Case: 1:09-cv-03955 Document #: 44 Filed: 03/26/10 Page 1 of 45 PageID #:537 1 1 UNITED STATES DISTRICT COURT NORTHERN DISTRICT OF ILLINOIS 2 EASTERN DIVISION 3 DAVID BLOCKOWICZ, MARY BLOCKOWICZ, LISA BLOCKOWICZ, individuals, 4 Plaintiffs, 5 No. 09 C 3955 VS. 6 JOSEPH DAVID WILLIAMS, MICHELLE RAMEY, individuals, and 7 XCENTRIC VENTURES, L.L.C., Chicago, Illinois November 10, 2009 8 1:36 o'clock p.m. Defendants. 9 TRANSCRIPT OF PROCEEDINGS 10 BEFORE THE HONORABLE JAMES F. HOLDERMAN 11 **APPEARANCES:** GREENBERG, TRAURIG, L.L.P. 12 For the Plaintiffs: BY: MR. CAMERON M. NELSON MR. KEVIN J. O'SHEA 13 77 West Wacker Drive, Suite 3100 14 Chicago, Illinois 60601 (312) 456-8400 15 CONNELLY, ROBERTS & McGIVNEY BY: MR. GARRETT C. CARTER For the Defendants: 16 55 West Monroe Street, Suite 1700 Chicago, Illinois 60603 17 (312) 251-9600 18 JABURG & WILK, P.C. BY: MS. MARIÁ CRIMI SPETH 19 3200 North Central Avenue, Suite 2000 Phoenix, Arizona 85012 20 (602) 248-1000 21 Also Present: Mr. David Blockowicz and 22 Ms. Mary Blockowicz 23 COLLEEN M. CONWAY, CSR, RMR, CRR Official Court Reporter 219 South Dearborn Street, Room 2524-A 24 Chicago, Illinois 60604 (312) 435-5594 25 colleen_conway@ilnd.uscourts.gov

1 (Proceedings in open court.) 2 THE CLERK: 09 C 3955, Blockowicz versus Williams, 3 hearing on a motion. 4 MR. NELSON: Good morning, Your Honor. Cameron Nelson and Kevin O'Shea on behalf of the 5 6 Blockowicz plaintiffs. 7 THE COURT: Good afternoon. MR. O'SHEA: Good afternoon, Your Honor. 8 9 MR. CARTER: Good morning, Your Honor. 10 Garrett Carter on behalf of Xcentric Ventures. 11 THE COURT: And good afternoon to you. 12 Your Honor, my name is Maria Speth. MS. SPETH: I am 13 general counsel for Xcentric Ventures out of Arizona. 14 THE COURT: Good afternoon. Thank you for coming. 15 We have this dilemma that has resulted from the 16 continuing display of the information that the plaintiffs seek 17 to have taken down. 18 I have read the response to the motion, the response 19 by non-party Xcentric Ventures, L.L.C. to the motion. I was 20 hoping that, perhaps, we might be able to reach a resolution in 21 this case in some way to accommodate everyone. 22 Let me just ask Xcentric's lawyers, is there any way 23

that you could agree to remove the material?

MS. SPETH: Your Honor -- and also I notice that you had indicated to our local counsel that you might want our

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client here. He is available by phone, if you'd like that, but --

THE COURT: Okay.

MS. SPETH: But, for now, if you want me to just speak, I can tell you, I have represented the client for ten years, so I have a pretty good indication of what the client does.

THE COURT: Okay.

MS. SPETH: Because of the enormous amount of information on the website and because of sort of a floodgate problem that we're worried about, the client is concerned that if the client does it for one person, then everybody will want him to do it. And so the client has, over the ten years that I represented this client, never, ever agreed to take down a report. This client has spent over a million dollars in legal fees protecting the rights of reports to stay posted, and, you know, perhaps that's why we call it Xcentric Ventures, Your Honor.

You know, perhaps that might not be the most -- it may not sound like the most reasonable approach, but the client is pretty passionate and pretty adamant. I have never been able to succeed in convincing him to take down a report voluntarily. And any time that a court has ordered it, we have taken it up on appeal and fought it until it couldn't be fought anymore. That's just his mentality, Your Honor.

THE COURT: All right. Mr. Nelson, what do you think?

MR. NELSON: Your Honor, I -- we did offer one halfway solution, but I take it that wouldn't be accepted either, about removing it at least from search engine detection. We have prepared a response.

THE COURT: Was that proposed?

MS. SPETH: I have never heard that proposal before, Your Honor.

THE COURT: Oh.

MS. SPETH: I -- well, but I should be fair. I mean, it probably wouldn't have helped much. My client doesn't have any control over what the search engines do and don't do. Google goes out and searches what they want to search. My client doesn't do any optimization or anything like that; that a lot of websites spend a lot of money on optimization. My client's budget on search engine optimization is zero. He's never optimized anything.

There is something called a "do not crawl" code that you can put in a report that you tell Google not to crawl that report. My client is afraid and fearful that if he does that for a report, Google will not crawl his entire website.

By the way, I'm not sure that that fear is well founded, but my -- but that's how he feels, and we've never been successful on that one either.

THE COURT: Okay. Let me just consult with my court reporter for a moment.

(Court conferring with his court reporter.)

MS. SPETH: Your Honor -- I apologize.

THE COURT: All right. Go ahead, Ms. Speth.

MS. SPETH: Along the lines of a potential resolution, on November 1st, we launched a beta program for an arbitration program. And we haven't done our first arbitration yet, but we have hired our first arbitrator, who is a former judge in Arizona. And the idea of the program is that you submit the report and then the position of the person who it was posted against to the arbitrator, and the arbitrator makes a ruling as to whether the report is true or not. The person who opposes the report gets to pick up to ten statements in the report that are -- that they think are false and prove that they're false, and then the arbitrator makes a ruling.

