 18 percent range. Now, if you can get 50 percent of your revenues from the United States and Canada, that’s very unusual and very good. It happens on certain films, but far more often, on many, many films you see 55 percent and 60 percent and 65 percent from outside of the United States. Certain kinds of films will not be financed unless they believe that 100 percent of the revenues needed to cover the investment will come from outside of North America.

So changes are happening and they’re happening everywhere; my task today is to introduce what’s going on in Asia and provide a few examples. We can start almost in any country and see significant examples. Let’s start with Korea, because I think in some ways it’s the most dramatic.

As most entertainment lawyers can tell you, if you talked to them about Korea, maybe as recently as seven, eight, nine years ago, the primary things you would observe was Korean companies which were unable to pay minimum guarantees or license fees for their films and were engaged in arbitration or litigation. Investments by Korean companies in productions often never were paid and there were battles over

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the censorship board in Korea. Films which otherwise seemed to not have any sort of censorship issues at all suddenly developed issues when the censorship board in Korea announced it couldn’t be shown in that country. Oh, and just by the way, the Korean distributor of the film really didn’t think it could make as much money as it originally thought. So there were problems.

I’m really not being facetious; the Korean film industry had gone from, prior to that, being maybe one of the seven, eight, nine largest territories for sales, to one which was virtually non-existent. There were times where estimates on what independent films would bring in the international marketplace would have little, if any, estimated revenues out of Korea.

Within the last few years that has changed to where Korea is now, again, one of the seven or eight top markets. It has also created films, which—not so much in the United States, but throughout the rest of the world, particularly in Asia—have done astonishing amounts of business. It is now the “cool” exporter of entertainment products to the rest of Asia. As an example there was a film last year called Windstruck that we worked on that was produced in Korea with Korean filmmakers. It was co-financed through a Hong Kong and Chinese entity we were working with, and the film was acquired by one of the studios for distribution in Japan. No one here has probably heard of this film. It has not yet been released in the United States; it has only been sold to maybe 25 percent of the world. And in Japan alone, that film did 20 million U.S. dollars at the box office. And it has since been surpassed there by a number of other Korean films.

In Japan now, the Desperate Housewives and Losts that are attracting the teenagers back to television are in many cases soap operas produced in and starring Koreans, which, for any of you who know even a small amount about the historical relationship between Korea and Japan, is a bit surprising to the older Japanese whose children have decided that Korea is cool.

Another example in Korea: you may have read more and more about CJ Entertainment, which has been acquiring other companies, merging with companies, and building theaters. There were Korean investors in DreamWorks when it started. Remake deals out of Korea have been very common, and you are finding a number of filmmakers in Korea that have been leaving Korea to make films elsewhere.

There was just a film that some people I know worked on which had a Korean producer and Korean stars. The film was shot by a Hong Kong director, co-written by a Hong Kong screenwriter, co-starred a
Chinese actress, and was filmed in the Netherlands. So the fact that some of these films and some of the things going on in Asia don’t have a huge impact on our day-to-day viewing, doesn’t mean that isn’t changing and Korea’s becoming a major player in the world wide film industry.

In China, most of you are familiar with what happened with *Crouching Tiger, Hidden Dragon*. But let me just remind you, it wasn’t simply a phenomenon in the United States. It *doubled* the amount of North American box office that had ever been brought in by film not in the English language. *Life Is Beautiful* I believe brought in receipts in the 65 to 66 million dollar range. *Crouching Tiger, Hidden Dragon* reached something in the range of 128 million dollars. And for people who still think that you can’t get people to go to see films that are not in English, they need to look at some of the grosses from *Passion of the Christ*. I don’t care who directed it, I don’t care how he got people into the theatre. When you start to get into the hundreds of millions of dollars, it shows that the world is changing.

Also, from China we worked on two recent films Zhang Yimou directed, *Hero* and *House of Flying Daggers*. His films did very, very well in the United States; they received Academy Award nominations, they had critical acclaim. Just as one example, *Hero*, in Japan, brought in over 35 million U.S. dollars at the box office, while *House of Flying Daggers* generated over 20 U.S. million dollars at the box office in Japan.

So you start thinking about the importance of films, how to get films financed, which films have to travel to other places. The fact that you could make a film in a non-Japanese language without Japanese stars—although there are Japanese elements in both of these films behind the camera—and bring in that kind of money, reflects that the industry is changing and the United States is no longer always necessary. It is still desirable, but it’s no longer necessary to get films made and seen. Internationally *Hero* grossed over 170 million dollars at the box office.

There’s so much more to say about China that it’s not even worth touching here. All you have to do is pick up any newspaper today and you will read about its growth. It’s still a country which is just starting to develop its film industry. In 2004, 200 films were produced in China and 430 million dollars box office was brought in. So while that’s substantial compared to some other, more mature countries in the film industry, it obviously shows there’s a long way to go. It obviously also shows that China is going to have a huge effect on the future of our industry.
Back to Japan, some more examples. They made a film in Japan titled *Bayside Shakedown*. I think it was based on a Japanese TV series. (I’m not sure.) It traveled throughout Asia, but it has not seen the light of day in the U.S. as far as I know. And the film did over 90 million dollars at the box office in Japan. So they made a sequel. They released it the same year, something studios don’t usually do other than Lions Gate. [Laughter] The sequel reached 159 million U.S. dollars at the Japanese box office.

Another example is India. Four or five years ago I remember meeting with some Indian filmmakers and lawyers. They said that for the most part there was no way to get money out of India in any appreciable amount. Some Indian films showed up in countries that supported India in film, and countries that are part of the India diaspora, but the films were mostly either pirated or small distributors released them on video.

The laws of India have changed. In India, it used to be that film was not an approved industry for banks to loan to; therefore, it wasn’t banks that loaned money to film companies; it was, shall we say, lesser lenders—people who may have been a little more difficult to work with. People who may be there one day, may not be there the next; people who don’t collect money with letters. So Bollywood had evolved into a difficult business to be in, despite the fact that thousands of films were being made and have been made in India.

And suddenly from the change in bank lending and other practices, and the development of other Indian industries, Bollywood is now exploding. Last year alone, 55 Hindi films were released in theaters in the United Kingdom, representing 10 percent of the British marketplace. From our perspective, what we see in Indian films in the United States are films like those directed by Mira Nair. We see Ashwira Rai as an up-and-coming star and we’ll see *Monsoon Wedding*, but most of us are not exactly sure what else will happen. And what is happening in India is that all the studios are clamoring to get business there, and the film industry is growing quickly. Just a few months ago, there was an announcement by Michael Douglas that he was going to make the fourth *Romancing the Stone* film in India.

It’s simply the case that everywhere you turn in Asia, filmmakers, film companies, and films are doing better than you would think and are traveling to other countries. Other examples—just small things: there was a Thai film last year called *Ong Bak* which was a very old-fashioned martial arts picture they were trying to sell in the traditional way. It was an amazing film, if you haven’t seen it. If you like martial arts at all, there are no special effects, and it’s unbelievable when you
watch the star jump over automobiles. The film ended up being purchased for all of Europe and North America by Luc Besson’s company, Europa, and they did some recutting, augmented it some and then proceeded to release it. It’s done extremely good business everywhere, and the sequel’s now out.

There are other Thai films as well. For example, there’s a film called *The Eye*, which did really good business, and Tom Cruise and Paula Wagner’s company bought the remake rights. You can look at *The Ring*, which in the past would have been a Japanese film that did a little bit of business in other countries in Asia. If it had been of interest in the U.S., the studio would have bought remake rights, they would have changed the name, used a part of the story and that would be the end of its Asian components.

This time, what you had was the Japanese version recreated. It was a box office sensation everywhere. Similarly, with *The Grudge*, which includes filmmaking in Japan and Japanese investors, the studios are now looking to use the original directors from Japan, and making such films with Japanese investors, while shooting in Japan.

It’s just a very different world. There are possibilities everywhere, and the more you look, the more you find that Asian financing components are behind many films.

WAYNE LEVIN: Howard, in a minute I’m going to be coming back to you and asking you to talk about your work on the Internet. I know there’s a new IFTA Internet Rider that’s being worked on. But I think before we get there, we wanted to give Bruce the opportunity to talk about the Internet film delivery business.

BRUCE EISEN: CinemaNow is a worldwide video on demand film distribution company over the Internet and other IP networks. I’ll say a little bit about the company in case you all don’t know it and then talk about international implications. We’ve been doing it for six and a half years. Our backers include Lions Gate, Microsoft, Cisco, Blockbuster, and a venture capital firm up in the Bay Area.

We have content from all the major studios except Paramount, plus we have 200 other licensors, many of whom are IFTA members. They range from individual filmmakers working on a ten minute short all the way to Warner Brothers. It’s feature films, it’s short films, it’s music videos in MTV style, news from ABC, extreme sports. It’s a wide range of different content.

What we do is distribute on a streaming basis, which is more akin

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5. Independent Film and Television Alliance.
to television or on demand—hit play and it plays on your PC or other
device and is gone—or you can download it and keep it on your PC
and play it back from there, or from other devices.

The financial model that we use is actually quite varied. Certain films
are on a rental basis, such as pay-per-view. Others are on a subscription
basis, a monthly subscription. And still others you can view on the try
and sell through and the download to own, so download it and keep
that file forever.

There are a number of companies doing this around the world. In
the U.S., the other significant one is a company called MovieLink. They
are owned by the five or six major studios—everybody except Fox and
Disney. They do some of what we do is the best way to put it. They
also distribute studio films on a rental basis—on the download. That’s
pretty much what had been stopped. We go on and do the subscription,
etc.

Then there are companies around the world that do some of this. In
Germany, there are a couple of companies, one of which is Deutsche
Telecom. There’s Canal Plus in France doing this as a result of a com-
pany that they’ve purchased. SF Anytime in Sweden, which is owned
by Bonier, one of the large film companies, is doing a similar type
distribution. Tiscali, which I would describe as a European Earthlink,
is doing a similar thing in a number of countries throughout Europe.
And then, in Asia there’s a company called Anytime—it used to be
called Entertainer, but they changed the name because of bad publicity.
They’re in Australia and a number of other Asian territories. Korea Te-
lecom does something similar. And in Japan there are actually a lot of
companies. We’ve opened up a Japanese subsidiary, CinemaNow Japan.

The benefit in Japan is that there’s a lot of bandwith. Here you use
a cable modem or a DSL line and if it’s really fast, you get three to
four megs a second, which would allow you to download in 15 minutes.
Over there, three to four megs a second is the low end. It goes up to
100 megs. So, it’s blazingly fast. There are a number of companies that
are in the process of doing similar type things, but the big difference
is, it’s what’s called a closed booth or a well-guarded system, which is
to say, you have to get a subscriber for that particular network to get
the content. You can’t go to some website and just get it. Frankly, those
systems are more akin to what we know as cable TV or a satellite TV
service; you’ve got to be a subscriber to Adelphia, for example, to get
the content. What we’re doing in Japan is open Internet, so you can go
to the CinemaNow website in Japan and download and stream movies.
We’re about to announce our first deal over there with one of the major
U.S. studios, and that would be the first Japanese long show on the open Internet IP-based VOD service.

I would say we’re the only company right now that is actually doing VOD distribution over the Internet throughout the world. There are none other than us. Now, there are certain limitations. You can go to CinemaNow.com from any country; however, currently it’s all in English. It bills in U.S. dollars, and films that you see are English language films for the most part.

The key to making this happen is, of course, the territorial protection of movies, because as we know from other films, it’s sold country to country. A film that’s sold to Canal Plus, for example, often is sold with exclusive French rights, and if you can get it in France from someone else, Canal Plus isn’t going to be too happy. So what we have is a geo-filter; we know where you are. When you fire up your computer or your device, the first thing we do is figure out where you are, and then based on that, we show you a list of films you would want to watch. So if you go to our website in the United States, you’ll see all the films from Warner and Sony, etcetera. If you leave the country, and go to the same exact website, you will not see all those films. We’ll know that you’re outside the country, and we don’t show them to you.

Perhaps one of the big issues when you talk about the Internet—as we’ve heard earlier, I don’t know if it’s changed—for a number of years, it was that the independent film companies were freezing the right to sell as well; that is, we just won’t do anything until we were sure of the territorial integrity—

WAYNE LEVIN: Actually the IFTA was working on some new models in China.

HOWARD FRUMES: For those of you who don’t know, the IFTA is what used to be called the American Film Marketing Association (AFMA), and it’s basically the independent version of the MPAA. There are approximately 170 members, international sales companies from around the world. It used to be only for companies selling English language films, but that became silly after awhile, and now 40 percent of the members are from outside the United States. And one of the things that AFMA, and now IFTA, has done for the last twenty years, is they have prepared model license agreements to provide to member companies, most of whom are international sales companies. And those agreements become models for use in selling films around the world. Some of the companies use the agreements as is, some adapt them,

6. Motion Picture Association of America.
some negotiate them, and some use them differently for various transactions or countries.

In any event, the IFTA legal committee, which I am involved with, has been editing these model license agreements for the fourth time, and we’ve just actually sent them out in the last week to the IFTA membership for use at the American Film Market.

One of the things we had to deal with—and which Bruce was kind enough to provide us information on—was how do we deal with the Internet. Most companies, studios included, when they have licensed their films internationally, have either held on to Internet rights or indicated they wouldn’t sell them to anyone else until certain things happened. Or they granted the rights, but froze them subject to some kind of mutual approval over when we could arrive at the point where the Internet use of films is something which could be protected on a legal and territorial basis. That is, you can’t make your living licensing films all over the world, territory-by-territory, and find out that the first person you sold your films too has just released it on the Internet and anyone anywhere can view it.

In the last year, we’ve revised the model license agreements. We’ve added a separate rider for exploitation over the Internet, called, remarkably, the IFT Internet Rider. And that document was, as far as I know, the first substantial attempt at coming up with an agreement which deals with the related technological issues; it tries to look at everything from geo-filtering problems to e-commerce issues, and it tries to provide an answer to whether there is such a thing as Internet rights or not and how to deal with them. It also sets up a structure, accounting provisions, and conditions for use that are ongoing, instead of only conditions precedent.

It’s an interesting agreement, and it’s something that’s undoubtedly going to turn out to be wrong in some respects, because everything will change. Nobody is 100 percent sure; although, when you talk to Bruce, it sounds like all films should simply be handed to CinemaNow, and maybe they should.

Outside of the U.S., that’s not clearly what’s happening yet. I don’t think anybody is that sure. But there are protections. Compared to where we were a few years ago, there are often territorial restrictions, which are twofold: you both know where the computer is and where the credit card was issued from. So you have the residential address and the computer address, which both have to be within the territory in which you are licensing a film.

The IFTA legal committee, which is composed of film sellers, buy-
ers, lawyers, financiers, and sales agents, put this Rider together, and ultimately came to the conclusion, which surprised me from where I started, that now there really is such a thing as Internet rights and that the most logical way to license films over the Internet is to license those rights. We divided those rights between streaming and downloading, and then, we divided those into various uses, which include single use; limited used; permanent use (which of course is only for downloading, not streaming); subscriber-based use; and advertiser-supported use. Not because those are necessarily correct, but because those are different uses for purposes of evaluating financial and revenue structures. And because we don’t know how this market is going to evolve, some people may want to grant certain kinds of uses in certain territories and not others. This, we hope, will help accomplish that.

WAYNE LEVIN: So Bruce, even with this new attempt at contracting, rights are still frozen. Why don’t you pick it up from where you were?

