For Indiana School Choice

By Bert Gall

For almost two years, IJ was locked in a legal battle with national and Indiana teachers’ unions who tried to eliminate the Hoosier State’s statewide school choice program. On March 26, we—and the families we represented in the litigation—won a decisive victory that saved the program from the unions’ legal assault. In a unanimous decision, the Indiana Supreme Court held that the Choice Scholarship Program (CSP) does not violate the Indiana Constitution. Instead, that program is perfectly consistent with it.

Because the Indiana Supreme Court is the final arbiter of the meaning of the state’s constitution, the unions cannot appeal to the U.S. Supreme Court. Thus, no legal obstacles remain for the CSP, which allows low- and middle-income families all over the state to use publicly funded scholarships to pay for tuition at participating public or private schools. Because approximately 62 percent of Indiana families are eligible to receive scholarships for their children, the CSP has the potential to be the largest school choice program in the nation.

IJ client Monica Poindexter and her son, Isaiah, now have school choice safe and secured thanks to IJ’s recent victory before the Indiana Supreme Court.
Dr. Ron Hines is a Texas-licensed veterinarian who is semi-retired and disabled due to an on-the-job accident. For more than a decade, he has used the Internet to give advice to pet owners around the world to help them solve vexing pet health problems. He sometimes charges a small fee, which helps him screen the volume of inquiries and has never earned Ron more than $2,400 in a year, and he sometimes gives advice for free. For some pet owners, particularly those in remote parts of the world, Ron is the only veterinarian to whom they have any access.

Last year, the state of Texas told Ron he had to stop helping people through his website, even though no one has ever complained about Ron’s advice. The government sent Ron a letter informing him that he was unwittingly operating a criminal enterprise by giving veterinary advice over the Internet. He was ordered to shut down his site, pay a $500 fine and had his license put on probation for a year.

In Texas, it is illegal for veterinarians to give veterinary advice through electronic means unless the veterinarian has personally examined the animal. This is the case even if the in-person examination has nothing to do with the advice being offered. But Ron cannot travel to Turkey, Belize or even California to examine the pets he discussed with their owners. Instead, he relied on information from the pet owners themselves and on records they provided, sharing his 30 years of veterinary insight and skills. In the eyes of the state of Texas, this made Ron a criminal, even though he is fully qualified to give advice.

The Texas law, like those in other states, helps protect brick-and-mortar veterinarians from disruptive technologies like the Internet. The profitability of those traditional veterinary practices has been under pressure as pet owners have availed themselves of new and less-expensive ways to obtain the help they need.

What better way to protect an outdated business model than to get a law passed that eliminates your competition?

Fortunately, the Constitution limits the government’s ability to enact protec-
It takes guts to go up against local, state and even the federal government. But that is exactly what the IJ Washington Chapter has done for the past decade, earning successes that have cleared the way for entrepreneurs to thrive and protesters to speak.

On a beautiful sunny evening this past April, the Institute for Justice Washington Chapter celebrated its first 10 years of litigating for liberty in the Evergreen State with dozens of supporters in its new offices in Bellevue.

While guests dined on delicious bagels, sandwiches and desserts provided courtesy of IJ-WA client Dennis Ballen, owner of Blazing Bagels, they also got a taste of what makes the Institute for Justice so unique. IJ President Chip Mellor noted that the success of the past 10 years was made possible by the attorneys and staff at IJ-WA, as well as the donors and supporters of the chapter, believing in The IJ Way and transplanting it to the farthest location from IJ’s home base in Virginia.

IJ-WA Executive Director Bill Maurer recalled some of IJ-WA’s biggest milestones, including arguing and winning a First Amendment case at the U.S. Supreme Court.

Demonstrating the national reach of all attorneys who work at the Institute for Justice, IJ-WA Senior Attorney Michael Bindas won a significant victory before the 8th U.S. Circuit Court of Appeals on behalf of a property owner in Missouri who wished to use the side of his building to protest the abuse of eminent domain.

Exhibiting the tenacity of a typical IJ client, Cliff Courtney set off on a three-day trip just to attend the IJ-WA 10th anniversary celebration. Cliff and his brother, Jim, are challenging the government-imposed ferry monopoly on Lake Chelan in Washington. Michael argued their case in May before the 9th U.S. Circuit Court of Appeals. IJ’s teaming with the Courtney brothers to challenge the scheme was a game changer, according to Cliff, who said, “What folks will learn is that if you’re going to play Monopoly, don’t play with IJ.”

Here’s to the next 10 years of making government regulators nationwide heed that warning.
Everyone wants an attractive smile, which is why teeth whitening is a rapidly growing industry. But thanks to lobbying by licensed dentists, Alabama—like a growing number of states—has made it a crime to sell teeth-whitening products, even if customers apply those products to their own teeth.

Now, two teeth-whitening entrepreneurs are fighting back.

Keith Westphal is a North Carolina entrepreneur who wants to expand his successful teeth-whitening business into Alabama. He sells customers over-the-counter teeth-whitening products and provides customers with a clean, comfortable environment to apply that product to their own teeth, just as they would at home. Joyce Osborn Wilson of Guntersville, Ala., wants to follow the same business model. Joyce has been a pioneer in the teeth-whitening industry and is the president of the Council for Cosmetic Teeth Whitening, a trade group that represents the interests of teeth-whitening entrepreneurs.