The nice thing about it, based upon opposing counsel's concern about the search engines, is that the result, the ruling of the arbitrator, gets put in the title before the existing title, so that when the search engines pick it up, what the search engines see is a ruling -- let's assume that they can prove it's false, which I don't know. I mean, there is a risk here. The risk is the arbitrator could find it's true, which would be really bad for them. But assuming that the arbitrator found it was false, the first thing that the

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title would say would be: "Arbitrator's decision. This" -"The following report has been determined to be false," and
that's what would read before the negative listing.

We instituted the program because of situations like this, and it is still brand new in beta testing. We've got all the documents done and ready to go, and we sent out our first packets to a couple of interested people by November 1st.

Perhaps there might be some interest from the plaintiffs in this case on that program, Your Honor.

THE COURT: Who is the former judge in Arizona?

MS. SPETH: Bruce Meyerson. And he's not affiliated with *RipoffReport*. We hired him as an independent contractor to do -- and we'll -- eventually, the idea is we'll have a whole panel of arbitrators, but he's -- for now, we have one.

THE COURT: Okay. And his name is M-y-e-r-s-o-n?

MS. SPETH: M-e-y-e-r-s-o-n.

THE COURT: Okay.

MS. SPETH: First name Bruce.

THE COURT: All right.

MS. SPETH: It was a superior court judge.

THE COURT: Okay. In Mesa or --

MS. SPETH: In Maricopa County, Arizona.

THE COURT: Okay.

MS. SPETH: On the -- it's state-court level.

THE COURT: Yes. Thank you.

MR. NELSON: Your Honor, a couple of issues.

Now, this was vaguely proposed to us in our correspondence back and forth that you may have reviewed. Our response is -- a couple -- we can't agree to it for a number of reasons.

First of all, our clients have already got that decision from a court that those statements are false, and they've, at some expense, had to obtain that. We don't know the details of the program, who's paying for the arbitrator, any of those things.

In addition, one of the reasons we had to file a lawsuit as opposed to approaching *RipoffReports* privately is because they're not -- they weren't the only ones hosting these statements. So MySpace and a site called *ComplaintsBoard.com* and other websites were also hosting these defamatory statements, and they've voluntarily taken them down.

So we can't agree for the reason that we had to get this federal judgment, we had to -- our clients had to expend some fees to get that, and essentially getting another respected jurist to look at it would seem duplicative to us. That's already been accomplished in this case.

THE COURT: The only advantage of the proposal that's been made by the third party is they will post the decision.

I don't know. I guess, let me just ask, would Xcentric agree to post the decisions of these other judges?

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                MS. SPETH: Oh, they can post it themselves right
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      now.
            They are absolutely welcome to, for free. I know there's
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      been some --
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                THE COURT:
                            But can they post it in the location that
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      you have indicated?
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                           That's the difference, Your Honor. If
                MS. SPETH:
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      they post an update, it will come up as an update, so the
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      original heading will be there and then it will say: "Update.
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      A federal judge has," you know, "issued an injunction against
      this order" -- or, "against this posting and determined that
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      it's false." And it would be updated, but it wouldn't be
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      first. Whereas, with the arbitration program, we'll put it
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      first.
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                And they have always had the opportunity to do an
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      update such as the one I just described for no cost whatsoever.
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                THE COURT:
                            Okay.
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                MS. SPETH: Your Honor --
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                THE COURT: Go ahead.
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                MS. SPETH: -- the ComplaintsBoard website is still
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      posting the content as well. I --
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                MR. NELSON:
                             (Nodding.)
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                MS. SPETH: Well, Mr. Gingras, who's in-house
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      counsel, said he looked it up and saw it. I have not
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      personally seen it, but he said it was still there. But maybe
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      -- I'm not sure who's right or who's wrong, but that is what he
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told me.

MR. NELSON: I am 100 percent certain it is gone. The only thing that remains is some Google cache pages, and those are being cleared as we speak.

THE COURT: Well, that is not the issue before us today. I mean, it has been official to the plaintiffs, but -- all right. Well, Mr. Nelson, you said you had a reply that you were wanting to file?

MR. NELSON: We do. I have -- we have prepared an oral argument sort of addressing the whole reply, if the Court is willing to hear that, and I would like to give it. If the Court wanted to narrow the issues, I can also do that for you.

THE COURT: Well, I would like to narrow the issues. How do I do that?

MR. NELSON: In our view, we think that some of these -- the issue about whether the defendants actually authored these posts is not one that really requires argument, because the Court already found that, and there was substantial evidence in support of that.

THE COURT: Okay.

MR. NELSON: So that would be one topic we can certainly skip, if the Court is inclined to agree with its earlier decision.

THE COURT: You may go forward, yes.

MR. NELSON: Okay. Looking at the defendants' -- at

Xcentric's response brief, *RipoffReports* is still sort of missing the point. They want to put themselves in the shoes of defendants, and the whole point of our motion is that they are not the defendants. We're not treating them as defendants. We're not suing them.

And they keep making the argument that asking for injunctive relief is the same thing as suing somebody. The case they cite in support of that doesn't support that statement, and it's just not the situation we have here.

The legal situation we're presenting to the Court is the Court's issued an injunction against some defendants out there who made statements on the *RipoffReport* website, and they did so in reliance on knowing *RipoffReports*' policies that they wouldn't remove posts.

So the only question is under Rule 65 is RipoffReports in active participation, in concert with defendants? That is not the same thing as adjudicating substantive rights. Nobody's asking for an injunction against RipoffReports. If they want to post their own statements about the Blockowicz family, they are welcome to.

We believe they're overreading the Communications

Decency Act and the other case law that is out there in a way
that effectively would gut a court's power to make sure
defendants don't -- to make sure that defendants comply with
court's orders.