BRUCE EISEN: Yeah, well, you know, they’re not frozen. They were for the last five years or so, which was problematic because the reason that, again, the takeaway is currently technology does exist to limit country by country. When we do deals, we can carve up the world any way we want. It’s available in these territories and not those, and this one for this time period, and that one for that time period. Your imagination can run wild.

The other key part of Internet distribution is the piracy. Some people have the idea if you say, “I want to put the film on the Internet,” it’s like, “Oh my God, it’s going to be free all over the world in 30 seconds. I’m never going to be able to get it back and there’s no recapturing and so forth.” That’s just wrong.

In fact, what we’re doing is more secure than DVD’s, or well actually, more secure than any other distribution method. The DVD’s have a crack, and we all know that. And because it’s a physical medium, every time that they ship a DVD, they’re shipping a perfect digital copy that’s basically free and clear. If you know how to use a computer, you can now duplicate that. And, in fact, most of the films that wind up on the illegal, peer-to-peer networks are actually ripped from the DVD’s. With us, because it’s not in a physical medium, it is copy protected and so far it has not been hacked. If it does get hacked, what it means, because it’s not physical, is as soon as we know it’s hacked, we change the copy protection. So if it’s hacked today, by tomorrow there’s a new scheme in place, there’s a new code to it. So it’s constantly evolving. This is very different from the DVD situation where they can’t just
change it because we all have DVD players that are set to play this one copy protection scheme.

Just quickly another territorial issue is the money, which is to say, how to bill for it. We use credit cards and, again, it currently is in U.S. dollars. In early 2006, we’ll be allowing billing in multiple currencies including Pounds, Euros, Yen and so forth. And again, in the same way that we know where you are to show you the films, we know where you are if you show us the currency, so that makes life easier. Then there are the back-end issues with having to integrate with European billing systems and European debit cards and credit cards, but until we see it, I wouldn’t worry about it.

Some cultural issues have become problematic—the big one is language. We went into Japan and, as you can imagine, there’s a rather different language than what we’re used to here. And we did that by setting up a joint venture over there with a local partner who had his cash and had his local expertise. That’s really the only way I can think of to do that.

Compare that with what’s going into the U.K. where we’ll be in 2006. The situation is very different. The language is mostly the same. And we’re able because of that to run that service principally right here out of L.A. We have servers over in the U.K. for certain films, but other than that, it’s Pounds and it’s in the English language, so basically, its much, much easier.

Certain territories want dubbed films, certain territories like subtitled films. Germany likes it dubbed, France likes it subtitled. Nothing new there to distinguish between most other mediums.

Howard was talking about Japan. Just a couple of quick points—my Japanese colleague actually just gave me this, which I thought was kind of interesting. And this will show how the influence of Hollywood movies is diminishing over there. The top search words on the Internet, on Overture, which is like Google (in terms of movie stuff), the number one wasn’t movie, the number one was adult video, not surprising. Number three was actress. Jumping down, the number eight one was Korean actor, then Korean actress, then Japanese movie, then Korean movie, and then finally American movie. So the Koreans are certainly ahead of the Americans in that respect. Right behind America was French movie, Hong Kong movie, Italian movie, European movie, and then finally Hollywood movie. And from what I’m hearing from my colleagues is that the Korean soap opera is very, very popular in Japan as is the European drama. So my takeaway on that, I guess, is that there
are a lot of Japanese housewives sitting at home who are watching movies on the Internet. Let’s go to questions.

WAYNE LEVIN: Bruce, given the economics of the online business, do you think Hollywood studios take VOD seriously right now?

BRUCE EISEN: Yeah. No. [Laughter] Look, based on what CinemaNow is doing and what the others are doing. I think everybody believes that eventually it will be the dominant way that films and other video content are distributed into the home. And because of that, Hollywood does take it seriously; they have to.

The other reason is, again, because of the piracy concerns that are going on, Hollywood cannot stand up and beat their chest and say, “Don’t steal, don’t do P-to-Ps,” if they don’t offer a legitimate alternative. So I think those are the two main reasons why they are doing Internet deals today.

In terms of revenue, it makes no sense. You compare it to the money generated from DVD and television, it’s not even a tip for the valet at lunch. So they’re doing it to have an alternative to the pirates. They’re doing it because it is the future.

There are a lot of issues with it today that are befuddling Hollywood. HBO actually creates issues, because they have exclusive subscription rights which then prevent people on the Internet from getting a subscription. Music rights tend to be very complicated, because when most of the content was created, the license in music was typically for specific purposes: for home video, for DVD, for theatrical, or for television. Up until quite recently, nobody included Internet in there. So now they have to go back and try to clear the music rights. What happens is that the music people don’t fully understand that there’s quite limited money here right now. So they see dollar signs, and in negotiations to get music rights clear, they want unrealistic, let’s say, amounts of money. So it backlogs everything.

On the other hand, the good news, I think, is that most of the studios in 2006 will release movies on the Internet on a sell-through basis. Today, every one of them is doing it on a pay-per-view or rental basis. I think by 2006, most of them will be doing it on a sell-through basis. So they’re certainly moving in that direction; they know they have to be there, but it’s not yet the cash cow that DVD is.

WAYNE LEVIN: We hear all about IPTV these days. What is that, and is CinemaNow playing a role in that?

BRUCE EISEN: The IPTV involves the Telcos here in the states—SBC, Verizon, Bell South. It is the fiber optic into the home. Basically, they’re doing that to compete with cable. Cable and the telcos here are
fighting each other. As you probably know, the cable companies are offering telephone service, the telephone companies are responding by offering TV service. The way Telcos are bringing it into the home is through fiber optic cable, and what they’re doing is—the format that it’s coming in on—is no different to us as the end user. We can still get it on the TV, but IPTV, Internet Protocol TV, is packet based. It’s just another way of bringing television into the home for a digital experience.

In terms of us, we are a neutral VOD service, so I have relationships with all three of the Telcos, and we’re talking to them right now about having the CinemaNow VOD included, or as part of, their fiber optic IPTV service.

WAYNE LEVIN: And Jackie, just to come back to you, Bruce indicated that CinemaNow is going to be expanding in the U.K. I know that there was a proposed extension of the Television Without Frontiers Directive. How is that going to affect its business?

JACQUELINE HURT: Well, it might have an impact on the business. I think it depends. But I think Bruce will have to be aware of what’s going on.

WAYNE LEVIN: Why don’t you tell us a little bit about it.

JACQUELINE HURT: Let me tell you about the Television Without Frontiers Directive so you’ll understand what it’s about first of all. It’s quite an old directive and really related to regulation of television broadcasting throughout Europe. Basically, broadcasters of television programs have got to ensure that their programs comply with certain requirements. For example, they’ve got to protect minors and protect human dignity. There must be clear identification of sponsored programming and clear delineation between advertising and editorial content. And there are also certain restrictions on advertising certain products like tobacco, alcohol and medicines.

But what particularly is relevant here is that Articles Four and Five of the Television Without Frontiers Directive require that broadcasters reserve a majority of the transmission time, excluding news, sports and tele-shopping, to European works, and that they reserve 10 percent of television time to European works created by independent producers.

The Television Without Frontiers Directive currently applies only to television, but there’s been a move and a proposal that the Directive be extended to all electronic transmissions of audio and video content. And there have been two alternatives in that regard: should the Directive just apply to television type services, meaning services that would only be aired on television in any other name, or should it be extended
to all audio/visual content that’s electronically transmitted, including on-demand services. The European Commission favors the latter of those two options: that it should extend to all electronic transmission of audio/visual content, but there should be a lighter regulation for the on-demand services.

I think this is the general consensus—this has only been discussed at Commission level—and there are various committees and conferences being held to discuss it. But, I think there’s a general consensus that certain basic provisions of the Television Without Frontiers Directive should apply to all electronic transmissions of audio/video content, including the protection of minors, the identification of sponsored programming, the delineation of editorial versus advertising content, etcetera, etcetera.

What is less clear is whether or not Articles Four and Five should extend to all electronic transmission of audio/visual content. And there is a difference of opinion on this. There are some people who think Articles Four and Five shouldn’t extend to on demand services, because this would hinder the development of new services and be too restrictive for a new industry. And there are others who feel there’s no reason why on-demand services shouldn’t contribute to Articles Four or Five and the aims of those articles, being the promotion of the European and independent productions. So this is some of the reason my colleagues later this year are calling another conference to discuss it. But I think it’s something for Bruce to be aware of. Also, it’s worth noting that the U.K. doesn’t favor Articles Four and Five.

BRUCE EISEN: I guess what I would do, then, is just keep CinemaNow in the U.S. as an entity. Allow it to be billed in Pounds on the U.S. site and have U.K. residents coming in from the U.S.

JACQUELINE HURT: I think that there is an issue of who has jurisdiction if these services are coming in from outside Europe. Of course, if the law were to enable people to just go outside of Europe and transmit a service into Europe, I suspect that would not be viewed as an acceptable solution, but the law currently is unclear.

WAYNE LEVIN: I think that a Harvard man should always have the last word. Howard, coming back to you—you actually painted, I think, a gripping picture of what’s happening in Asia right now in terms of what I like about each particular country. But with all the developments, how do you see the future of the entertainment industry today, and will there be Asian-based studios, for example?

HOWARD FRUMES: I’ve had lots of discussions about that, and I think the answer is probably the misleading part of it, meaning that the
concept of what a studio is, based on U.S. based companies which have been around so long, may have to change to meet what will be appropriate, for example, in India or in China.

But I think there are two primary reasons that you have to assume some kind of such big changes will occur and some of the base of the entertainment industry will move to Asia. The first is what we’ve been talking about: the new technology. I think that if you look at the size of India and China, and even Southeast Asia, where you see a country like Indonesia, which is as big as the United States in terms of population. Then you look at their infrastructure and you see that a primary reason the U.S. dominated the film industry to a great extent (other than Hollywood storytelling and filmmaking abilities) has been that we’ve had such a strong domestic market.

We’ve always led in terms of our infrastructure in the number of theaters and the nature of our theaters. That’s great as long as theaters are the primary source of entertainment for the film industry, but what’s to say we aren’t going to alter media over the next 20 to 30 years, where people in China and India and other countries don’t need to build theaters, don’t need to deal with television. They can deal with whatever the next evolutionary step is, whether it’s wireless devices or whether it’s laser exhibitions of films right in front of you in the atmosphere. Whatever it may be, there’s no reason to think that the Chinese and the Indians, of all people, who all show pretty significant ability to deal with technological change, aren’t going to be able to exploit those changes and to create revenues from that.

The second thing is, let’s just take India and China and look at their very highly developed and wonderful film industries and histories. They also have a third of the world’s people, and I’d always thought, whenever I had discussions like this, the one thing that came up is: “Well, India and China will never cooperate. They don’t agree on language, religion, history, etc.” Then a few months ago, there was an announcement that the Chinese and the Indians had agreed to an alliance to sit down and come up with ways to develop film facilities in each other’s countries, to use laboratories, to exchange film people. And I don’t know how that will happen, but all it would take is for the governments of India and China to figure out a way to cooperate, and we just might be outnumbered.

WAYNE LEVIN: Well, that’s it, folks. I’d like to thank our panel, Howard, Jackie, and Bruce, for joining us today.

[Applause]
Panel 2: Show Me the Money:
Repatriating Royalties From Abroad

LON SOBEL: The title of our panel—“Show Me the Money”—is not being used in its trademarked sense from the movie “Jerry Maguire.” Instead, it’s being used in its purely descriptive sense, as when those who create entertainment in the United States have their works exhibited, broadcast or sold in home video versions in other countries of the world, are entitled to receive royalties from those countries. The question, then, is how do creators get their royalties from abroad, where their works are exhibited or sold or broadcast.

For the benefit of those of you who practice here in the United States but represent those who create entertainment in other countries, everything that we’re going to say today has a mirror image. That is, if you represent creators in other countries whose works are exhibited or broadcast—though not distributed as home videos—in the United States, your clients would be entitled to royalties as well. So consider what you hear today about how Americans repatriate royalties from abroad, and understand that the process works the same in reverse.

The issues surrounding the repatriation of royalties arise in two categories of circumstances. They arise in connection with works that are exhibited and broadcast abroad as a result of bilateral license agreements, like theatrical motion picture exhibition agreements and television program broadcast agreements.

Damon Bonesteel will talk to us about some of the issues that arise in those cases. Damon is Vice President for Legal and Business Affairs of Warner Brothers Pictures International. His claim to fame—not his real claim to fame [laughter]; his real claim to fame is his current occupation—is that when we were both younger men, he was a student of mine. So students of mine in the audience today: you see where you can go. [Laughter]

The other broad category of issues that arise in connection with repatriation of royalties involves royalties that are earned abroad, but whose collection and distribution is handled on a collective basis. These are issues having to do with television broadcast retransmission by satellite or cable, and home video sales and rentals. So imagine, for example, that your client produces television programming here in the United States, you’ve entered into a licensing agreement with a television station, for example, in Europe. The television station broadcasts your client’s program and pays you a license fee to do so. Then that broadcast is retransmitted elsewhere in Europe by cable or satellite systems; and that would generate an additional royalty for you client.
Lynn Weisman, who is the Executive Director of Legal Rights Clearance for Twentieth Century Fox, will talk to us about those sorts of issues.

Then we will hear from Todd Brabec who is a Vice President of ASCAP. The reason Todd is here today is that there is music in the soundtracks of the motion pictures and television programs that are going to be the topic for our first speakers. The interesting thing—interesting, at least, to those of us who are copyright lawyers—is that when music is publicly performed, it generates a stream of royalties that is separate from the stream of royalties that flows directly to producers of television programming and movies. And ASCAP is among those organizations that repatriate those royalties on behalf of music publishers and songwriters who are Americans.

So why don’t we start with Damon to talk about the issues that arise in connection with bilateral licensing agreements.

DAMON BONESTEEL: At Warner Bros., I deal with a number of bilateral arrangements, usually between Warner Bros. and distributors in foreign countries. They, in turn, deal with exhibitors and other distributors of our product. What I’d like to focus on is a U.S. licensor granting rights in a production—in my world, that’s theatrical motion pictures—and getting money back, and doing that internationally.

One of the biggest problems that you have internationally is the “transparency” issue. When you go international, you’re going into another “ballpark.” You’re not as familiar with things as you would be in the United States, and so part of your job is to structure your deal appropriately, then be aware of the issues that are going to come up when you’re trying to get paid, and then try to understand—at the end of the day, if things go south—how to protect yourself and protect the money that you’re owed.

Some issues that come up in structuring the deal are tax and currency issues, and—without stealing the thunder of the next panel, which is going to be getting into this in some detail—issues that come up when things go “south.”

First, I should do my studio disclaimer: these are my comments and not necessarily the comments of Warner Brothers. For Warner Brothers, the dynamics may be somewhat different in some of these areas; but these are generally applicable principles that should be some help.

I think the first thing you have to look at when you’re dealing with someone in a foreign territory is “who” are you dealing with? A lot of times, you’ll have experience with that person. If you’ve dealt with them before, that’s probably on the plus side; but oftentimes you
haven’t. Then you have to perform some sort of due diligence. There’s not a good chance of getting money repatriated if the person doesn’t have the money to begin with.

Often you can do your due diligence locally—that is, using local intelligence such as bank reports in some territories. For example, in Japan, it could be a Teikoku Databank Report. There are similar reports in other territories around the world. That will tell you, cash flow wise, how the company is doing. Is it close to bankruptcy? Does it have outstanding judgments or liens? Are there other things, knowledge of which would be valuable to you as you’re trying doing business within the structure of that country? It will also tell you what sort of risks you’re up against.

If you’re doing deals in the Middle East and some other places, you want to know who the end users will be, because they may be banned as a result of trade sanctions. You may be dealing with government banks in places with trade sanctions in place, so you want to be careful of that. You can usually find that information at the Office of Foreign Asset Control website at the Treasury.7 And that will tell you what you need to do, if you’re doing deals in those territories.

The first thing I will look at after doing due diligence, is the routing of the money—how you’re routing it and what territories you’re routing it through. In the simple bilateral U.S. to U.K. kind of situation, and the U.S. to Japan situation, it’s very easy. There’s one payment route. But sometimes, you might have a production company, shell company, tax shelter company, that’s licensing its rights to you in the United States, which you in turn are licensing to others in other countries. In those types of multiple license transactions, you have to analyze each license separately, because each will have different tax and currency ramifications.

In terms of tax, you’re going to have situations where tax is going to be due on each link of the chain, and you’re going to need to assess that. As an aside, I cannot overstate the value of having good local counsel, because they will be able to tell you where you stand and what you really need to do in one of these transactions.

The next thing I would be looking at is what’s going to be enforceable in a certain territory. In European territories, you’re going to have laws that you’re more familiar with than you might have in other places. In places like Indonesia and India, you’re going to have to have more

of an appetite for risk, because their laws are not as transparent as they are in the United States.

There are ways to structure transactions to get your money. The safest and most tried and true method is to get it up front. [Laughter] That’s stating the obvious, but it definitely does work. Get as much as you can, get it up front, and make sure you get it before delivery. Then at least you’re covered for most of your risk, and you don’t have to worry about remedies as much, because you already have your money. Then, you’re just worried about getting rights back at the end of the period or in the event of breach.

Another tried and true method is to get a letter of credit. Letters of credit can be somewhat complicated; it depends on where they’re set up. You can have a bank in the United States on which you draw down, or a bank in the territory in which you’re dealing from which you draw down. There are rules for international letters of credit. They are going to need to be reviewed by local counsel. And you’re also going to have to make sure that your “presentment” requirements are very clear, so when you do need to draw down—in the event of a breach, or in the event of a payment bouncing—you’re able to go into the bank and do so quickly. “Presentment” is what the bank asks you to show when you ask to draw down. The less you have to present, the better.

Another area which gets a bit complicated—especially where you’re licensing rights to someone else—is getting security interests. You have to have local counsel to tell you what assets you’re looking at, what your recourse to those assets will be if there’s breach, under what circumstances you are going to be “out of luck,” and what sort of litigation are you’re going to face.

Many of these methods involve a lot of paperwork and legal complications. You go into another territory and you say, “I want a U.S.-style security interest and a U.S.-style letter of credit.” And a lot of times you’re going to be faced with the “We don’t do it like that here” concept. I don’t want to single out Asia, but I get it a lot there: the “You don’t understand, it’s a Japan” situation. That’s where local counsel will come in to give you a reality check.

You have to stick to your guns, but, at the same time, be flexible. They’re trying to take you out of your comfort zone in a lot of cases; so you have to be aware of that and be as flexible as you can, but still fight for what you need to get to get the protection you need to get to get paid.

You also can request a parent personal guarantee. You’ll have to see
who the parent is, whether the parent is worth the money, and how
guarantees work in that territory.

Trust accounts or escrow accounts also may be useful. Trusts do not
always work in civil law territories.

Audit rights are of paramount importance, because you’re going to
want to find out what royalties you’re actually owed in case you’re
underpaid.

So you’ve structured your deal, you’ve dealt with the cultural
implications of having less documentation than you want. You talk to local
counsel and you set up the deal. And let’s just say it’s a U.S.-Japanese
deal, where you’re licensing rights to a Japanese distributor. And the
picture is released and it does really great and you’re expecting your
money. There are things that are going to come up, and the main three
things are the mechanics of repatriating your royalties, currencies, and
withholding taxes.

I’m going to talk about withholding tax first, because in my my day-
to-day business, that’s one of the more important areas. Withholding
tax is is basically the income tax that you pay as a foreign company on
money that’s made in another territory. So in the example I gave you
in the U.S. and Japan, Japanese withholding tax would be the income
tax that the U.S. company has to pay for doing something in Japan
without existing there. If you had a company there or you had another
reason to be taxed in Japan, you would pay income tax in Japan like
any other company. Withholding tax is what must be paid when you
take money out of a territory. And the way withholding tax is assessed
is changing all the time, and is the subject of treaties, and you do
definitely need to get a tax adviser who will tell you exactly what you
need to pay. Your distributor may be helpful in that regard, too.

Treaties are the first things that have to be looked at. A lot of people
run their deals through the Netherlands, just because the treaties that
the Netherlands has with other territories are a lot better than the treaties
the United States has, so the rate of withholding tax that is deducted
from the royalty will be less.

For instance, in Brazil, the withholding tax rate is 25% on royalties
going from Brazil to the United States. Going to the Netherlands, how-
ever, that withholding tax rate is 15%. So obviously, I would want to
try to structure it through the Netherlands, if possible, to save that 10%,
because the 10% can be a lot of money.

Hungary is another area where that’s important. And the Japanese
just recently signed a treaty with the United States that does away with
all withholding taxes on royalties.
Oftentimes, there will be a negotiated issue about whether withholding tax is going to be added to the payment that you’re due, or whether it’s going to be deducted from the payment that’s due. Depending on your leverage, you may be able to get a foreign distributor to gross up your royalty by the amount of the withholding tax. Other times, it will just be deducted, and you will have to live with whatever the remainder is.

Usually, it’s your distributor that’s going to be the responsible party for tax purposes. So it’s going to have the responsibility, and it’s going to be the one that gets in trouble if you don’t actually pay taxes. That may vary by territory.

It isn’t an absolutely universal rule, but it’s important to get the tax certificates in your name. In the Netherlands example, the 15% tax is going to be tax that you paid. So you need to get a foreign tax certificate that says you paid that tax. It’s important because when you come back home and you have income in the U.S., you’re going to have foreign tax credit. Now, if that foreign tax credit is in someone else’s name—that is, if that certificate is in someone else’s name—you may not get that foreign tax credit.

Say you’re licensing to Benelux and you are licensing to a Belgian company. A Belgian company sublicenses to a Luxembourg company, and maybe there’s withholding tax between Luxembourg and Belgium, you have to look and see who’s paying that withholding tax and what its cost is. Because you’re going to get hit with a withholding tax from Belgium back to the U.S., but the Luxembourg to Belgium payment may result in tax being deducted. And that may not be a tax for which you can take a foreign tax credit.

The next issue is “currencies.” Most of the deals we do are dollar dominated. The question is though, when does the payment turn into dollars. If your movie is distributed in China, are your royalties converted to dollars in China? We don’t remit in RMB⁸ (to those we owe money to on account of distribution in China). But along the payment links, who’s taking the risk of that foreign currency going down?

You always have to have some idea about exchange risk in your contracts. If the payment is late, who takes the exchange risk. In a country where you have difficulty remitting funds, who is going to pay for the bank that has to facilitate the payment? There may be a fee that the bank takes. Who’s paying for that? Are you dealing with restricted currencies? China’s currency is restricted; India’s can be restricted; the

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⁸ The abbreviation for “Renminbi” which means the “people’s money.”
Philippines’ is restricted; Taiwan’s is restricted. And there are different and complex rules for each of those territories about what you can remit and when and why. So, again, a local accounting firm is helpful with that. You want to make sure you know how it’s remitted, who is paying for the cost of remittance, what’s been deducted from it, and who is taking the currency risk.

For instance, if you were owed royalties from Argentina a few years ago, and someone there was sitting on your money, you would have lost a lot of money and you wouldn’t have been able to get your money out for about a year. Even currently in Venezuela, a lot of people are having trouble getting their money out.

So that’s another issue: “blocked currencies.” In Colombia, back in the 1980s, you had to buy things in Colombia—like airplane tickets—just to spend the money that you made in Colombia, because they didn’t let you take it out. And now that’s happening in Venezuela to some extent.

I do want to touch on VAT briefly. I’m not a VAT expert; it’s a very complicated area. But in some territories, VAT will be assessed on inbound and outbound remittances. It’s something like 21% in Argentina, for instance; and that’s an additional cost to you. If you’re getting hit with VAT of 21% on inbound remittance from Argentina, the problem U.S. companies have is that often they aren’t going to have the VAT credits that a local company would have to offset the tax, so you need to be cognizant of the VAT.

VAT rates vary by territory, by treaty. It’s up to 25% in Sweden and it’s zero in Bangladesh. So it runs the gamut.

Now, about the paperwork necessary to get the money out? Who does the paperwork? Your distributor should be able to do the paperwork. You may have to help with that by verifying you’re a legitimate company and that your agreement is legitimate. Understand also that in many territories, your distributor probably will have to send the local tax authority your agreement when it sends you your money. I don’t think you would have anything in your agreement that you don’t want anyone to see, but if you do, you may want to make sure that your confidential business information isn’t in there.

For the most part, distributors will take care of their own income tax on their fees. There are exceptions, but that’s the general rule. If you see a deduction for a foreign distributor’s own corporate income tax, you probably ought to raise that.

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9. Value added tax.
Finally, you want to get your rights back if the deal goes south. You want to get your money. But definitely get your rights back, so at least you can cut your losses and move on to somebody else. That can happen in a lot of ways. You need a provision in your distribution agreement that says “If this doesn’t resolve itself after a certain amount of time, we can terminate and you need to deposit the money that’s due us in a separate bank account.”

Getting your rights back can get complicated if you do not have a “right to terminate” clause in your contract. I stress this particularly in France, because in France, unless you have a termination right in your contract, you will not be able to terminate. You have to terminate the contract to get your rights back. And that can be a real problem if you’re a sales agent trying to explain that to a producer or a producer trying to explain it to your participants.

Another issue that comes up is bankruptcy. I think there’s a misconception that when someone goes bankrupt, you can automatically terminate and get your rights back. It’s in a lot of agreements, and it’s not the case in the United States any longer, and it’s not the case in Japan. Basically what you have is an unsecured debt (depending on how you structured it in the first place). And you’re left with the trustee deciding whether it wants to keep the foreign distribution contract. If the trustee does, that results in having the rights tied up when you really don’t want them tied up.

Finally, don’t get desperate if you can’t get your money. Sometimes in foreign territories, someone will say to you, “Don’t worry my friend, I can get it done for you.” Be very careful of people who say “I can get your money out for you,” because more likely than not, they’re trying to bribe somebody, and you should avoid that, because that’s a violation of the Foreign Corrupt Practices Act. And I think on that point, I’ll turn it over.

LON SOBEL: I had a question or two about withholding, but I’m going to wait until the end. There’s one thing, though, that you said during the course of your presentation that was such a jewel, one phrase that was such a gem, that it actually distracted me for a while. And I thought if I cared about Judge Alito actually being confirmed, I would pass that phrase along to him, because it’s a phrase that he could use when asked by Democratic members of the Senate what he was going to do in response to cases that would present themselves as an opportunities to reverse decades-old precedents. If the phrase were coming

out of Judge Alito’s mouth, it would be, “I’m going to stick to my guns, but be flexible.” [Laughter]

LON SOBEL: Lynn, do you want to talk to us about repatriating royalties that are collectively administered?

LYNN WEISMAN: Certainly, but first I must relate my introductory lesson to this area of practice: a former senior Warner Bros. executive in international television told me that, in the area of copyright royalties, you should claim everything, and then, back out gracefully. [Laughter]

All right, so now you’ve seen the structure of the deal. I come along after the program has been produced, acquired, and/or licensed. It is now in the process of being exploited. It is either being shown in theaters, or it is on television, or it’s in video and it’s in the stores.

Every country has a different set of rules. The most complicated rules are in Europe. Its system of copyright royalties law started in France in the 18th century. It traces back to an incident that is the subject of a wonderful story—a composer is sitting on the Champs Elysées with his friends having a glass of wine. And the café, the bistro, as we called it, was playing his song in the background. So when he was presented with the check, he said, “We’ll just call it even.” [Laughter] He took the issue to court and, of course, he won, thus launching the concept of a performance royalty.

Once a picture or a television series is in exploitation in foreign territories, each territory recognizes certain rights in that program. One divergence between Europe and the United States is that in the United States we see our copyrights as property. They are items to be traded. They are to be sold and purchased and to generate income.

In France—in Europe, for that matter—they see it as a work of art. And as a work of art, it has a creator. And that creator stays with the work. That’s only one of the many reasons for the existence of moral rights in Europe.

What was created in Europe then spread into sub-Saharan Africa, then into the so-called former Iron Curtain countries, and then into South America. In those countries your bundle of rights include a couple of twigs that involve “neighboring rights.” There are many neighboring rights. But, currently, the big money comes from Cable Retransmission, which is just one of the “neighboring rights.”

We in the United States do not see cable retransmission as a “copyright” traveling through the air. We see it as “income” lost or made and we ask “Whose market is lost?” In Europe, they see it as “Who owns that gem? Who owns that piece?” And “Where is it going? Is it going from England to France? Is it going from Spain to Switzerland?”
There also are Video Music rights. We affectionately call the administration of this right the “circulation scheme.” I’ll get to that in a minute. There is also the “blank tape levy.” You’ve probably heard of the “private copy” right. Now private copy, rather than being what you think it is, involves a tax on video recording equipment. In some countries, it’s on the video recording equipment and on the blank tape.

So—you walk into “Die Price Club,” and you purchase a box of rewritable DVD’s or blank videotapes. A portion of the price goes to a non-governmental organization that holds the money. Then, based on the notion that when a program is broadcast over the air, someone with a video machine is recording that program, so later transmissions of that program are diluted in value. That is, if you’ve got “Star Wars” in your library, and you see that it’s on TV next week, you probably won’t set aside the time to watch it because you can see it anytime. As the broadcaster, you conclude that you won’t get your advertising dollar for later television broadcasts so the license fee should be reduced.

“Private copy” royalties are allocated based upon the millions of titles in various languages that are sent out in lists to be identified and claimed. Nobody wants to do the translation of the data, so they send out massive lists for us to identify; I have a 150,000-line Excel spreadsheet from Austria. There are four televisions in Austria. [Laughter]

You claim your titles. In Europe, the key is the holder of the copyright. For US claimants, the key is to stand in the shoes of the copyright proprietor, if possible. Now, you will probably be dealing with independent producers, independent writers, and independent artists. You’ll be able to claim no matter who is your client—in some countries. Most European countries recognize a right to remuneration for authors, performers, producers in “shares,” administered by “collectives.”

In the United States, we don’t have an authors’ collective, or a performers’ collective, or a producers collective. We have Guilds that claim that money for their members. SAG, the DGA and WGA collect money based upon their own formula for runs and license fees due for the programs containing the work of their members. The United States doesn’t recognize “neighboring rights,” per sé, and this can be a problem sometimes because some territories in Europe require reciprocity. They will not even take a phone call from an American, because American law does not recognize a private copy right or rental right. When that happens, we send the MPAA in, guns blaring, to explain the methodology of the US business and sometimes they make headway.

There is a lot of money in private copy royalties. Think about all those blank tapes and all those DVD’s and CD’s that are sold. There
are not that many birthday parties that people are taping on their own. Buyers are taping off air, and they’re paying into a fund, which is controlled by collectives. They are similar to unions, but they’re much, much older and stuck in their “old boy” ways—meaning wine and cigars at lunch and money passing hands under the table. [Laughter]

Unlike the Guilds, there are collectives that have never distributed a dime. They’ve been collecting for 40 years. They’re in the business of collecting, not distributing. So they collect on behalf of their members, and their members just go on their way and continue to pay dues.