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If we were to accept *RipoffReports*' version of events, a federal court or a state court would be powerless to stop defendants from making defamatory statements on their website. It would confer with them essentially 100 percent immunity. THE COURT: Well, no, can't -- let me just ask on that point. We have stopped the defendants. MR. NELSON: Yes. THE COURT: The defendants have stopped. The problem your clients are facing is what the defendants have previously done remains --MR. NELSON: Yes. THE COURT: -- and it's available every moment. MR. NELSON: Yes. sir. So we have stopped the defendants. THE COURT: mean, we have done that. In my opinion, we have done it effectively. What we haven't done is removed the past damage, because that remains. And the question really is: Can I compel the third party, Xcentric, to remove those statements? MR. NELSON: And we believe you can. Well, I agree with you that that is --THE COURT: Just to set the issue, Ms. Speth, you believe I can't? MS. SPETH: That's correct, Your Honor.

THE COURT: Okay.

MR. NELSON: Okay. The defendants in their brief have cited a bunch of cases, but we'll explain why those cases are really not relevant to this situation. There's actually very few cases that deal with the issue that we have here, which is: Do you have the authority? Admittedly, there's only a couple. I believe they favor us.

THE COURT: Yes, I wish there were more.

MR. NELSON: Do you have the authority to give this order? And we gave two examples in our brief. There was the case from Iowa where the Arizona prison officials were -- the judge sort of preemptively said, "If you don't obey my order, I will consider you in active concert and participation," and then there is the abortion protestor case out of the Ninth Circuit. That's really the -- there are a few other cases along those lines, but they're not as factually close. That's really it on this issue.

All the cases the defendants cite are interesting because none of them involve this situation. None of them involve a situation where we had an injunction against defendants and someone was merely asking their help. All of those cases in their brief, either they were sued or service providers like them were sued. And there is a salient fact in all of them, is that in all the cases except for the ones that they were involved in, the providers took the statements down.

There's a case against MySpace where the party

complained that they didn't take it down fast enough, and there was -- you know, it -- in all those cases, the question was not whether the court had authority under Rule 65. The question was whether those people faced liability for civil damages for not acting fast enough, or for not acting in a thorough enough manner, or for not policing their website enough. We are not making any of those claims here.

The Seventh Circuit recently ruled in a *Craigslist* case on this issue, and it significantly has said that it doesn't necessarily agree with all the other circuits that have ruled on this.

THE COURT: Which case is that? I am sorry. I didn't --

MR. NELSON: I have it here.

THE COURT: -- have that one in front of me.

MR. NELSON: Yeah. It's Chicago Lawyers' Committee for Civil Rights Under Law versus Craigslist. It's -- the citation is 519 F.3d 666.

THE COURT: Okay. Well, it wasn't that recent. I thought it was like last week.

MR. NELSON: No. There was a case last week from Judge Grady, also I believe involving *Craigslist*.

THE COURT: Well, I have great respect for Judge Grady, but he is not the Seventh Circuit.

MR. NELSON: That's correct. Okay. So I -- the

Chicago Lawyers' Committee case is significant. The facts of the case are simply that they -- a lawsuit was filed claiming that they were violating FHA requirements, Federal Housing requirements, by allowing discrimination and choosing roommates, for example.

The Seventh Circuit analyzed the CDA and especially looked closely at what other circuits were doing with the CDA. Now, certainly many other courts have found that the CDA gives very broad immunity. The Seventh Circuit disagrees. They do not believe that the immunity is as broad as the other courts have interpreted it.

And the salient factor by the CDA is that there's a quid pro quo there. They give web-service providers some degree of immunity, but it is called the Communications Decency Act. The quid pro quo is that those web-service providers are going to exercise some policing ability.

The purpose of the CDA was really to establish at what level could you sue a web-service provider for not policing enough, and the CDA --

THE COURT: Successfully sued.

MR. NELSON: Yes.

THE COURT: I mean, you can sue them by paying the money and filing a complaint --

MR. NELSON: Correct.

THE COURT: -- and try to serve them, yes.

MR. NELSON: So the CDA says that -- and the Seventh Circuit's take on it is that while the CDA says you cannot sue successfully for not policing enough, but it doesn't foreclose all lawsuits.

I just point to that case because, again, we're not suing under the CDA, we're not asking for liability, and our position is this is solely a Rule 65 issue. But it is significant that this circuit has found that the immunities that the defendants are relying on in their brief are not as broad as all of the other cases that are out there from other circuits.

Our view is that this is solely a Rule 65 issue. It's solely a question of whether the power to ask this third party to comply with the injunction is within the Court's necessary and appropriate powers.

We think it's a practical issue, not a strictly legal issue, because what it comes down to is if the Court can't make these websites take this down, from now on, all people like the defendant, Mr. Williams, now have a safe haven. They can -- any website that says, "Hey, we're just going to" -- "we're a third party, and we don't have any liability," they have the safe haven to do whatever they want.

THE COURT: Right. They can post and run.

MR. NELSON: And --

THE COURT: Just as the defendants in this case did.

MR. NELSON: Yes. And we don't believe -- there's not a case out there that countenances that result. Not a single one of these cases involves a situation where we had a judgment against a defendant and the website refused to pull it down.

To illustrate the -- kind of knife edge of the dividing line here, many of the CDA cases that the Seventh Circuit is not sure it agrees with involve a situation where they -- where someone sends an e-mail -- they don't have a court judgment, but they send an e-mail to the website provider and they say, "Well, I say it's false." And many courts have said, "Well, the website doesn't have to take it down just based on you saying it's false."

But this case, this case before the Court is not even like any of those cases. And I would submit that even those courts, those other circuits would agree with us in this case. Here, we're not asking the website provider to conduct an investigation or determine it's false or do any of those things. We've done all of that work for the website. We've got the judgment.

There is not a case out there, not one, that suggests that someone can leave up defamatory statements once given a judgment and all the work's been done for them. Cases do defend website providers on the grounds that if someone just e-mails you, you know, we're not going to demand that people

conduct investigations. But that's not this case. This case is the exception to all of those rules because we did all of these things first.

So, to the extent the defendants rely on the CDA, the Seventh Circuit has stated some general disagreement with the other circuits. And, again, we think we're operating really within the Court's necessary and appropriate powers to enforce this injunction. We don't think we're really operating, in a sense, under the CDA at all.

THE COURT: Well, actually, my understanding of the defendants' position is they're really not presenting the CDA as a defense. What they are saying is, "If you sue us, we will present the CDA as a defense." "You haven't sued them, and we're actually doing nothing."

MR. NELSON: Well, that's --

THE COURT: Isn't that your position, Ms. Speth?

MS. SPETH: Yes, Your Honor.

THE COURT: You are doing nothing?

MS. SPETH: We're hosting a website --

THE COURT: Hosting a website.

MS. SPETH: -- with millions of postings on it.

THE COURT: Right, where others can post, including the plaintiffs. And that's the real issue. I mean, this is a unique case.

MR. NELSON: Well, I think in this case, the

defendants -- it might be a stretch to say that *RipoffReports* is doing nothing. *RipoffReports* actively solicits this kind of stuff on its website.

THE COURT: Wait, wait. But that's not what they did here.

MR. NELSON: I mean -- right. I --

THE COURT: I have to deal with the facts here.

There is no indication they actively solicited the defendants to post on their website.

MR. NELSON: They do tell all their users, including the defendants, "If you post here, we'll never remove it."

THE COURT: Right.

MR. NELSON: They have a waving of flags --

THE COURT: Well, that's Mr. Magedson's position that Ms. Speth has articulated.

MR. NELSON: Right.

THE COURT: And you have worked with him how long?

MS. SPETH: Ten years.

MR. NELSON: The effect of that, though, is to wave a flag to people like Mr. Williams and say, "We're your safe haven. You can say" -- "You can do whatever you want on our website. We're going to protect your identity, and we're going to try our best to prevent any of these statements from being taken down." That's a little more than just doing nothing. They're inviting this kind of behavior.

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                They -- Mr. Williams did not go to a more reputable
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      website -- "more reputable" is not fair to them, but that he
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      did not go to, say, more --
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                THE COURT: Accommodating.
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                MR. NELSON: -- cooperative websites.
                THE COURT: Yes. Okay. Cooperative.
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                MR. NELSON:
                             Okay. He went here, and he went here
      for that reason. That puts him in active concert and
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      participation, just to the extent that they've now got the
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      court order.
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                THE COURT: Okay. Do we know that's why he went to
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      it?
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                                  That is my argument, Your Honor.
                MR. NELSON: No.
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                THE COURT: That's your inference from the fact that
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      you sued him and he's done nothing.
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                MR. NELSON: Well, and the inference from the
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      statements on RipoffReport's website, the terms of service and
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      the types of statements that they've made there.
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                THE COURT: Well, we don't know why Williams won't.
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                MR. NELSON: He won't talk to us, and we can't ask
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      him.
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                THE COURT:
                           Right, right. Ms. Speth, is there
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      anything you want to say, or other counsel?
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                            If I may, Your Honor? Thank you.
                MS. SPETH:
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                Mr. Williams went to a lot of sites. That's one of
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the things that Mr. Nelson told you early on. He actually posted this in numerous places.

THE COURT: Right.

MS. SPETH: So he didn't single us out because he thought this was the place. He posted it wherever he wanted to post.

And, actually, Your Honor, I need to step back for a minute. I understand that this Court has already made a finding that Mr. Williams is the author, but that was a finding on default.

THE COURT: It was a finding on default. There was no evidence in opposition --

MS. SPETH: Right.

THE COURT: -- and Mr. Williams did not contest it.

MS. SPETH: Correct. Mr. Williams did not come forward and contest it, Your Honor.

THE COURT: Right.

MS. SPETH: But, as we say in our papers, our internal records indicate that there were three different authors with three different IP addresses, none of which have any contact information that match Mr. Williams.

I am not saying Mr. Williams is not the author. I am saying as vis-a-vis my client, who's a third party, there has been no evidence that Mr. Williams is really the author, which means we can't be in active concert with Mr. Williams if he's

not actually the author. Of course, my position is even if he is the author, we are not in active concert with him.

Your Honor, I understand that you sit in equity, and I understand that right now, your job is to balance hardships, and I also understand that it's easy to look at this family and say that they've got a hardship here because what's posted on *RipoffReport* appears to be, you know, nasty about them. And I --

THE COURT: Yes. They have been in my courtroom. I feel some compassion for them.

MS. SPETH: If I were sitting in your shoes, I would as well, Your Honor. In fact, I do. But you are balancing that hardship against the hardship of the First Amendment, you know, not the hardship, but the interests of the First Amendment, and due process, Your Honor.

Xcentric is operating a business and trying to keep afloat in difficult financial times and is sued constantly, and the CDA, the Communications Decency Act, has been its survival. It would not be in business right now.

Now, perhaps Mr. Nelson would say, "All the better if it were not in business," and I'm sure he feels that way, and perhaps Your Honor feels that way, but, Your Honor, this website has helped a lot of people. It was, perhaps, misused in this case, but it's helped a lot of people.

And no one can expect my client to be the judge and

Colleen M. Conway, Official Court Reporter

jury of every posting, to decide whether it's true or false, so my client has to take a hard line and say, "Look, I can't decide whether something's true or false, and I am not going to take it down unless a court order has been issued." And to order my client, you need to have an evidentiary hearing with my client actually present, because there's been this two-step process, go in against somebody who's in default, who's not going to put up a fight, get your ruling, and then try to substitute my client in the place of that person. My client has not had his day in court or its day in court.

And absent that day in court, Your Honor, we have some misstatements that have been made, things like my client charges people to file rebuttals, completely false, the fact that two of these postings are from 2003 and are far outside the statute of limitations and never should have survived in this case. And the only reason they survived is there was no one on the other side to point out to Your Honor that they were old and outside the statute. And Mr. Nelson took the position that they were somehow rewritten, which is absolutely not accurate. So there was -- you know, my client never had the opportunity to come in as a defendant and prove his case.

And so I'm -- you know, I realize and I appreciate that you're giving us somewhat of that opportunity now, but we believe there would need to be a full evidentiary hearing.