So each collective represents its members’ share. In Spain, for instance, SGAE represents authors. Please note that, in Europe, directors are authors; they are “auteurs.” Therefore, directors and screenplay writers all are members of a writer’s guild. And they must be members in each country, because sometimes there are no sister organizations or sister cooperation in other countries.

EGEDA represents the interest of the producers. Then AISGE represents performers. And then of course, there’s my favorite, AGICOA, which represents cable retransmission rights throughout Western Europe—which I will get to later.

Blank tape royalties are collected in shares. In some countries, US producers are not eligible to participate, again due to lack of reciprocity. French producers can participate, and German producers can participate, but not Americans. We’re working on it. What you need to remember is that the royalty follows the copyright in Europe—or whoever represents the copyright in Europe. If an agreement—a license or acquisition agreement—does not have specific language saying that “as between the two of us, I get it,” then you have to do some fancy footwork and negotiate. Does the agreement have language like “under copyright or otherwise?” That’s close, but you still may have a superior claim by the copyright proprietor (the “maker”) or by the writer or director.

Take a look at the structure of the deal: if the licensor—the person selling this picture or television series—is paid up front and has no expectations of any further compensation, then the Producer can say, “It’s mine because you have no expectation of any further or additional money down the line.” That was part of the understanding of the parties. That was the bargain. We still do a lot of fancy footwork, and sometimes it could go to either side. Primarily, you want to remember that if you’re dealing with a foreign national, you’re going to lose (in that national’s country). If you’re representing the national, you’re going to win, in the vast majority of cases.
Private copy royalties do not exist at the moment in Asia. They do not exist in the southern part of Africa, or in the Middle East—not yet, that’s coming. In Europe, though, it’s a lot of money. It’s millions per country, depending on how big the sales are.

There also are video rental levies. Here in the United States, we don’t get additional revenue after we’ve sold our units to Blockbuster. We sell them, that’s it. Goodbye. But in Europe, they track rentals. How many nights? How much did it cost? And if you claim ownership, you get money. It’s pretty substantial, but it exists only in about four countries right now: Germany, Italy, Spain, and Austria; and that’s it.

Cable retransmission rights are very similar to what we have in the United States. Our retransmission rights were started with the *Teleprompter*\(^\text{11}\) case. Its equivalent in Europe was the *Coditel*\(^\text{12}\) case. Ultimately, the U.S. and Europe came to the same result,\(^\text{13}\) but for different reasons.

In Europe, they track every program broadcast. Now, remember, this is for the retransmission of any terrestrial signal. Collective management of these rights is very convenient for the Europeans operating in the European market. Retransmitting systems don’t like to make a deal with or pay every single person who owns a program in every country. It’s easier for those retransmitters to give their money to a collective, and then let that collective pay the owner for the right to exploit the owner’s programs. In the United States, we like to bargain for our rights. We want to say, “Hold on a second. ‘Star Wars’ is far more valuable than ‘Heaven’s Gate.’” So we like to negotiate. We don’t like compulsory or statutory royalties because we don’t like the government setting our rates.

Therefore, we don’t completely adore AGICOA, despite the fact that it was created by us—the American producers and distributors of programming as a presence in Europe to monitor the cable retransmission of all terrestrial signals. So, if a movie is retransmitted into England, Spain and Switzerland from a television broadcast in France, those retransmissions generate money that is paid by the English, Spanish and Swiss cable systems. It takes the form of a tax. Along with the cable system’s tax or royalty, they also submit their daily run sheets,


so that we know exactly what was broadcast and when. Some countries, like France, actually “weight” the value. France won’t tell anyone how, but they do it. And so we have to register our programs in order to identify who owns which so we can be paid for the retransmission of our own programs.

AGICOA recognizes writers, producers, actors, directors, everyone. AGICOA also recognizes a dubber’s share. Dubbing is another issue altogether, and that’s another panel—Is a new copyright created in the dubbed version or is it not, and, if it does, who does it belong to? I fight it everywhere I go, but sometimes, I have to give up a 20% dubber’s share.

AGICOA is trying to expand territorially. It’s expanding its mandate from members by representing signals retransmitted into and within Eastern Europe. It’s already in Poland, Bulgaria and Russia. It’s going into Sub-Saharan Africa. It’s going into the Middle East. It’s trying to get into Israel.

The question is whether American producers have to join AGICOA in order to license the retransmission of their own programming? That is a question which is still up in the air. Of course, we try to have it both ways, because most of the so-called “Majors” also own interests in the ownership of broadcasting systems, cable companies, etc.

Further, AGICOA is trying to expand its mandate into satellite re-transmissions of terrestrial signals. (If a transmission originates via satellite, the satellite company will be paid up front in the form of a license fee. It does not generate a retransmission royalty.)

AGICOA also is trying to get into the new mobile broadcast market. It’s snuggling up to the so-called Telcos and it’s trying to say to them, “Why should you license this stuff from the producers? You just have to pay us a teeny little fee and we’ll give you the rights because we already represent them.” AGICOA makes this claim because in France, Germany, Italy, Spain, the Benelux territories, and elsewhere in Europe, cable retransmission rights and video rental rights must, by law, be bargained for only in a collective copyright management setting. We’re fighting it because, even though each European country adopts the EU mandates and minimums in their own way, there is still a question of whether they are also recognizing the required mandatory collective management of rights. We don’t believe in it, so it is a constant fight. It’s an area that is always changing and always moving. It is also always lucrative and we do collect a lot of money for these rights.

We also have the question of how to get royalties out of the foreign territories. In some territories, you don’t want to establish a presence,
because of onerous tax laws. AGICOA is perfect in this way because it’s thrifty. But there are situations where you actually have to negotiate with a local tax authority directly. In those cases, you file your petitions and say, “I’m an American citizen; therefore I’m not required to pay this particular withholding tax or this particular double tax, etc.”

You want to get your money in local currency and then have it converted into dollars once it gets here. You want the bank here to do the conversion. There is a savings when it’s done by an American bank, but the savings pretty much covers only the wire transfer fee.

Then, once the money’s here, there is a question of how to characterize a performance royalty in terms of participations? Who gets the royalty? Who gets cable retransmission royalties? Is it the producer? Directors, actors and writers may have been paid directly by the collective to their Guild. We won’t have to pay them out of our share. But what do you do with our share? Does it go right into our pocket? Does it belong to the producer of the movie or the licensor of the television show? Every company sees it differently.

LON SOBEL: On most copyright issues, my views come so close to the views of Fox and other MPAA members that it sometimes upsets my students. But with respect to one of the things that astonished Lynn—which is that the studios can’t get a dime from Mexico or Argentina on account of the blank tape or private copying levy—I see that my views are quite different from those of the studios.

As a copyright professor, I don’t think it’s astonishing that the studios can’t get blank tape or private copying royalties from Mexico or Argentina. Rather, I think it’s astonishing that the Guilds and the studios get it from anywhere. Here’s why. Copyright law is different from other fields of law in this important way. Reputation is protected across borders without any need for a treaty. Publicity rights are protected across borders—by countries that do protect name and likeness rights—without any need for a treaty. Even trademark and patent rights are protected across borders, so long as formalities are complied with, without the need for a treaty. Copyright, on the other hand, is protected across borders only if there’s a treaty between the two countries. If there’s no treaty, there’s no protection—not even any thought that there should be protection. That’s the way the system was born in the 1800s.

The United States isn’t a signatory to any treaties dealing with blank tape royalties, private copying royalties, or video rental royalties. We don’t have treaties with other countries over those issues, because we won’t pay those royalties even to Americans. So other countries say, “No treaty, no royalty.” The fact that Guilds and the MPAA have been
able to get a dime from anywhere in connection with private copying and video rental is, to a copyright professor, an amazing thing.

Let me now ask Todd to explain how music royalties work across borders. Todd, I once had a student who was a self-recorded songwriter before coming to law school. He took some of his records to radio stations all up and down California. One was in Bakersfield. The radio station in Bakersfield played his record and he got a check from ASCAP. During the copyright class, when I talked about music licensing, he brought in his check stub to show me he got paid by ASCAP. Alas, it wasn’t enough for him to support himself and his family and that’s why he came to law school. But if his record had been broadcast in other countries of the world, would ASCAP have sent him a check for those broadcasts too?

TODD BRABEC: Sure. My brother and I went to law school at NYU. When we were in law school, we were actually in the music business as writers and recording artists. We had records out and had great reviews, but no sales. And I said “This isn’t for me.”

When we look at royalties for film music, we see so many different rights, and so many different ways of exploiting music in films. The three types of music are scores, songs written for the film, and pre-existing songs. Normally, there are different rights holders for each type of song. If there is a studio or production company, it normally is the copyright owner of music that’s written for the film.

Let’s start with films released in movie theaters in the United States. Movie theaters in the U.S. are not licensed by ASCAP and BMI because of a 1948 antitrust decision in the Alden-Rochelle case.  But throughout the rest of the world, movie theaters are licensed by the local performing rights society—APRA in Australia, PRS in England or SACEM in France—and they collect royalties for movie theater performances in their countries. And they pay the composers, songwriters and music publishers whose compositions are in those films. This public performance area is just one of the many areas of exploitation where you make money from music in a film.

Everything I’m saying for ASCAP goes for BMI or any other organization in the United States. We have reciprocal agreements with those performing rights societies in other countries where they collect

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for our writers and publishers for performances in their countries and we collect for them for performances in the U.S. Then we send the money to them, and they send the money to us.

Most production companies, movie studios and big publishers have sub-publishers throughout the world, so they have many representatives directly collecting royalties in all these different areas—not only for performances, but also mechanicals and ring tones and for video games. You name it—they’re collecting directly there.

These reciprocal agreements among performing rights societies are interesting because they prevent you from losing royalties overseas. Each of the countries in Europe have multiple types of collection societies. There are performing rights organizations which collect primarily for radio and TV broadcasts and theatrical exhibitions, as well as for live performances. There are also mechanical societies which collect for record sales and download sales.

The Performing Right area is a $3 billion business worldwide without the U.S. The U.S. adds another $1.5 billion in royalties which go to writers and publishers.

So in each of these areas, you’ve got individual collection societies that you’ve got to be a member of, or at least have some relationship with, in order to get paid for your performances or sales outside of the United States. It is important to note that all of these societies have different rules as to what they pay on as well as how much they pay for each type of performance.

PRS, the Society in the U.K., collects in the area of 300 million pounds in England on account of performances. After operating costs are paid, the remainder of all money is paid to writers and publishers. In some other countries though, money is taken off for social and cultural deductions (10% for instance). So if you’re a U.S. publishing company or songwriter, you’re not getting that 10% which is taken off the top. You’re losing 10% off the top, just based on these particular deductions.

You need registrations done for each of the songs or scores in the film in each territory. Many times, the song title or film or television episode title will be changed due to the particular foreign language of the territory. There are therefore, ways that money can get misidentified in these areas, so you have to be very precise. Local TV Guides and newspapers are very helpful in tracking what’s going on in foreign countries. And when a distribution comes in—let’s say from Germany or from France or Japan—we have some kind of reference that allows us to check what they’re sending to us, because we know the release
schedule of what’s on TV and we know what U.S. productions were on TV or what was playing in a movie theatre. So if there’s a mistake, we can actually go back to them and make sure they correct it or at least look into it.

Ring tones alone generate huge royalties. “The Pink Panther” and John Carpenter’s “Halloween” earn a huge amount of money. Different countries have different laws and different royalty splits, and different methods for collecting the money. So you’ve got to know what the ring tone rules are in every country of the world to really effectively police the collection of that money.

You need sub-publishers. You need local counsel. You need local representatives to really monitor what’s going on there. If you are able as a publisher, become a member of the local society. Many times you have rights that you as a non-member U.S. company do not have.

In the performing rights area, it’s easier as writers are covered through the reciprocal agreements between Societies. So if you’re a PRS writer (a U.K. writer for instance), you would go through ASCAP or BMI in the states and that Society would send the money to PRS and vice versa if you were an ASCAP or BMI writer with performances in the U.K. In most countries, publishers will have sub-publishers there collecting the money directly, particularly in territories that have rules that favor the local society over non-local societies. Remember that U.S. product is the mainstay of the world. So you really have to be careful about what they’re collecting, and make sure you’re getting the right count.

One final thing, in the European Union, there are recent recommendations regarding online licensing. As I’ve said before, all of our collection deals are done through reciprocal agreements. So ASCAP has a deal with Spain, a deal with France, a deal with Germany, and a deal with England. Money goes back and forth based on those reciprocal agreements for every type of use. In the online world, recommendations have just been made that affect the European societies. There are about 25 foreign rights organizations there, and all of them have different rules. The recommendations offer three options. One is to keep existing reciprocal agreements in effect. Another option recommends that music users be permitted to go to any society in the Europe and get a license for all of Europe through that one society, so users won’t have to go through 25 different societies. The third option is to give rights holders—meaning writers and copyright owners—the right to go to one society to grant licenses for online uses only all over Europe. It will be
interesting to see how these recommendations will affect the future of online European licensing.

LON SOBEL: Thank you, Todd. I’ve got to ask you a question. I got a telephone call a while ago from a British songwriter who is now living in the United States; and he told me that he remained a member of the PRS and now he’s a member of ASCAP. And I said, “Really, you’re a member of PRS and ASCAP?” Is that, I think the technical term is “kosher”? [Laughter] Can an American songwriter be a member of ASCAP for the collection of royalties for performances in the U.S., and then, if that songwriter’s music is performed frequently in the United Kingdom, become a member or affiliate of the PRS in the United Kingdom in order to get performance royalties direct from PRS in the U.K. without having the money pass through ASCAP first?

TODD BRABEC: Yes, it’s possible. Remember, I mentioned reciprocal agreements. Many societies do not allow or encourage dual memberships, meaning they want their own writers for all territories, so all the money comes to them and is distributed by them. In the United States, we permit dual memberships normally if a writer is living in a foreign territory and the foreign society agrees. We allow a writer to join ASCAP as long as the foreign society releases the writer for the United States, or for the world (certain territories can be excluded). Much of this depends on the foreign society rules and contracts governing the particular writer. So it is possible.

LON SOBEL: We have 10 minutes left for our panel, so why don’t I see if there are questions from the audience and if so, we’ll take them.

AUDIENCE MEMBER: Mr. Brabec, I’m wondering whether writers and publishers associated with performing rights societies get a share of the revenue derived from home rental in the European countries like Germany, Spain and Austria or in the Middle East.

TODD BRABEC: In the main, no. The U.S. societies are allowed to collect performance monies only. In some cases, a writer could join the foreign society for the purposes only of collecting a particular right that is not collectible by a U.S. society.

LYNN WEISMAN: There is also the issue of local interpretation. In Mexico, for instance, under the current copyright law of Mexico, the sale of home video units is considered to be a “performance.” And it is quite difficult for ASCAP and BMI to get a piece of that performance royalty, because they’re on record as saying video sales are not performances. It’s also difficult because Mexican societies don’t generally pay. That’s no secret.

AUDIENCE MEMBER: Why are they paying? Why are societies
LYNN WEISMAN: Well, we try to enter into a reciprocal agreement of some sort. In other words, the foreign societies are not required to pay us, but sometimes we can go in there and convince them that our U.S. systems of accounting and participation are comparable. We say, “please.” We have several people who were very much involved with the motion picture industry in Europe in the very early days, both politically and artistically. They used to exert pressure on the “old boy” network of collectives. The collectives, at one time, were entirely populated and run by these wonderful old filmmakers.