Your Honor, the other issue that we have here with

respect to the First Amendment is people use this website for good. People use all of these websites for good. And Congress has made a decision that free speech on the internet is of paramount importance and, therefore, were going to shield the operators of the website from liability for claims and from lawsuits that might result in injunctions.

The case law is very clear that injunctive relief is also not available against websites.

Mr. Nelson has mentioned a couple of times that the Seventh Circuit doesn't go that far. I completely disagree, Your Honor, and I encourage you to read the case that he has cited.

The Seventh Circuit has not narrowed the Communications Decency Act in any way, shape, or form. There is full safe haven or safe harbor as to Xcentric Ventures.

But, Your Honor, what it comes down to -- and I understand it's a difficult balancing of hardships, and there are two difficult interests that you're balancing up against one another. The bottom line is under the rule, you need to find we're in active concert with somebody that my client has never spoken to, does not know, has never met, has never communicated with, and has absolutely nothing to do with. I don't see how you can find active concert in that situation, Your Honor. And I'll stop there.

MR. NELSON: Judge, I tried to gloss over many of

1 those issues I don't believe to be relevant, but if they're 2 going to be argued, I would like a chance to respond to them, 3 and we haven't had a chance to file a response. 4 THE COURT: If you want to file a reply, you may do 5 I --SO. 6 MR. NELSON: Well, we're prepared to argue them 7 today. Well, I was prepared to cross-examine Mr. Magedson, 8 because it was my understanding that if evidence was going to 9 be offered --Did you subpoena him? 10 THE COURT: 11 Oh, no. But the Court ordered last week MR. NELSON: 12 that if witnesses were going to be relied on, that they 13 be here. THE COURT: Yes, I did. What I said was "lawyers and 14 15 parties." 16 Well, what in Magedson's affidavit do you desire to 17 dispute? 18 MR. NELSON: The first, this identity issue, the 19 suggestion that we don't know who posted these statements. 20 That, Your Honor, we believe is -- just absolutely has no place 21 here. 22 Let's move past that. THE COURT: 23 MR. NELSON: Okay. 24 THE COURT: At this point, the ability of the 25 non-party to identify the posters I believe is like an ostrich

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      in a hole, but I understand ostriches actually don't do that,
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      according to the Seventh Circuit opinion that recently came
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      down.
             So --
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                MR. NELSON: Setting that --
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                THE COURT: -- moving past that.
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                MR. NELSON: Setting that aside --
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                THE COURT: Yes, just setting that aside.
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      making no ruling on it. Just setting it aside.
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                MR. NELSON: Okay. The claim about "We don't
      receive" money is a bit -- let's just say nuanced. Mr.
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      Magedson does receive money from people. It's my -- there are
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      court rulings, and I can read them if the Court wants to hear
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      them. He does receive money from people who want -- as part of
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      his corporate advocacy program. His declaration seems a little
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      -- seems to imply he doesn't ever receive money, and that's not
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      the case. The big dispute was does -- is it necessary to pay
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      to force a rebuttal? No, it's not. Do a lot of people, a lot
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      of companies pay him? Yes, they do.
19
                On his website, he describes his corporate advocacy
20
      program as something where if you're a member of the program,
21
      then they'll step in and update posts if a dispute has been
22
      resolved.
23
                In the court ruling that I'm referring to --
24
                THE COURT:
                            Isn't that what Ms. Speth has described
25
      here, this arbitration situation, if there is a determination
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by Judge Meyerson, that they will post the determination?

MR. NELSON: It's a separate program, as I understand from them, but the key feature is that, as I understand the corporate advocacy program, a substantial chunk of money has to be paid to Mr. Magedson to perform this service. The --

THE COURT: Well, let me ask Ms. Speth. This arbitration program that you have mentioned here with Judge Meyerson, who pays that?

MS. SPETH: Yeah, that's a \$1500 fee. A thousand of it goes to the arbitrator, and 500 goes to *RipoffReport* for administering the program.

THE COURT: Okay.

MS. SPETH: But there are two different programs. In all fairness, Mr. Nelson is correct. Corporate advocacy is a whole different program. It's completely inapplicable here. It was not offered to these parties because they're not businesses, and it would not have been offered to them. But it's for big businesses that have hundreds of reports, and my client goes in and helps them to remediate between them and their consumers and acts as like an extra -- an outside arm of their customer service and helps resolve the complaints and then posts the results. It can be expensive, but some of these companies have hundreds of reports, and my client has a whole, you know, program that he does for them. It's completely inapplicable here, Your Honor.

MR. NELSON: Well, that --

THE COURT: Well, let me just ask, Mr. Nelson, is there any evidence that Mr. Williams or anyone working with Mr. Williams paid?

MR. NELSON: No. That's not quite how it works, but no, no.

THE COURT: Okay.

MR. NELSON: And we only bring up the corporate -the only reason this is in there is to suggest how we
understand their motivation for not doing what we think is
reasonable in this case. It's this -- they've made this
argument about how this will open the floodgates. Now, I
disagree with them because I don't think there are a lot of
plaintiffs out there going to court to get judgments and then
approaching them.

From what I can see of all the reported cases, and they've been involved in a lot, people are going after them directly, trying to get liability. We haven't done that. So I don't think there's any floodgates opening. But that seems to be their concern. I don't think it's justified. But --

THE COURT: Well, sure, it's speculative, and you disagree with their speculation.

MR. NELSON: Yeah. This is not a First Amendment case. There's no First Amendment right in defamation. And the defendants, they don't have any substantive interest in the

statements at issue here. They're not -- it's not Mr. Magedson's statements.

THE COURT: Right.

MR. NELSON: They have no First Amendment issue in this case. And there's no hardship to them. We don't believe a balance of the hardships would really probably apply here. But even if that was the analysis the Court adopted, taking down these websites would have taken -- these posts would have taken seconds.

Even if other people choose to file lawsuits and get judgments, there's no hardship to *RipoffReports* to take down statements when someone has presented them with a court judgment that a statement is false. That is the approach every other business in this field has adopted: If you show us a judgment or if it's clearly a threat of violence or something like that, it's gone. No questions asked.

So there's no hardship to them to following that. It's not going to open any floodgates or -- that we can see.

The client -- or, I'm sorry, *RipoffReports* has had its opportunity, to the extent they were making sort of a due process argument, to present its case. The whole reason we didn't come in and say this is a motion for contempt is because we believe this is some sort of a plenary power issue, and we believe that there might be a circumstance where they could say some due process issues. They should have a chance to say, "I

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1
      can't take it down because it's burdensome," or, "I can't take
      it down because there is something you don't know about.
 2
 3
      Judge." They should have the opportunity to say that, but they
      have had that opportunity. They had the opportunity last week,
 4
      and they have it now. They've had their day in court. If they
 5
 6
      wanted to present witnesses, they could have brought them.
 7
      would have been prepared to cross-examine them.
                            Well --
 8
                THE COURT:
 9
                MR. NELSON: We were ready to do that, and --
10
                THE COURT: -- going back to my question -- and you
11
      have gone back into argument -- what is it about Mr. Magedson's
12
      affidavit or declaration that you dispute?
13
                MR. NELSON: The disputed issues were the stuff about
      identity.
14
15
                            Well, no, no, not the stuff about --
                THE COURT:
16
                MR. NELSON:
                             And --
17
                THE COURT: Just point to me the paragraph. He has
18
      very neatly paragraphed and enumerated the paragraphs, so just
19
      point me to the paragraph on a particular page and say --
20
                MR. NELSON: The statement --
21
                THE COURT: -- "I dispute this."
22
                MR. NELSON: The statement in paragraph 5, where it
23
      says --
24
                THE COURT:
                            Okay.
25
                MR. NELSON: -- RipoffReport has never charged any
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money, nor has it attempted to charge any money to anyone" --
 1
 2
                THE COURT:
                            Wait a minute. You mean paragraph 5?
 3
                MR. NELSON:
                             Sorry.
 4
                THE COURT:
                            Okay. The RipoffReport. I see. Okay.
 5
                MR. NELSON:
                             I think Ms. Speth's argument on that
 6
      issue I think accurately states it a little more clearly than
 7
      this paragraph does. They do charge and accept money. I agree
 8
      that it's not --
 9
                THE COURT: So that should be modified to say that:
10
      The RipoffReport has never charged any money to people in the
11
      position of the plaintiffs, nor has it attempted to charge any
12
      money to anyone in such a position seeking to respond to
13
      reports?
14
                MR. NELSON: That probably would be accurate, yes.
15
                THE COURT:
                            Okay.
16
                MR. NELSON: And then we address the identity issues.
17
      And the server log, we just don't -- you said let's move on on
18
      that issue, so we'll move on on that issue. But that starts at
19
      paragraph --
20
                MR. 0'SHEA: 8.
21
                MR. NELSON: -- 8, and it goes on a little bit after
22
      that.
23
                THE COURT: Okay. Anything else?
24
                MR. NELSON:
                             Our other issues for cross-examination
25
      were more to point out things that he left out, not necessarily
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1
      things that he'd misstated.
 2
                THE COURT: Well, what did he leave out?
 3
                MR. NELSON: Well, the post -- first of all, nobody
      discusses in their brief or in his declaration the 2009 posts.
 4
 5
      There's all these arguments about statute of limitations.
 6
      There are posts purely created in 2009.
 7
                THE COURT: What was the 2009, March 11, 2009 post
      that's apparently referred to, and there's an arrow pointing at
 8
 9
      least to the line above it on page 4 of Mr. Magedson's
10
      declaration?
11
                MR. NELSON: That's not -- that's a modified
12
      document. He's pointing to show that he's changed the word
13
      "modified." I have an original copy here.
                            No. I am --
14
                THE COURT:
15
                MR. NELSON: Okay. The post --
16
                THE COURT: I am not asking about -- what was the
17
      posting on March 11, 2009?
18
                MS. SPETH: I can answer that, Your Honor. It was a
19
      -- if somebody posted a newspaper article about when Megan
20
      Blockowicz was put in jail --
21
                THE COURT: Okay.
22
                MS. SPETH: -- or so -- or one of Megan Blockowicz's
23
                It wasn't about Lisa. It wasn't about any of the
      cohorts.
24
      plaintiffs.
25
                MR. NELSON: And we would point out simply that if
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1
      you look just a little above that arrow, you see the words:
                Employee inside information" --
 2
      "Update.
 3
                THE COURT: Gosh, I don't -- oh, yes, over on the
      left-hand side after an asterisk?
 4
 5
                MR. NELSON: Yes.
 6
                THE COURT: Yes, uh-huh.
 7
                MR. NELSON: On all of their posts, whenever -- on
 8
      all of the RipoffReport reports, that appears there. So every
 9
      time someone makes a post, this -- a title like that appears.
      In all the exhibits we've submitted to the Court, there's a
10
11
      title like that.
12
                THE COURT:
                            Okay.
13
                MR. NELSON: So in -- and we would point that out as
14
      part of our argument. There are substantive changes to these
15
      posts at constituted republication. They change the titles.
16
      It said -- it used to say -- they've changed it now, but it
17
      used to say: "Modified: 3/11, 2009," which would indicate to
18
      a consumer that they have agreed that that's confusing.
19
      indicates that it's -- something about the post has been
20
      modified.
                 In addition --
21
                THE COURT: So they have now changed it to "last
22
      posting."
23
                MR. NELSON: Yes.
                                   That's the new, the new version.
24
                THE COURT:
                            Okay.
                                   So --
25
                MR. NELSON: But it -- this also relates to --
```

related to the statute --

THE COURT: What do you want me to stop them about that?

MR. NELSON: I don't want you to --

THE COURT: There's nothing --

MR. NELSON: No, no.

THE COURT: -- wrong with that?

MR. NELSON: No, no. That was stuff we would have highlighted on -- that we had intended to highlight on cross-examination for purposes of addressing this, the statute of limitations argument, the things that are actually updated here.