AUDIENCE MEMBER: Is it the MPAA who negotiates, or do you?

LYNN WEISMAN: We all have a part in it. The Motion Picture Association represents more than just its core member companies. It also represents the international interests of quite a few other, smaller companies. There are other agencies that represent groups of motion picture directors and producers, and then they will also negotiate with local societies. There’s a bank in the Netherlands called Fintage House that represents quite a few companies. There’s a company in England called ComPact Collections. It started in the music collection business, and now, it’s branching into feature films.

LON SOBEL: IFTA—the International Film & Television Alliance—represents independent production companies. The Directors Guild, the Writers Guild, and the Screen Actors Guild have gone directly to those countries that will pay directors, writers and performers and have made deals directly.

LYNN WEISMAN: In some cases, the Guilds pave the way for us. The Guilds represent human persons, so they will negotiate for an acknowledgement that there may be a payment for American works included in their collections. And then, we, the producers and distributors, come from behind them and say, “Okay, now what about us?”

LON SOBEL: Write that down. This is an executive of a studio who said something nice about a Guild. [Laughter] If you ever hear that studio executives never say anything nice about Guilds, you can say, “Oh, that’s not true. On November the 1st of 2005, I heard a Fox executive say something nice about the Guilds.”

AUDIENCE MEMBER: I want to ask, especially Todd, about the significance of collecting publishing royalties “at the source” or on a “receipts” basis. Is that still significant, and how much negotiating strength do we have in that regard?

TODD BRABEC: “At the source” means collecting it over there.
Here’s how it works. A local sub-publisher, or you as a publisher, are collecting money for U.S. writers. When you do, you take your own deductions over there, then you send the money to the U.S. publisher, who then takes its own deductions here, and then the writer finally ends up getting some money. You have to be careful with that sort of deal. You should always have in the contract that you want to know what the local currency is, and that your payment and what you receive is based on what they collect in the local territory, not where it finally ends up after royalties have gone through other companies before it finally ends up with you. So you want to base your money on the amount collected over there.

LON SOBEL: The difference is this. Say you represent a songwriter, and the songwriter’s deal is with an American publisher, and the American publisher pays the songwriter 50% of what it collects. Then the American publisher enters into a sub-publishing agreement with a publisher elsewhere—which may even be a subsidiary of the American company—and the publisher elsewhere keeps 50%, sends 50% to the American company, which sends 50% to the writer. The writer now has 25% instead of 50%.

LYNN WEISMAN: Of course, you talk about arms length deals and, if you’re smart, you include language in your agreements for whether or not the foreign subpublisher can be a subsidiary of the local American publisher.

TODD BRABEC: When I started out, I said, “you have to appreciate that it’s a very big world out there. More than half the money is coming in from the rest of the world, not the U.S. anymore.” You’ve got to know—at least in the major territories—what the collecting societies are, who they are, who’s running them, what the rules are, and how you get your money without delays. These days, many foreign societies, at least the bigger ones, are paying the U.S. societies at the same time as they are paying their own members. ASCAP and BMI in turn, have a fairly short turnaround for distribution to our own members for foreign received money.

LYNN WEISMAN: It’s also very helpful to get to know the local people personally. That’s how you set up your relationship to the point that you can pick up the phone at 5:00 in the morning and say, “What’s going on, how’s your mom, tell me where you’re going this weekend.” And you get into a friendship with people, and sometimes they’ll even call you when something is happening.

LON SOBEL: What Lynn just said is that if your law partners wonder why you must go to the south of France, the answer is: “I must go
because I have to meet the people with who I’ll be dealing with, so I can call them at 5 o’clock in the morning.”

[Applause]

Panel 3: Can’t We All Just Get Along:
Strategies For Resolving Cross Border Disputes

ROBERT E. LUTZ: This is the third panel of the conference. “Can’t We All Just Get Along?: Strategies for Resolving Cross Border Disputes.” Obviously, we were able to get along to gather this group of experts for the panel discussion. [Laughter] I’d like to first introduce my co-moderator, Laine Kline, who has helped to put this program together. He’s the Senior Vice President of Legal and Business Affairs for Yari Film Group, an independent motion picture and TV production financing and distribution company.

LAINE KLINE: And I’d like to introduce my co-moderator, Robert E. Lutz, who is a professor here at Southwestern Law School and who specializes in international law, especially international dispute resolution.

ROBERT E. LUTZ: Thank you. This panel is designed to focus on practical strategies for dealing with the potentiality and reality of disputes emanating from entertainment business relationships that span borders. All lawyers know that planning for dispute resolution begins at the beginning. Thus, a major aspect of dispute resolution planning is dispute avoidance and knowing how to structure an international entertainment deal. In this regard, the entertainment business context and international nature of the relationship requires some unique considerations.

Accordingly, the panel will start with the various considerations involved in structuring the deal. Then we’ll proceed to the dispute itself. That is, the specific issues arising in the dispute process, including specific suggestions about clauses to put into your contract and so on. Finally, we’ll look at what happens at the end in terms of what do you do with the resolution of the dispute?

To guide us through this framework of dispute avoidance approaches, the dispute itself, and enforcement of the resolution, we have a panel of experienced international entertainment practitioners. You all have the materials containing their biographical data, but I wanted to specifically identify the panelists and to note the spectrum of lawyer types that are involved. We have the dealmakers, the transactional lawyers, in Bill Immerman, who is Senior Vice President and Chief Adminis-
trative Officer of Yari Film Group, and Bruce Lilliston, the Owner and Managing Director of Manifest International, a business and financial consultancy. We have a litigator who has litigated issues in foreign countries and the United States, Marty Katz, partner and head of the litigation side of Sheppard Mullin Richter & Hampton’s Entertainment and Media Practice Group. And we have dispute resolution experts, who have been on the ground representing clients in a variety of dispute resolution contexts, serving as arbitrators in numerous international entertainment disputes and other kinds of disputes, and who is a perspective from the bench. Richard Chernick, Vice President and Managing Director of JAMS Arbitration Practice Initiative and a former partner at Gibson Dunn & Crutcher specializing in arbitration. And the Honorable Richard Mosk, who’s an Associate Justice at the California Court of Appeals, but in his former life, among other things, served as a judge on the Iran/U.S. Claims Tribunal. Judge Mosk was also chair of the Classification and Rating Administration of the Motion Picture Association of America for a number of years.

Laine Kline: Today the realities of our business as discussed in the previous two panels are such that the entertainment business is taking on a global and international outlook like never before. In most cases, sixty percent of the box office revenue comes from the international marketplace. And financing and other types of entertainment deals involve international partners. Mr. Lilliston and Mr. Immerman, when you’re negotiating international agreements, where one or both of the partners involved are international entities, how do you deal with the different legal systems, contractual standards, and cultural issues involved?

William Immerman: When you’re dealing in a business situation with companies that hopefully will be continuing customers, you try to avoid protracted litigation. The question is: how do you settle disputes in the easiest way without getting into a full-fledged litigation with somebody you probably will want to be doing business with very shortly?

In the film industry, we have a basic principle, which I think was first enunciated by Samuel Goldwyn: “I never want to see you again until I need you.” There are all sorts of potential disputes, especially when you’re operating in the international area, and the relationship is more often than not buyer and seller. Either you or the other company owns intellectual property rights, and are licensing those rights on a territorial basis to licensees in foreign countries, which may have different customs and practices. Very often there’s a bank involved, there’s
loan money for the film, there’s a completion bond company, there’s a
guarantee of delivery. And so there are a lot of potentials for dispute
as to whether the distributor who has acquired the rights, has to pay
the bank, pursuant to a contract that has been pledged to the bank,
whether the bond company is responsible for paying for certain items
where there’s a claim that it hasn’t been delivered. Plus you’re dealing
with different expectations because of the different methods and sys-
tems under which they operate.

Certainly in dealing with distributors and licensors and licensees,
you attempt to find an arbitration procedure, whereby you’ll be before
an arbitrator or, perhaps a mediator, who has knowledge of the industry,
since very often these disputes are technical. The issue of whether a
delivery was properly made or not may get down to whether the film
met certain technical specifications or whether certain time require-
ments were met. And although many of the companies today use stan-
dard contracts such as the AFMA, or now IFTA standard agreement,
there are still lots of clauses that are added, and you don’t necessarily
have both sides represented by attorneys having similar skill levels.
Very often in dealing with international companies, especially in smaller
territories, the licensee may be representing himself and drafting his
own contract. In such instances, an arbitration clause, such as the IFTA
one is included so that there’s a speedy resolution of the dispute by
arbitrators who have some knowledge of the industry. That way you
don’t have to go through the lengthy education process that might be
required in a court where you have a judge who doesn’t necessarily
understand the specifics of the industry.

BRUCE LILLISTON: I’d like to point out, that before we get to
dispute resolution, the negotiation of the contract may well take into
account differences in the applicable substantive law. For example, in
a personal services contract, it is more likely that a court in California
would uphold an unsigned verbal handshake agreement, a conclusion
Europeans would find extraordinary.

If a producer wants to make certain that an actor can be compelled
to render services and has a choice in the matter, the producer might
opt to have California law govern, rather than U.K. law. Conversely,
an actor—who wants to be more protected, maintain flexibility and not
be committed until signing on the dotted—line might prefer a choice
of law clause selecting U.K. law, which would more likely require
signed contracts before enforcement.

LAINE KLINE: What happens when you cannot agree on either?
BRUCE LILLISTON: It’s a negotiation. You will end up with one or the other.

LAINÉ KLINE: Or a third.

BRUCE LILLISTON: Or a third. Sometimes there’s a neutral third country involved.

LAINÉ KLINE: Any candidates?

WILLIAM IMMERMAN: I think the answer is: whoever has the power in the negotiation. If in the film business, and probably most businesses, it is truly an issue of leverage. The party that has leverage insists on what forum is going to be used to settle disputes and the party with the least leverage generally agrees to it. As an example, the studios now all have clauses in their contracts requiring any disputes to be settled through JAMS arbitration. Most distributors or sales agents that are licensing pictures have an IFTA clause. But if you’re dealing with a major buyer, it may have the leverage to insist on an International Chamber of Commerce arbitration, some other forum, or even the courts of a certain country. Certain big distributors may select the laws of England or Wales to govern the contract. The big distributor simply says, “If you want me to buy your product, you’re going to have to agree to that, or I just won’t buy the product.”

BRUCE LILLISTON: In most cases, the stronger party is likely to be the American party, which is selling the product and has set the terms by which the product will be sold. The seller (the studio or major independent company) will dictate its preference. If a third (neutral) country needs to be the selected forum, the American would normally prefer the U.K., Australia, or Canada—all have common law traditions similar to the United States—rather than the Continental law systems of Europe, which are generally perceived by Americans as being less predictable, less reliable, than our standards.

ROBERT E. LUTZ: Are there specific documents that you would especially want included in some of these entertainment contracts? You’ve already described that there’s a whole spectrum of different types of contractual relationships.

WILLIAM IMMERMAN: If you’re licensing films, you often borrow from financial institutions, generally a bank, especially in the world of independents. One of the things that you want to make sure of is that those documents that are required by the bank will be executed by the licensor. Very often, the bank will insist that the licensee waive certain rights that it may have against the licensor. You’ll see in the materials provided for this panel that we’ve included a notice of assignment, by which the licensee is basically agreeing with the bank that
I’ll pay you, and I won’t raise any defenses other than lack of delivery, even though I may have certain claims against the licensor. Without that kind of instrument, the bank will not loan the producer the money to make the picture. Thus, in addition to having a clause about how you resolve disputes, parties that are subject to the requirements of a bank loan should get the other party to execute those documents.

LAINE KLINE: In doing these agreements, is recordation of the copyright mortgage and the copyright in the different jurisdictions necessary?

BRUCE LILLISTON: Banks, financiers, and businesses that support or loan against distribution contracts will require underlying film copyright ownership to be registered in the United States Copyright Office. It then becomes a matter of some discretion as to whether some specific copyright licenses are also recorded in the Copyright Office or not. Customarily, distribution licenses will not be recorded in the United States Copyright Office, but they may be recorded in particular registries of countries where rights under the license are exercised. Indeed, in some countries there’s a legal requirement that they be recorded as a precondition allowing the distributor to exploit the rights of the license.

WILLIAM IMMERMAN: In fact, one of the things that you have to be careful about is if you enter into an agreement with a licensee in a country where there’s registration. And there’s a problem with the agreement. If they’ve registered the contract, it becomes very, very difficult in many instances to try to terminate the contract. They’ve become the registered owner of your picture, and you’re stuck with that. So you have to be careful to work out the terms very carefully before you sign a deal memo or something else that doesn’t have all the terms negotiated, you may find yourself in a difficult position when you’re trying to negotiate a long form on terms you haven’t agreed to if that short form contract has been registered, because you’re going to have a very difficult time saying “Well in that case, let’s just terminate the deal. I want to go some place else.” You have to be aware of which countries require registrations and what is needed. Some of those countries require documents that go back down through the chain of title. In France, for instance, you very often need a letter of attestation from the various writers in the chain of title, including perhaps the novelist who wrote the novel. We just did a picture based on a Somerset Maugham novel, and I was really concerned about how I was going to get his signature. [Laughter.]

BRUCE LILLISTON: It becomes particularly complicated, where,
for example, two parties might agree to a choice of U.S. law and a California forum, and yet, after the producer and, say, the Italian licensee agree to this, the Italian licensee then registers its rights in Italy and doesn’t pay. The producer then terminates under California law, has all of its wonderful remedies in the contract pursuant to California law, but finds that none of this is respected in Italy. There’s no mechanism in the contract to compel the release of the rights in Italy so they can be re-licensed to another party. An entirely separate proceeding then has to be brought in Italy under Italian law to dislodge the rights, despite everything that was said in the contract between the parties about resolving disputes in Los Angeles under California law.

WILLIAM IMMERMAN: That’s where leverage comes in: the Italian distributor has leverage in that case to get you to waive certain points which you will view as preferable to going to litigation to get your rights back.

LAINE KLINE: Regarding the kinds of dispute resolution procedures you could include in an agreement, what are the considerations that make you chose one over another?

WILLIAM IMMERMAN: I think one of the things you have to deal with is perceptions. There are perceptions about how various arbitration and litigation panels react. For instance, if you talk to foreign licensees about the IFTA, some of them feel that the IFTA’s arbitrators are more apt to come down on the side of the sellers rather than the buyers because IFTA is essentially an association of sellers. Incidentally, that hasn’t been my experience, and I’ve been an IFTA arbitrator, but that’s one of the perceptions you have to deal with. There’s a perception with JAMS—and I’m sure Richard will comment on it—that JAMS is more responsive to large firms than smaller firms, because that’s where they get their business from. And so you’re going to get less of a fair result if you have a small lawyer against a big firm. One of the problems with the AAA is the perception that their panel of experts in the entertainment industry is not as large as it should be, so the chances are you may not get an arbitrator who is as knowledgeable as you might wish.

I think that each of them has their benefits and it depends on how technical you think the dispute is. If you think that the type of dispute that you’re going to get into is more of a very technical type dispute, you’re probably much better using the IFTA process. If it’s a dispute which may involve complicated interpretations of the law, you know that with JAMS you’re going to get judges who have a lot of experience in that area.