And the whole web page, this is all on one page. The whole page is updated. It's not an update of some other page of the website unrelated to the original comment. Someone posts, and when you -- when a person is posting, they have the -- they can identify themselves, for example, some employee insider. Now, if that's the case, they throw in a new heading and it's a new page to the world. There's a whole new content added to the bottom.

Even if the newspaper article is not a defamatory content, that's still a new page intended to reach a new audience and intended to increase relevance in the eyes of search engines.

THE COURT: So you are basically calling that a

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1
      repeated statement? It's repeated?
                             It's republication in our view.
 2
                MR. NELSON:
 3
                            Okay. Is that it out of the declaration?
                THE COURT:
 4
                MR. NELSON: The other thing we were going to bring
      out on cross-examination -- you haven't seen this, but new
 5
 6
      websites are now linking to the RipoffReports. That's a new
      development the Court wasn't aware of.
 7
                THE COURT:
 8
                            What --
 9
                MR. NELSON: There's a --
                THE COURT: So there's somebody else?
10
11
                MR. NELSON: Yes.
12
                THE COURT: Who's really a non-party?
13
                MR. NELSON: Yes.
                THE COURT: Who then puts a link?
14
15
                MR. NELSON:
                             To --
16
                THE COURT: So like the webmaster of the United
17
      States District Court for the Northern District of Illinois
18
      could put a link on the Northern District of Illinois website
19
      to Ripoff --
20
                MR. NELSON: Yes.
                                   The particular --
21
                THE COURT: -- Report.com?
22
                MR. NELSON: Yes. And the website is called
23
      ScamFound.com. It purports to list scams that appear as some
      sort of bought -- that combs RipoffReports, and now we're --
24
25
      well, all it's doing is increasing the audience now, because
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1
      now it's being published again to this new audience, to this
 2
      new website. It says: "New scam about Lisa Blockowicz," shows
 3
      the link, and brings the user back to their site.
 4
                THE COURT: Well, I understand, but what control does
      Mr. Magedson have over that?
 5
                MR. NELSON: Well, if he had taken it down, he would
 6
 7
      have control over that, but that's the extent of his --
                            I see. If he would have taken it down --
 8
                THE COURT:
 9
                MR. NELSON: That would --
                THE COURT: -- they couldn't link to it because it
10
11
      wouldn't show up --
12
                MR. NELSON: Yes.
13
                THE COURT: -- when they linked to it? Okay. All
14
      right.
              I get it.
15
                Ms. Speth, anything further you want to say?
16
                MS. SPETH: Just --
17
                THE COURT: I think I would like a reply, just
18
      because I want to -- I am not going to rule from the bench
19
      today. I apologize, but I am not.
20
                MR. NELSON: Okay.
21
                THE COURT: I think it's too important of an issue,
22
      and it's too unique of an issue.
23
                MS. SPETH: Your Honor, just on the timing of the
24
      reports, there are three reports that were posted. Two of them
25
      were in 2003. One was in 2009. To argue that the 2003
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postings were republished because somebody published something else is a little nonsensical, and it's directly contrary to the case law that we cited in our brief.

The fact that someone else posted something that said, "I agree with you," or, "I disagree with you," does not constitute a republication.

I will say, though, Your Honor, sort of to help you narrow the issues, that the 2009 report clearly is within the statute of limitations and clearly did relate to Lisa Blockowicz. It did not say anything negative about David or Mary Blockowicz, but it did say something negative about Lisa Blockowicz.

So, Your Honor, I would not raise my statute of limitations argument with respect to that report and that plaintiff. I do believe the other two plaintiffs' claims are barred by the statute of limitations. And as to the other reports, they were barred by the statute of limitations. But that -- I just wanted to address that.

THE COURT: Okay. Help me out on this page 4 of Mr. Magedson's declaration. The "asterisk update employee, dot, dot, inside information, colon, dot, dot, dot" --

MS. SPETH: Yes.

THE COURT: -- what does that mean?

MS. SPETH: Sure. In fact, it's kind of fascinating, and it really -- I probably should have mentioned it to Your

Honor because it's a really good example of how the RipoffReports sometimes often has very important information.

So back in October of 2003, someone posted a report that said that Megan Blockowicz -- that they claim to be a social worker, a CPS worker, and they said that Megan was kind of messed up, and that she wasn't taking good care of her children -- or her child, and that her husband, David, had custody. And this CPS worker talked about how it was a good thing that the kid was in the custody of David, who is the defendant in this case, by the way.

That spurred a whole host of comments back and forth on the debate over confidentiality that a CPS worker should have compared to safety of children and how it's important for people to know.

And so the employee update was somebody who claimed to have an inside take on it because they worked with Megan --

THE COURT: Oh.

MS. SPETH: -- at a fitness thing. So they were calling themselves an employee in the sense that -- oh, you were thinking "employee" like my client? No.

THE COURT: Like your client, right.

MS. SPETH: They call themselves an employee because they worked with Megan. But it was an interesting -- it's a fascinating debate over whether this CPS worker had a right to disclose the information that she disclosed, and then other

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1
      people saying, "Well, safety is more important than
 2
      confidentiality," and some people saying, "I don't think you're
 3
      really a CPS worker, because if you were, you wouldn't have
      done that."
 4
                So that particular posting from back in 2003 actually
 5
      has, I think, 15 rebuttals to it. Some of them are consumer
 6
 7
      comments. Some of them are, you know, that employee comment.
 8
      But it's really like this public debate over confidentiality
 9
      versus safety, and it's kind of interesting to read.
10
                MR. NELSON: We have a --
11
                THE COURT: Is that an exhibit in the materials?
12
                MR. NELSON: Yes.
13
                THE COURT: Which --
14
                MR. NELSON:
                             It was attached to the preliminary
15
      injunction motion. And I have extra copies.
16