ROBERT E. LUTZ: Both of you have described a number of situa-
tions where you would have to rely on legal advice with respect to foreign law. How do you go about identifying legal counsel that would be helpful in that regard and what is the role of U.S. counsel in such cases? Also, since many of these are business relationships at the beginning, and, as you suggest, sometimes the participants are not represented by lawyers, how do you cope with the situation where the foreign party is not represented by counsel?

BRUCE LILLISTON: In the entertainment business, I believe it’s fairly easy because it’s such a relatively small business. The practitioners know one another, they encounter one another at various sales markets or trade conventions, and it’s fairly easy if you don’t know someone in a particular country to get a referral from somebody you do know. The established entertainment bar in most European countries is quite small. It’s larger in the U.K., but the U.K. is more like Los Angeles or New York, where the practitioners generally see each other all the time and you get to know who is experienced in the field. Contacts are fairly easy and given those relationships it is quite common to consult on a regular basis with counsel in those countries before closing a particular deal—especially if the deal has unique circumstances, is complex, or raises issues that are out of the cookie-cutter norm. It would be very common to speak with a lawyer in Spain, Italy or France, for example, before closing the deal.

WILLIAM IMMERMAN: In fact, one of the issues that comes up and one of the reasons why you try to avoid clauses that select a foreign forum or are subject to foreign law is that it increases the cost. However, if you are in a foreign forum or subject to foreign law, you have to bring in a firm from that country to represent you and opine on the law. If you’re taking paperwork to a bank to try to borrow money and one of the contracts is subject to German law, you will require foreign counsel. For instance, if you’ve done a German tax shelter deal, assuming there are any left and there are people still not in jail. [Laughter] But if you go to one of those funds, very often those contracts are subject to German law. So what happens is you then have to bring in a German lawyer.

As the producer, you then have to budget for not only the cost of American lawyers, but the cost of, for example, German lawyers. Not only do you need a German lawyer, the financing bank will also hire a German lawyer. Since you end up paying for the legal fees on both sides, your expenses then get greater. That’s another reason why you should be very, very cautious about having a relevant document subject to the laws of another jurisdiction.
Laine Kline: What about the situation where you have an agreement that’s in another language?
William Immerman: Laine is throwing that question at me because I signed something, and I wasn’t sure if I’d acquired a picture or ordered a lifetime supply of chow-mien. [Laughter]
Laine Kline: Or both. [Laughter.]
William Immerman: Or both. It was hard enough finding where I was supposed to sign. [Laughter.] But that’s a serious question, because we were doing a picture in China. And we were dealing with an official Chinese agency and they wanted the contract in Chinese, which from its perspective, is not an unreasonable request. From our perspective, I had no idea what the contract said. We attached a translation, and the only thing that I could do—and it would be interesting if it ever gets to litigation—we’ll see if it holds up—I wrote them a cover letter that stated: “I’m signing this on the reliance of the fact that the English translation attached to it is the correct English translation.” But we’re dealing with an official government agency and it said, “Our documents are in Chinese.” If you’re going to deal in those countries, that is not an unreasonable request, but it is an uncomfortable request from a lawyer’s point of view and executive’s point of view, signing a contract where you don’t have the foggiest idea what’s in the contract.
Robert E. Lutz: Marty, you’ve had some experience in foreign jurisdictions in terms of trying to litigate some of these issues. What sorts of problems have you encountered and how do those experiences feed back into the transaction process?
Martin Katz: Yes, I’ve had some experience litigating in foreign countries, and, also, litigating here where the parties are from foreign countries and the evidence and the witnesses are all in foreign countries. Each involves its different types of problems.
I think you have to start with the role of the litigator irrespective of the type of the dispute, especially where it’s a big matter. What do you have to deliver to your client? A lot of what the transactional folks have been talking about is clearly related to the result. Obviously you want to win, and you want the recovery that’s going to maximize the financial gain or minimize the financial loss to your client. But really, that’s only one of the expectations as the litigator that you are managing.
You’re also managing the expectation of your client over timing. How quickly will you get a result? Frequently, clients in certain matters will be willing to take a lot less to get the result a lot sooner. So when you’re feeding back to this question of which jurisdiction and which law do you want to apply and put into the contract, you need to project
down the line. Are you going to be most concerned about the result, or are you going to be most concerned about the timing of the results, speed of the resolution. Cost is clearly a consideration and having dual counsel is one of those items, but it’s not the only thing that feeds into the cost. And what’s the other pain, other than the financial cost associated with the procedure?

You also have to look at a series of other factors which can play a big part. Are you worried about the hometown factor—getting “hometowned” in various jurisdictions? Are you worried about getting tripped up in unusual procedures, because there are a lot of unusual procedures in different jurisdictions. How comfortable will the client be having a resolution of the dispute without presenting live witnesses? Because there are jurisdictions where you can go a couple of years and ultimately get a determination without having presented a single live witness. It’s all done on affidavit or it’s all done on paper. Some clients are uncomfortable with that as a process, so that’s something that you have to think about.

What about evidence gathering? That actually is a very tricky problem. Whether you litigate here or litigate there. Cases I’ve had where I’ve litigated here, where witnesses are located overseas, you might find yourself in a situation that you cannot go overseas even by agreement to depose either a party, affiliated witnesses or a third party witness unless you follow certain procedures. In some jurisdictions, you can only take depositions in the courtroom, with the judge presiding. In other jurisdictions, you must, as a matter of law, have local counsel present.

There were jurisdictions fifteen years ago where it was illegal to bring in your own court reporter. So you had to make sure you had a court reporter there. When you look at all those types of things, clearly, if you have the leverage, you may select the California courts over international arbitration.

The transactional guys will tell you it depends on who has the greatest leverage. I’ll say that from a litigator’s standpoint, that’s true about 80%. The other 20% I would say is it’s how it’s negotiated. And I say this only from the standpoint of negotiating lots of settlement agreements.

In my experience, you win most of the time by taking that item and other items which a lot of lawyers consider to be the boilerplate—the provisions that you decide at the very end—and put them up front and negotiate them upfront. If you wait to negotiate these matters until the end of the negotiation, everybody’s already invested in the deal. And
at the point, somebody wants this deal just a little bit more than somebody else, or both sides want it, but one side is less willing to fight for a traditional jurisdiction choice or choice of law provision. But I think if you had your choice, you would choose California law and California as forum. Whether or not you would pick litigation or arbitration, I think you could debate for hours on end.

ROBERT E. LUTZ: How do you pick the process? Judge Mosk?

RICHARD MOSK: I was listening to Bruce Lilliston talking about oral contracts. And I remember Jack Warner was famous for the quote that oral contracts are not worth the paper they’re written on.

We were talking about arbitration or litigation in a dispute resolution clause, and this is always a very tricky thing, because arbitration has a great deal of benefits in international transactions. You don’t run the risk of being “hometowned” by a litigation abroad, so to speak. You don’t necessarily have to hire a foreign lawyer. It’s consensual. It’s flexible, because you can determine the place, the language, and how it will be conducted. You can get specialized people as arbitrators—persons who know something about the entertainment business or the subject on which there might be a dispute. It can resemble litigation. It’s enforceable and that’s very important because if you have a judgment someplace—as opposed to an arbitral award—you may not be able to enforce that judgment in another location.

Whereas most countries in the world adhere to the New York Convention, which makes arbitral awards enforceable, and therefore it is much easier to enforce an international arbitration award generally than it is a judgment. In arbitration, there’s confidentiality. You can limit discovery, and, generally speaking, it’s theoretically a faster, cheaper process than litigation.

On the other hand, there are negatives. First of all, you have to have a writing, not an oral contract. Certain types of disputes are not subject to arbitration in certain countries. There may be a problem with patent disputes or copyright disputes or antitrust disputes. In my experience, international arbitration is less predictable. Let’s assume you have an American arbitrator and you have a German arbitrator and you pick a neutral, maybe from France or someplace and there are different systems, different laws, different concepts, different philosophies involved. One time when I was on the Iran-U.S. tribunal I was talking to the French Chief Justice who was one of my colleagues and I said, “look here, I have an affidavit from Warren Christopher as to the interpretation of the treaty that we have an issue.” And he said, “I’m not interested.” I said, “what do you mean you’re not interested?” He said, “In
your system, your adversary system, everybody lies.” [Laughter.] “Basically,” he said, “I’m just going to take the document itself and I can come up with the truth on my own and out of the document rather than listening to two sides lying about what they intended.” My view was more information is better than less, but that was his view. And one of my Swedish colleagues said that as far as he was concerned, the best result was one that was a compromise in some fashion. I said, but it is correct to follow the law. And he said, “No.” [Laughter.] “The correct result is compromise.”

There are also different concepts as to the question of enforceability. Yes, in the New York Convention, countries are required to enforce them, but I think that Bruce may remember when you had a dispute involving an Italian distributor, and we had an arbitration that we won here. We took it over to Italy to have it enforced. In the Italian court system, it just went on forever.

There are restrictions in certain countries. I happen to know that in Iran, for example, unless there’s an Iranian chairman, they don’t recognize the arbitration. There are problems with the attorney/client privilege in an international arbitration. Will they accept it? Or other privileges? With litigation, there is generally more certainty, although in civil law countries there is no stare decisis, but there is more adherence to prior opinions than we think, and our stare decisis is not necessarily as firm as contemplated.

Arbitration can be very expensive. When you talk about three arbitrators at $500 an hour or something like that over a protracted period, it can be expensive. It is also often difficult to get the arbitrators together, so it’s not necessarily fast. Good arbitrators are hard to schedule, and you may want discovery which is more available in litigation. And bear in mind that you take a chance in arbitration with a result that you can’t appeal from. There is no appeal. You may have a runaway arbitral tribunal and no method to appeal from it.

LAINE KLINE: You’ve sort of given me shivers, [Laughter] going via arbitration or even litigation, does that suggest that maybe we should consider mediation? What do you think, Richard?

RICHARD MOSK: Mediation is always a good idea. Mediation takes two to tango, and I don’t think you can have a clause that requires a meaningful mediation. I’ve never been a big fan of that. Maybe Richard Chernick has a different viewpoint, simply because I’ve always felt that if the parties wanted to settle, or talk settlement, they’ll start talking settlement and they don’t need a shove to do it. But what do you think?

RICHARD CHERNICK: I think there’s a big benefit in locking into
a transactional document with a dispute resolution process that gives the parties the best opportunity for an appropriate resolution at the earliest possible time. That’s why most arbitration agreements in their dispute resolution clauses are step-clauses, which frequently start with a negotiation step between senior executives, proceeds to a mediation step, a formal mediation of a third party facilitator and then, only if that fails, moving to some binding process, usually arbitration.

LAINE KLINE: What if injunctive relief is needed right away; which is common in the entertainment business? If somebody is violating certain literary rights or whatever, the thought is that normally you can go into court, even if you have an arbitration clause, and not disturb the fact that the dispute will ultimately be resolved by arbitration.

RICHARD CHERNICK: I think generally speaking most arbitration laws contemplate the ability of courts to enter provisional relief for the purpose of preserving the status quo of the dispute.

LAINE KLINE: What about against third parties?

RICHARD CHERNICK: No. In the context of an arbitration, you’re talking about parties who have entered into a written agreement. The arbitration process can only be directed toward those who are parties to that agreement. I suppose that there is always the opportunity for an independent legal action entirely outside of an arbitration against a third party, because you’re not restrained by any limitation or arbitration clause.

RICHARD MOSK: That’s another problem with arbitration: you can’t resolve all the disputes with third parties that are not part of the arbitration agreement in the one proceeding.

RICHARD CHERNICK: It requires you to think at the transactional stage about who are the important parties. Who is going to be necessary to the resolution of a dispute? You could imagine a series of agreements that might be entered into, to effectuate a transaction in which all of those pieces might be necessary to resolve a dispute; think of, for example, the construction of a large building, where there might be a contract between the owner and the architect, a contract between the owner and the general contractor, a contract between the general contractor and sub-contractors, et cetera. The construction industry has been very successful in being able to create linkages between those types of agreements to make sure that when the dispute arises to the extent that parties to these multiple agreements are necessary for the fair resolution of the dispute, that there’s an arbitral forum to resolve that dispute. But it requires at the front end of the transactional stage something that you don’t see very often in usual transactional negoti-
ations in the entertainment world that dealmakers are negotiating. They have a lawyer who is helping to craft a language of the agreement and somewhere about 11 o’clock at night just before you close the deal, somebody says, “what if we have a dispute, what should we do then?” Then someone will say, “we can toss in an arbitration clause.” And, literally, the clause is tossed in, at the last minute, by people who don’t understand the arbitration process and, importantly, those who don’t understand the opportunities of crafting a dispute resolution process customized to that particular dispute.

ROBERT E. LUTZ: Tell us a little about what you would put into an arbitration clause.

RICHARD MOSK: Before you get to that, I wanted to ask Bill if you have an arbitration clause in a contract with a distributor, what can the licensor do to protect itself against any problems with the sublicensees?

WILLIAM IMMERMAN: Well, it raises two questions. Obviously, the sub is not a party to the agreement, but in your agreement with the distributor you can require that the sub-distributor agree to arbitration. Depending on whether it’s an international action or a state action, there are two other possibilities. My understanding of California law is that in California, if there’s a jurisdictional dispute and there are two California parties, the jurisdiction issue has to be brought up in the arbitration and it’s only appealable if it’s an international arbitration where you can go to the court and get a decision on jurisdiction before the commencement of the arbitration.

So sometimes you find yourself as a sub-distributor deciding do I want to risk an argument about whether or not there is jurisdiction? So you might have to defend the case twice. In an international arbitration, if there’s a party that is not a California party, you have the right to go to court and say that there’s no jurisdiction. In answer to your question, the only thing you can do if there’s a sub-distributor is try to get an award against the distributor, and then sue the sub-distributor in a separate litigation to try to enforce the termination of the contract.

LAINE KLINE: Are there ways of constructing arbitration clauses to take these issues into account, Richard?

RICHARD CHERNICK: Oh, there are. If you know going into a transaction that they are going to be dealt with in separate agreements, it’s certainly possible to create linkages between different agreements and to make sure that the arbitration clauses in each of those agreements are comparable and compatible. And then you would be able—with an explicit consolidation or coordination type of procedure—to have the
arbitrators consolidate those proceedings so that everybody is in the same place arbitrating the single dispute.

One of the nice things about arbitration is that jurisdiction really isn’t an issue. If you are a party to an arbitration agreement, you are subject to the provisions of that agreement whether or not you would be subject to litigation as, say, an Italian citizen in Los Angeles with minimum contacts. Arbitration is a process where a contractual provision can simply say that the parties of this agreement are subject to arbitration in Los Angeles before JAMS in accordance with the JAMS international arbitration rules, and we’re going to have three arbitrators and they’re going to be picked in accordance with the rules or we’re going to define how they’re going to be picked, et cetera, et cetera. I’ll go through with you in a moment all the things that you might include in an arbitration clause.

The creativity of this process in having someone who really understands the moving parts of arbitration, specifically, and dispute resolution generally, provides real opportunities for you to craft a system for the resolution of your dispute, which is exactly suited to that dispute. If you are concerned about the expertise of the arbitrator, you define what expertise you want the arbitrator to have. It’s something you couldn’t possibly do in a court proceeding. If you’re concerned about having the arbitration conducted in the English language in Los Angeles, you specify that and that becomes enforceable. If you’re concerned about having the right to have provisional relief in the arbitration and it’s not contained in the rules, you put that in the clause. If you’re concerned about the exchange of information and the kind of discovery that you would be entitled to and you’re able to craft a provision in the arbitration agreement, which requires the parties to engage in a particular kind of discovery or information exchange, that can be crafted and put into an arbitration clause.

If you’re concerned about publicity and confidentiality beyond the rules of the arbitral institution, which would limit access to the actual arbitration to people who are parties to the proceeding, you can craft a confidentiality agreement which specifically and explicitly gives you the protection that you need. Entering into a motion picture distribution agreement, you don’t know what dispute or what kinds of disputes might arise. Thus, there is generally an emphasis on being somewhat generic in pre-dispute arbitration clauses.

Sample clauses offered by institutions typically recommend their own rules. The JAMS international arbitration rules have a model clause, which is two sentences long, and it basically says that, “any
dispute, controversy, or claim arising out of or relating to this contract, including formation, interpretation, et cetera, et cetera, will be referred to and be determined by arbitration in accordance with the JAMS international arbitration rules. The tribunal will consist of [three arbitrators] or rather [one arbitrator]. The place of arbitration shall be as designated. The language shall be [put in a language].” That is the essence of a generic dispute resolution clause that is recommended by most institutions. The ICC model clause is even shorter than JAMS and they do it in several different languages. So you can put it in Croatian if you really need to do that, in your agreement.

RICHARD MOSK: Of course, you don’t have to have an institution at all. You can have an ad hoc arbitration. That’s easy to provide for, which is that a dispute shall be arbitrated in accordance with the UNCITRAL rules and then you have an arbitration with no institution administering it. The benefit is the institutions are or can be very expensive. The flip side of that is that the institutions will make sure the procedures are followed, that the whole thing gets started, and that there aren’t delays, which may occur with an ad hoc arbitration.

RICHARD CHERNICK: Let me contrast what I’ve just described as a pre-dispute arbitration clause, in which the parties are entering into a transaction which they hope is going to be successful and without disputes and where they don’t know what kind of disputes there might be so they choose some sort of generic clause which selects an institution. The contrast is with the situation where you have a transaction that does have a dispute. There is no dispute resolution clause in the contractual documents, but you have the opportunity when the dispute arises to create what is usually referred to as a submission agreement. It’s an agreement to arbitrate a specific dispute. When this dispute arises, you know exactly what the dispute is going to be, you know exactly what the parameters are, you know how big a dispute it is, so you can decide that perhaps you want to have three arbitrators rather than one. You know it’s going to be a dispute that has a technical issue rather than a general contractual issue, so you might want to choose an arbitrator who has technical expertise rather than someone who is simply a generalist. And you know that the dispute mainly involves witnesses who are going to be in New York and London, so you would pick as the venue for the arbitration either New York or London or split it and do some sort of an agreement where the venue is both of those places for the convenience of the parties and witnesses.

It’s really a creative process at this point. Because you know enough about the moving parts of the arbitration process to be able to design
something that is highly suited to your dispute. The bad news, of course, is that you’re in a dispute and the parties may have different interests in whether they do or do not want to arbitrate, whether they think it will be advantageous to them or not. Frequently, you are not going to be able to negotiate such an agreement because one party or the other is going to decide that they would rather stonewall required litigation or something like that.

Those are really two contrasting situations, but there are opportunities in both if you involve in a transaction somebody who understands how arbitration works, somebody who understands what the choices are and can be, and someone who understands how this is all going to play out once the dispute arises and you actually have to commence an arbitration proceeding.

ROBERT E. LUTZ: We’ve included in the materials a number of different arbitration rules which may be helpful to you. I want to get to enforcement, but before we get there, there’s been a lot of talk about leverage here and parties that don’t have equal bargaining power. Is there any argument or defense of unconscionability, that’s arising, particularly in the arbitration sector?

RICHARD CHERNICK: There is. The California law is the most developed in the United States on this issue and you need to focus on two different kinds of arbitration agreements. The kind of arbitration agreement that we’ve been talking about thus far is a negotiation with respect to a transaction between parties with substantial legal bargaining power where they are actually negotiating terms and deciding what the process is going to be. While one party may have more leverage than the other, it is a negotiation and it is not simply the imposition of terms.

I will contrast that with an employment agreement, a consumer agreement, a health care agreement, or sometimes, a franchise agreement in which the party in control not only has all the leverage they have the ability simply to say if you want to do business with us, you will sign this arbitration agreement and we get to draft it and we get to choose the terms. In those circumstances, that’s usually referred to as an imposed arbitration agreement.

California and other jurisdictions have imposed the concept of unconscionability, which means that if there is not a reasonably fair process, a reasonably level playing field, and there is a denial of remedies, or a process is critical that will result in a non-neutral arbitrator or one that favors a party, the courts will not enforce those agreements as
unconscionable. There’s a California Civil Code provision that deals with that issue.

RICHARD MOSK: Aren’t the U.S. courts, by treaty (the New York Convention) bound to enforce the arbitration clause? If the California court determines that an arbitration clause is unconscionable under the New York Convention, are courts required to enforce the clause anyway?

RICHARD CHERNICK: It’s correct that the New York Convention does require both enforcement of arbitration agreements at the front end and confirmation of arbitration awards at the back end with some due process elements. There is no case directly on point, so I’m going to have to analogize to the way that courts look at arbitration awards which are rendered in other jurisdictions. And one of the things you look to is rudimentary due process.

In other words, did this person actually have notice of the arbitration proceeding? If you can’t prove that the person had notice, most courts will not confirm the arbitration award that was rendered. Did that person have an actual opportunity to participate in the hearing? If you can’t demonstrate that, a court under the New York Convention, would not confirm an arbitration ruling. I would analogize that to the power of the courts to enforce arbitration agreements at the front end and would say that even though there’s no case that says this directly. If it would be demonstrably a violation of due process to enforce an arbitration process in which, for example, the employee had given up the right to compensatory damages in excess of $50,000. Or didn’t have the right to have any access to any information that will allow that person to defend or to assert a claim. Or didn’t have the right to a lawyer or had a process in which the arbitrator was selected in questionable circumstances that might lead one to believe that the arbitrator was predisposed in favor of the employer. In any of those circumstances, I would think that a court would probably not enforce that agreement. And certainly in domestic courts, those clauses would at the very least be stricken if they’re found inseparable or the agreement would simply not be enforced.

LAINE KLINE: A lot of times we have contracts that go unsigned, but the parties perform them anyway in our business. In those cases, is the provision enforceable?

RICHARD CHERNICK: Maybe. The Federal Arbitration Act, the California Arbitration Act, and I think, the New York Convention states in terms of a written agreement. There are substitutes under contractual principles in all jurisdictions for a writing and there are different ways in which a writing can be found or can be created. There are notions
of waiver and estoppel and so while no one would intentionally create an arbitration process and omit a step of a written agreement, there are some arguments that might allow you to enforce an arbitration agreement, whether or not it’s a signed copy by the party to be charged.

ROBERT E. LUTZ: Suppose you arbitrated in a foreign country and lost. And now the award is going to be enforced here in Los Angeles against you. What are your options? What can you do about that? Are there any strategies?

RICHARD MOSK: The first thing you can do is not charge your client. [Laughter.] There are several things you can do. The first is you can challenge it in the foreign country. See if you can set it aside there. Secondly, you can do nothing; let them come over to enforce it here, and try to use the provision for non-enforcement in the New York Convention as a defense. There are very few defenses—e.g., lack of due process, the foreign arbitral tribunal exceeded its jurisdiction, and contrary to public policy. An interesting illustrative case is one where a party arbitrated in Egypt, an American lost the arbitration, and an Egyptian won it. It was set aside in Egypt, and, nevertheless, the Egyptian was able to enforce it in the United States. The bottom line is that the award is generally enforceable under the New York Convention and the defenses are few.

ROBERT E. LUTZ: One of the defenses is the public policy defense. Some foreign countries have interpreted “manifest disregard of the law” as being within that category. Is that something that you see as a response by foreign countries?

RICHARD MOSK: No, there are very few instances, maybe one case in the United States. I suppose if it involves a subject matter such as gambling or prostitution or some subject matter that is against public policy, but for the most part, that’s not a viable option.

WILLIAM IMMERMAN: I think, and I could be wrong, I think there’s a recent case here in California that held that it was appealable on the grounds that the arbitrator totally ignored the law.

RICHARD MOSK: That was a domestic case in which it was determined that the arbitrator had exceeded the power that was given to him—the contract that provided that it was supposed to be in accordance with certain provisions of California law and that the arbitrator ignored that. Therefore, it was determined that he exceeded his jurisdiction.

LAINE KLINE: Marty, sometimes judgments are sought to be enforced in foreign countries. Do you have any experience with that?

MARTIN KATZ: I can’t say that I’ve ever had to go and actually execute on the judgment in a foreign country. You know, 98 percent of
all cases settle before you even get to trial, so the ones that do go to trial usually settle beforehand, before you are up to the point of execution. What I would say is that whether the case is here and you’re going to have to execute in a foreign country, or the case is in a foreign jurisdiction and you’re wondering whether it will be enforceable here, the focus is on whether or not it is capable of being enforced—incidentally, much earlier in the case than litigators typically do.

You don’t worry about enforcement until you get there, especially when you’re dealing in the international arena, and you have public policy defenses and various due process defenses. Finding out the enforceability of the award early in the case is very important. Some clients will tell you that the best surprise is no surprise. You don’t want to get a judgment and then find out, gee, we have real problems executing on it.

ROBERT E. LUTZ: This is the time we want to open to any questions from the floor.

AUDIENCE MEMBER: My question is for everybody on the panel. How binding is a binding arbitration? [Laughter.]

RICHARD CHERNICK: There was a survey recently conducted. Petitions to vacate are filed routinely, and they’re granted maybe 10% of the time. Now, maybe the appeal rates are not too different from trial court judgments, but the expectation of the parties is that unless there is some extreme irregularity to the proceeding having to do with, for example, an arbitrator who simply goes beyond the scope of the arbitration agreement. Other objections to enforcement may arise from disqualification or disclosure issues or some truly dramatic denial of due process during the hearing. Others include the refusal to continue a hearing, the refusal to hear crucial evidence that in a vast majority of cases, those awards are going to be routinely confirmed.

DAVID KOHLER: As counsel in an international dispute, where you may often be dealing with a lawyer from another country who may not be a member of an entertainment bar, have you experienced difficulties due to cultural differences or communication difficulties? The question is prompted by an experience I had when I was with CNN. Some of the people in this room may have heard this story, but we had a copyright case in Switzerland and were engaging a Swiss lawyer. I asked him how he assessed our chances. His response was something like, “I’d give you a 97 percent chance of winning.” Now I’d never heard another lawyer in the United States give you anything better than 50/50. [Laughter.] I took that as a pretty good sign, and I joke that in its ruling, if the court could have given CNN the death penalty, it would
And I think, in retrospect, that the lawyer felt like it was a good case and was confident, so that’s his way of saying “I think we’ve got a pretty good case.” A U.S. lawyer, on the other hand, might have communicated that slightly differently. [Laughter.] But we lost the case, and I wonder how one deals with these kinds of cultural expectations?

MARTIN KATZ: Well, I’ve had a couple and I’d say that the experiences are even in understanding your own co-counsel, in addition to opposing counsel. That’s a tough one, because you have to really connect with your co-counsel, who’s litigating the matter in a foreign jurisdiction. Funny thing is that, in a case that comes to mind, we desperately wanted to know what they thought the chances of success were in a case in the Netherlands. They refused to ever put a percentage on it and, as we checked around, apparently lawyers in the Netherlands will not give you a percentage. They won’t even tell you 50/50, I mean, not even close, no matter how many times we begged them. And so here we are trying to manage the expectations of the client in California, unable to tell them what the folks who will really be litigating the matter in the courts think the odds of success were.

I think what it points out is the importance of very early on, when you’re dealing with foreign counsel, to put your American litigation hat aside and try to put yourself into their cultural setting. If it’s being litigated abroad, then you have to understand that there are jurisdictions where they just can’t believe you would write even the slightest thing nasty in a brief about the other side. It’s really important to know that sort of thing very early on. That’s probably the hardest thing for American lawyers to do.

AUDIENCE MEMBER: In today’s New York Times, there was a lengthy article about an individual who is based in California with his company, got in a dispute in China, and they put him in jail when he went to China. He spent two years in prison, and he can’t leave now. When I was in China twelve years ago, my colleagues there were telling me, “forget it, we don’t have a legal system; we don’t have it at all.” So maybe you, Mr. Immerman, you’re making a deal in China. How do you really feel about this sort of thing?

WILLIAM IMMERMAN: Probably won’t go to China. [Laughter.]

RICHARD CHERNICK: You know, it’s interesting. China has traditionally been sort of scoffed at in its arbitration systems, an institution we call CIETAC, because it was sort of non-neutral. And after China acquired Hong Kong, there was a wonderful arbitration center in Hong Kong called the Hong Kong International Arbitration Center. There are now cropping up in China a number of independent arbitration tribu-
nals, which are competing for business and folks who are coming into China, making investments in China, have the opportunity to pick and choose their dispute resolution process. And as a result, CIETAC has gotten better and has become more open and is trying to at least create the illusion of more neutrality. But obviously, as China becomes a more serious world player and becomes more dependent on other industrialized countries trading with it and doing business with it, that’s going to change. Now, that doesn’t help the guy who’s still in jail over there, but in the future, I think there will be real improvements in the quality of the dispute resolution process you can get in China.

WILLIAM IMMERMAN: I think the quick answer is are you involved in a transaction that is in the self-interest of China and is it interested in more of those kinds of transactions? And so if you’re in an industry and the Chinese government has indicated that they’re interested in expanding that industry, you can rely on the fact that you’re probably going to get a reasonable result, because they don’t want to discourage other business. But you also have to evaluate that there’s a risk involved. One of the questions at the end of the day, for instance, is are you showing your film in the United States? So other than distribution in China, which could become problematic, if the Chinese government wants to enforce a judgment against you, they’re eventually going to have to come to an American court and you’ll always have the due process defense. I think those are the factors, but like any business, you’ll have to evaluate the risk.

[Applause]
Apple Computer Inc.
v. CyberBritain Group Ltd.

Table of Contents
Introduction .............................................................................. 189
I. Nominet UK’s Dispute Resolution Service Policy ............... 190
II. Expert’s Finding ................................................................. 191
III. Comparing Nominet UK’s Arbitration Procedure to
United States’ Federal Law ................................................ 193
IV. ICANN’s Uniform Domain Name Dispute Resolution
Service ............................................................................... 195
Conclusion ............................................................................... 196

Introduction

On December 1, 2004, Apple Computer Inc. filed formal proceedings
against CyberBritain Group Ltd. for “cybersquatting” and alleged that
ownership of the domain name “www.itunes.co.uk” should be trans-
ferred to Apple.1 Apple brought the action to Nominet UK, which
serves as the “.co.uk” domain name registry and resolves domain name
disputes through its Dispute Resolution Service.2

The controversy began on November 7, 2000, when CyberBritain,
run by former teenage dot-com millionaire Benjamin Cohen, registered
www.itunes.co.uk and redirected visitors to its own websites.3 Unbe-
knownst to CyberBritain, Apple had applied for “iTunes” to be a trade-
mark in the United Kingdom two weeks prior.4 Before registering its
trademark in the United Kingdom, Apple had also registered and used
the iTunes trademark in other countries.5 Starting in January, 2001,
Apple launched the download of its iTunes software in the United States

1. Apple Computer Inc. v. CyberBritain Group Ltd., DRS 02223, 1, 4-5 (Nominet
   pdf (last visited Apr. 15, 2006).
   uk/disputes/drs/ (last visited Mar. 25, 2006).
3. Apple Computer at 3.
4. Id.
5. Id.
on www.itunes.com. This software allows users to download, manage and play music files on their computer.