                THE COURT: Which exhibit is it?
17
                MS. SPETH: And frankly, Your Honor, you have ordered
18
      all of that to be taken down, because Mr. Nelson, you know,
19
      represented to you that it was all defamatory when, in fact,
20
      it's a lot of really important consumer comments.
21
                THE COURT: Yes.
                                  I am --
22
                MR. NELSON: Well, we've alleged --
23
                THE COURT: -- just looking for the exhibit. You
24
      said --
25
                MR. NELSON: I have it here.
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1
                THE COURT: -- it was interesting, so --
 2
                MR. NELSON: I just have to put my hands on it, Your
 3
      Honor.
 4
                MS. SPETH:
                            I have an extra copy. Do you want it?
                THE COURT:
 5
                            Okay.
                                  I don't need an extra copy.
                MS. SPETH:
 6
                            Okay.
 7
                THE COURT:
                            I have it in the back.
                MS. SPETH:
                            I got, I got it. I'm sorry. Maybe
 8
 9
      you --
10
                THE COURT:
                            I just wanted a reference so I can --
11
                MS. SPETH:
                            Right, so you know which exhibit it is.
12
                MR. NELSON: Preliminary Injunction Exhibit F,
13
      Exhibit F to the preliminary injunction motion.
14
                THE COURT:
                            Okay. Thank you. All right.
15
                MR. NELSON: Just to know we allege in the complaint
16
      that the so-called debate was between normal people and Mr.
17
      Williams posing as other people. So on the one side, we have
18
      third parties posting, "This sounds fishy," and Mr. Williams
19
      posing as Scott and Reid and Unhappy Camper USA. We've alleged
20
      that those are all him. I don't know that it's really a
21
      healthy public debate. That's him defending his own post.
22
                THE COURT: And he hasn't denied it --
23
                MR. NELSON: Yes.
24
                THE COURT: -- because he hasn't shown up in this
25
      case.
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MS. SPETH: Your Honor, that's an important point. I think what I see happen here is that consumers who post, people who post on *RipoffReport* don't have the financial resources -- and I'm not saying David Williams. I know nothing about David Williams. But, in general, they don't have the financial resources to fight a claim of defamation. And so what I see over and over again is someone posts a report and says, "This particular car company sold me a lemon." The car company sues them for defamation. They don't show up. They can't afford to defend it, and they do nothing, right? And then if you create this precedent, then the car company comes after my client and says, "Now, take it down, because I have a court order that says it's false." Well, that's the floodgate that I was trying to describe earlier.

Just because that individual didn't have the money or the resources to fight it -- or maybe in this case he didn't fight it because he knew it was true, I don't know, but often it's because they can't fight it -- doesn't mean it wasn't true and doesn't mean that the business -- in most cases, it's a business on the other end of these -- the business isn't going to use their financial resources to bully, first, the consumer and to -- into chilling their free speech and then bully <code>RipoffReport</code> into following the court order.

And if this precedent is set, I can't imagine that Mr. Nelson can't admit that the floodgates would be open. It

would be the perfect way for everyone to shut up *RipoffReport* and to shut up the people who are posting on *RipoffReport*. Go against the consumer, get your court order against the consumer, and then two-step it and come after Xcentric and get Xcentric to take it down. It's dangerous, Your Honor.

MR. NELSON: That would cost a small fortune to go after -- I mean, a company who has 50 complaints would have to sue 50 consumers. Even at the discounted way we're handling this case would cost far more than, say, paying Mr. Magedson for his consumer advocacy program. There's no -- I don't agree. I don't believe it's floodgates. I believe this is a unique case and a unique situation.

THE COURT: All right. Well, when would you like to reply, Mr. Nelson?

MR. NELSON: We'll get it in the Court's hands no later than Friday.

THE COURT: Okay. Friday, the 13th?

MR. NELSON: Yes.

THE COURT: Which we hope is a lucky day, one way or the other.

MR. NELSON: I will be hoping it's a lucky day.

THE COURT: All right. Ms. Speth, even though it is typically not called for in the briefing, and certainly the plaintiffs have the burden of persuasion here, would you desire to file a surreply or not? Or do you stand on the materials

and the arguments that you have made here?

MS. SPETH: At this point, I don't think so, Your Honor. If Mr. Nelson raises something new, I would ask for that opportunity. But if he's only addressing what I've already done, then I don't think it's necessary.

THE COURT: All right. What I would like to do is set a date for that decision to be made.

MS. SPETH: Okay.

THE COURT: What date would you like?

MS. SPETH: If he files by Friday, I can let you know by Monday whether we think that he's raised something new that would require a surreply.

THE COURT: All right. I will give you -- I mean, you are halfway across the country.

MS. SPETH: Yes.

THE COURT: I know you are only in a one-hour time zone different than ours, but Mesa, Arizona -- is that where you are from?

MS. SPETH: Phoenix, Arizona.

THE COURT: Phoenix, Arizona is quite a ways. I will give you until the close of business on Tuesday. So Tuesday, the 17th at 5:00 p.m.

If you could just file one way or the other, just saying, "I am not going to file a reply brief," or, "I would like to file a reply brief by such-and-such a date," then I

would like to get this in, get the reply brief in, if you decide to file one, no later than a week after Monday, which would be the 23rd.

MS. SPETH: Okay.

THE COURT: Okay? All right.

MR. NELSON: We have asked for, Judge, and would like to ask again that the statements be taken down while this is being adjudicated.

THE COURT: All right. Ms. Speth, would you agree to have the statements taken down while this is litigated?

MS. SPETH: My client will not agree, Your Honor.

THE COURT: Okay. Anything else from anybody?

MR. NELSON: In future court appearances, Lisa Blockowicz has only been able to make it here on occasion. She's a public school teacher which makes it a little harder for her to take time off. If the Court would like the plaintiffs here at any point in time, we would just ask that we have a little notice of that.

THE COURT: Sure, I understand. I don't know that one way or the other there will be a need for future court appearances here. I mean, if you win, there is no need for future court appearances here. If you lose, there is no need for future court appearances here. So I don't know that there will be any further inconvenience.

As I said, I have a lot of compassion for the