After Apple began offering music downloads in the United Kingdom, Benjamin Cohen sent an email to Napster inquiring whether Napster would be interested in purchasing www.itunes.co.uk. Napster is a direct competitor of iTunes that also specializes in music downloads. Even though Napster declined the offer, CyberBritain redirected visitors of www.itunes.co.uk to www.napster.co.uk in order to take advantage of Napster’s affiliate program, which rewarded website owners for sending users to the Napster website.

Following conversations with Apple, CyberBritain ceased the redirection to Napster. Although the redirection lasted only four days, www.itunes.co.uk had approximately 4,000 to 5,000 new visitors per day. After CyberBritain ceased redirection to Napster, Apple offered to purchase the domain name for $5,000, but the offer was refused. A couple days later, Apple rejected CyberBritain’s counter-offer of £50,000 (approximately $87,000).

I. Nominet UK’s Dispute Resolution Service Policy

In order to succeed in its cybersquatting case against CyberBritain, Apple had to prove beyond a balance of the probabilities that it had rights in respect to a trademark, which were identical to the domain name at issue, and CyberBritain’s possession of the domain name was an “abusive registration.” Article 1 of the Nominet UK Dispute Resolution Service Policy (“the Policy”) defines “abusive registration” as a situation where a domain name is registered, acquired or used in a way which takes unfair advantage of, or is unfairly detrimental to, the trademark holder’s rights.

The Policy provides a non-exhaustive list of factors which may be used to show that a domain name registration is abusive. Of the listed

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7. Id.
9. Id. at 3.
10. Id. at 9.
11. Id. at 4.
12. Id.
13. Id.
17. Id., art. 3(a) (factors for abusive registration include: 1) circumstances indicating
factors, two were used in Apple Computer to find an abusive registration by CyberBritain. First, the evidence indicated that CyberBritain registered or acquired the domain name primarily to sell, rent or transfer the domain name to Apple or its competitors for an amount in excess of what CyberBritain paid to obtain the domain name.\textsuperscript{18} Second, circumstances demonstrated that CyberBritain obtained or used the domain name in order to confuse people into believing that the domain name was registered, operated, authorized or connected to Apple.\textsuperscript{19}

CyberBritain defended its position by arguing that the registration was non-abusive and made fair use of the domain name. This evidence included making preparations to use the domain name in connection with a genuine offering of goods or services.\textsuperscript{20} In addition, CyberBritain asserted that the domain name was generic or descriptive, and CyberBritain was making fair use of the domain name.\textsuperscript{21}

II. Expert’s Finding

On March 10, 2005, the Nominet UK-appointed expert, Claire Milne (the “Expert”), ruled that Apple clearly demonstrated statutory and common law rights in the name “iTunes.”\textsuperscript{22} The Expert rejected CyberBritain’s contention that “iTunes” generically means “music over the internet.”\textsuperscript{23} Specifically, she observed that an internet search for “iTunes” that the defendant registered or acquired the domain name primarily for the purpose of selling, renting or transferring the domain name to the trademark holder or to the trademark holder’s competitor for valuable consideration; 2) circumstances indicating that the defendant registered or acquired the domain name primarily as a blocking registration against a name or mark in which the trademark holder has rights; 3) circumstances indicating that the defendant registered or acquired the domain name primarily for the purpose of unfairly disrupting the business of the trademark holder; 4) circumstances indicating that the defendant used the domain name in a way which confused people or businesses into believing that the domain name was registered, operated or authorized by, or otherwise connected with the defendant; 5) circumstances where the trademark holder can demonstrate that the defendant engaged in a pattern of registrations where the defendant’s registrant of domain names correspond to well known names or trademarks in which the defendant had not apparent rights, and the domain name was part of that pattern; 6) circumstances where the defendant gave false contact details to Nominet UK; and 7) circumstances where the defendant registered the domain name as a result of a relationship between the trademark holder and the defendant, the defendant had been using the domain name registration exclusively, and the defendant paid for the registration and/or renewal of the domain name registration.

\textsuperscript{18} Id., art. 3(a)(i)(A).
\textsuperscript{19} Id., art. 3(a)(ii).
\textsuperscript{20} Id., art. 4(a)(i)(A).
\textsuperscript{21} Id., art. 4(a)(ii).
\textsuperscript{23} Id. at 6.
on UK websites revealed that the first fifty (largely different) entries were linked with Apple. Moreover, using a search engine provided by CyberBritain at www.cyberbritain.com produced the same outcome.

Next, the Expert inferred that CyberBritain’s ownership of the domain name was deemed an abusive registration because CyberBritain had offered to sell the domain name to Napster, one of Apple’s competitors. Arguably, CyberBritain may not have initially registered the domain name primarily for making money from the sale or transfer of the domain name, since the iTunes trademark in the United Kingdom was not publicly disclosed when CyberBritain registered the domain name. In addition, the offer to sell the domain name to Apple for £50,000 did not take advantage of Apple’s rights, given that the initial sales offer was made by Apple. However, the Expert determined that the threat that CyberBritain could potentially sell the domain name to Apple’s competitor would be unfairly detrimental to Apple’s rights. CyberBritain’s offer to sell the domain name to a competitor in the past should not be treated as an isolated event as long as the threat of future offers existed.

The Expert further reasoned that CyberBritain’s ownership of the domain name was an abusive registration since CyberBritain’s use of “www.itunes.co.uk” might confuse people or businesses into believing that the domain name was registered, operated or otherwise connected to Apple. Although the Expert noted that the evidence did not indicate that every person or business had been confused by the use of the domain name, the likelihood of confusion was sufficient to show an abusive registration. The likelihood of confusion was first evidenced when CyberBritain redirected users to www.napster.co.uk. Users would have used www.itunes.co.uk with the expectation that it was associated with Apple; instead, users who intended to buy music from Apple would purchase it from Napster. Also, CyberBritain redirected visitors to websites that did not specialize exclusively in music. The Expert noted that some people might be confused into believing that they were
being redirected to Apple’s franchise or affiliate operation. Therefore, the showing of loss of business and confusion would be unfairly detrimental to Apple’s rights.

CyberBritain defended its registration by asserting that it made preparations to use the domain name in connection with a genuine offering of music and other services; however, the Expert rejected this defense. First, the domain name was out of service for approximately twenty months, without CyberBritain’s notice. Moreover, Benjamin Cohen wrote to Napster stating that CyberBritain no longer operated www.itunes.co.uk, and later told a Radio 5 Live interviewer that the domain name was not really used as a core part of its business. Based on a finding of abusive registration and a lack of affirmative defense, the Expert ordered that the domain name be transferred to Apple.

III. Comparing Nominet UK’s Arbitration Procedure to United States’ Federal Law

The Policy under Nominet UK and American law follow similar guidelines for finding “cybersquatting” of internet domain names. In 1999, the United States Congress passed the Anticybersquatting Consumer Protection Act (“ACPA”) codified at 15 United States Code section 1125(d). Under this section, the owner of a mark that is identical or confusingly similar to the domain name at issue may bring a civil action against a person who registers or uses the domain name with the bad faith intent to profit from that mark. Both the Policy and American law focus on the intent of the person who registers the domain name—an “abusive registration” in the former and “bad faith” in the latter. ACPA lists nine, nonexclusive factors in determining whether a person has registered a domain name in bad faith. Of the nine factors, two

35. Id.
38. 15 U.S.C. § 1125(d)(1)(B)(i)-(IX) (factors for bad faith registration include: 1) the domain name contained trademarked or other intellectual property rights; 2) the domain name consisted of the legal name of a person; 3) the defendant used the domain name in connection with the bona fide offering of any goods or services; 4) the defendant’s bona fide noncommercial or fair use or of the mark in a site accessible under the domain name; 5) the defendant intended to divert customers from the mark owner’s online location to a site accessible under the domain name that could harm the good will represented by the mark, either for commercial gain or with the intent to tarnish or disparage the mark, by creating a likelihood of confusion as to the sources, sponsorship, affiliation or endorsement of the site; 6) the defendant offered to transfer, sell, or otherwise assign the domain name to the mark owner or any third party for financial gain without having used, or having an intent to use, the domain name in the bona fide offering of any goods or services, or the defendant’s prior conduct indicating a pattern of such conduct; 7) the defendant provided material and misleading false contact in-
bear a strong resemblance to the ones used by the Expert in Apple Computer to find an abusive registration by CyberBritain.

First, section 1125(d)(1)(B)(i)(V) of ACPA provides that bad faith may include a person’s intent to divert customers to its site for commercial gain or with the intent to tarnish or disparage the mark by creating a likelihood of confusion as to the “source, sponsorship, affiliation or endorsement of the site.” The Expert in Apple Computer found that CyberBritain’s redirection to Napster created a likelihood of confusion when visitors to www.itunes.co.uk purchased their music from Napster instead of Apple. Also, confusion was likely to arise when visitors to www.itunes.co.uk were redirected to websites that did not specialize in music. In both American law and under the Policy, the requisite level of confusion does not have to be absolute, such that every visitor to the domain name was confused; only a likelihood of confusion need be shown. The Policy and ACPA approach differ, however, in that the Policy does not specify reasons why the person registering the domain name intended to create confusion. On the other hand, if the case was brought under ACPA, the court would look at the motivation behind CyberBritain’s intent in causing confusion to website visitors, such as tarnishing the mark or for commercial gain. Even if the Expert used the narrower interpretation under ACPA, it is likely that the redirection to Napster would have been found to be for commercial gain, because CyberBritain would profit from Napster’s affiliate reward program or from future sale of the domain name.

Second, section 1125(d)(1)(B)(i)(VI) of ACPA provides that bad faith may be inferred in situations where the person offers “to transfer, sell, or otherwise assign the domain name to the mark owner or any third party for financial gain....” A simple offer to sell the domain name for financial gain may be sufficient for a finding of bad faith under American law. In contrast, article 3(a)(i)(A) of the Policy does not

41. Id.
42. Id.
44. Id.
specifically indicate that an offer to transfer or sell may by itself constitute a factor in determining abusive registration.\textsuperscript{45} Even still, the Expert in \textit{Apple Computer} interpreted an offer or threat to sell, transfer or rent the domain name as implicit in article 3(a)(i)(A)’s clause of “[registering] or [acquiring] the domain name primarily for the purposes of selling, renting or transferring.” Article 3(a)(i)(A) of the Policy also limits to whom the domain name holder may transfer, rent or sell the domain name—specifically, the trademark holder or to one of the trademark holder’s competitors.\textsuperscript{46} Under American law, however, the domain name holder may offer to sell the domain name to the trademark holder or to any third party—regardless of his relationship to the trademark holder.\textsuperscript{47} The Policy’s definition could raise issues when the transfer or sale is to neither the trademark holder nor one of its competitors.

Overall, the United Kingdom and United States appear to provide similar approaches to finding a case of “cybersquatting.” Considering CyberBritain’s actions and the Expert’s consideration of the relevant factors, the outcome would likely be the same under American law.

IV. ICANN’s Uniform Domain Name Dispute Resolution Service

If the domain name was registered in the United States, an alternative to an action in federal court could have been for Apple to take its cybersquatting case to the Internet Corporation for Assigned Names and Numbers (“ICANN”). ICANN is a quasi-governmental Internet-regulating body that arbitrates domain name disputes through the Uniform Domain Name Dispute Resolution Policy (“UDRP”).\textsuperscript{48} The UDRP provides an additional forum for those who do not want to bring an action in United States federal court. Under the UDRP, three elements must be satisfied to transfer, cancel or change the domain name: 1) the domain name “is identical or confusingly similar” to the trademark holder’s mark, 2) the person who registers the domain name has “no rights or legitimate interests” in the domain name,” and 3) “the domain name has been registered and is being used in bad faith.”\textsuperscript{49} Furthermore, the UDRP lists non-exhaustive factors in determining “bad faith” and

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\item[45.] Nominet UK, Dispute Resolution Service Policy art. 3(a)(i)(A).
\item[46.] Id.
\end{enumerate}
\end{footnotesize}
possible defenses that the person registering the domain name may assert against a cybersquatting case.  

Four factors are employed in determining bad faith of which two are virtually identical to the ones used in Apple Computer. In respect to transferring, renting or selling the domain name, the UDRP mirrors the Nominet UK approach. The same issue arises as to whether “primarily for the purpose of selling, renting or otherwise transferring” encompasses a threat or offer to sell the domain name. Also, the UDRP’s limitation on the transfer, rental or sale to the trademark holder or a trademark holder’s competitor could lead to questions when the domain name is transferred to a third-party non-competitor.

The second factor used by the Expert in Apple Computer, dealing with the likelihood of confusion, also has its counterpart under the UDRP. However, the UDRP approach specifically limits the motivation behind the likelihood confusion to financial considerations, whereas the Nominet UK approach does not limit the reasons that a likelihood of confusion could arise. Hence, simply confusing website visitors, with nothing more, may not constitute a finding of bad faith under the UDRP approach. Nonetheless, in Apple Computer, the confusion was created in part to profit from the redirection to Napster. Therefore, the outcome in Apple Computer would likely be the same if the UDRP rules were followed.

Conclusion

So long as cybersquatting is interpreted in similar ways under the Nominet UK, ACPA and UDRP, practical considerations will weigh

50. ICANN, Uniform Domain Name Dispute Resolution Policy art. (4)(b) (evidence of registration and bad use), and art. 4(c) (determining rights to and legitimate interests in the domain name).
51. ICANN, Uniform Domain Name Dispute Resolution Policy art. (4)(b)(i) and art. (4)(b)(iv).
52. Compare supra notes 26-29 and accompanying text with Uniform Domain Name Dispute Resolution Policy art. 4(b)(i) (stating that bad faith may include “circumstances indicated that you have registered or you have acquired the domain name primarily for the purpose of selling, renting, or otherwise transferring the domain name registration to the complainant who is the owner of the trademark . . . or to a competitor of that complainant . . .”).
53. ICANN, Uniform Domain Name Dispute Resolution Policy art. (4)(b)(iv).
54. ICANN, Uniform Domain Name Dispute Resolution Policy art. (4)(b)(iv), which states that bad faith may include “intentionally [attempting] to attract, for commercial gain, internet users to your website . . . by creating a likelihood of confusion with the complainant’s mark as to the source, sponsorship, affiliation, or endorsement of your website . . .”.
heavily in where an individual takes his or her case. One factor will likely be cost. Attorney’s fees involved in federal civil actions can be relatively high especially when the only desired remedy is a transfer of the domain name. The UDRP or Nominet UK Policy can cost as little as $1,300.56 Moreover, the UDRP and the Nominet UK can provide quick resolutions because a UDRP panel must make a determination within fourteen days of its appointment, and a Nominet UK expert must reach a finding within ten days of his or her appointment.57

The Nominet UK Dispute Resolution Service and UDRP also have their disadvantages. These drawbacks include no direct or cross examination in the proceedings, no discovery, no opportunity to be heard in court and no remedies for damages or attorney’s fees.58 Once these practical considerations are carefully measured, an individual will be able to determine the best venue to bring a cybersquatting case.

John Patrick Kim

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58. ICANN, Rules for Uniform Domain Name Dispute Resolution arts. 3, 5, 11-13; Nominet UK, Dispute Resolution Service Procedure arts. 3, 5, 6, 12-14.