Keith and Joyce’s services are popular with consumers. Unfortunately, they are not so popular with the Alabama Legislature, which in 2011 made it a crime punishable by up to one year in jail and a fine of up to $5,000 for non-dentists to offer teeth whitening.

Alabama is not the only state to shut down non-dentist teeth whiteners. In 2011, the Connecticut State Dental Commission outlawed the practice. (IJ is challenging that ruling in federal court.) In fact, as IJ documents in a newly released report, White Out: How Dental Industry Insiders Thwart Competition from Teeth-whitening Entrepreneurs, at least 30 states have tried to shut down teeth-whitening entrepreneurs either through new statutes and regulations or through new interpretations of existing statutes.

The result of these actions is that consumers who want to brighten their smiles are paying higher prices for fewer choices. And they are doing so needlessly. The FDA regulates teeth-whitening products as “cosmetics,” which means that everyone, even minors, can buy the strongest commercially available teeth-whitening product and apply it to their own teeth at home, with no supervision or instruction. There is absolutely no reason why these products, which people legally use at home every day, should be illegal if used at a mall or salon.

But what Alabama has done is not just bad policy—it is unconstitutional. The Alabama Constitution requires that all restrictions on economic liberty have a reasonable fit with the dangers the state is attempting to prevent. And there is nothing reasonable about requiring entrepreneurs like Keith and Joyce to spend tens of thousands of dollars and years of their lives earning dental degrees simply to sell an over-the-counter product that customers apply to their own teeth.

That is why Keith and Joyce have teamed up with IJ to fight back. On April 30, 2013, we filed a lawsuit in state court seeking to strike down Alabama’s prohibition on non-dentist teeth whitening.

A victory for Keith and Joyce would do more than vindicate their right to sell teeth-whitening products; it would provide increased protection for the right of all Alabamans to earn an honest living free from arbitrary or protectionist government regulation. And that is something we should all smile about.◆

Paul Sherman is an IJ attorney.
Indiana Supreme Court Rules That Choice Scholarship Program is Constitutional

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That is a big reason why the teachers’ unions opposed the CSP. Furthermore, they understood that a major successful school-choice program in Indiana would threaten their educational monopoly not just in that state, but also in others that may follow Indiana’s lead by enacting their own statewide scholarship programs.

Thus, the teachers’ unions rushed to court to try to get the program struck down. They employed the same tired, unsuccessful arguments they make nearly every time they challenge a school choice program: that because many parents in the program select religious schools for their children, the program violates a clause of the state constitution that forbids state expenditures made for the direct benefit of those schools. This type of clause is known as a Blaine Amendment because of its historical connection to a similar federal constitutional amendment proposed by Senator James Blaine in 1876. That amendment failed, but similar language appears in 39 state constitutions, including Indiana’s.

Fortunately, the Court ruled that Indiana’s Blaine Amendment does not bar the CSP. Grounding its decision in the text of the clause, its history and relevant case law, the Court instead agreed with us that the direct beneficiaries of the CSP are not schools, but rather families to whom the state is trying to give more choice in their children’s education. According to the Court, the CSP “provide[s] lower-income Indiana families with the educational options generally available primarily to higher-income Indiana families. The result is a direct benefit to these lower-income families—the provision of a wider array of education options, a valid secular purpose. Any benefit to program-eligible schools, religious or non-religious, derives from the private, independent choice of the parents of program-eligible students, not the decree of the state, and is thus ancillary and incidental to the benefit conferred on these families.”

With those words, the Court slammed the door on the unions’ legal challenge, while simultaneously opening the door of educational opportunity to thousands of Indiana children whose parents are now empowered to pick schools that best suit their kids’ educational needs. Furthermore, by issuing a unanimous decision—indeed, the first unanimous decision by any state supreme court that has upheld a school choice program—the court created a persuasive legal precedent that we can, and will, use to defend school choice programs against union attacks in other states with Blaine Amendments.

The Indiana Supreme Court’s decision is a landmark legal victory for school choice—a victory that we will replicate in other state supreme courts all over the country.
Monks Win Again!
Landmark Economic Liberty Ruling
Could Be Headed to the U.S. Supreme Court

“The opinion is a total vindication for the monks and a complete repudiation of the state board’s nearly six-year campaign to deny the monks their economic liberty.”

IJ client Abbott Justin Brown and his fellow monks from Saint Joseph Abbey may soon find their economic liberty case before the U.S. Supreme Court.
By Scott Bullock and Jeff Rowes

In March, the 5th U.S. Circuit Court of Appeals issued a unanimous final decision in favor of the casket-making monks of Saint Joseph Abbey. The Louisiana State Board of Embalmers and Funeral Directors now intends to seek review in the U.S. Supreme Court, setting up what could be a historic clash over the right to earn an honest living.

The federal appeals court squarely rejected Louisiana’s argument that it was constitutional to enact a law forbidding anyone but a government-licensed funeral director from selling caskets, especially if the only purpose of the law is to make funeral directors wealthier by limiting competition. In short, the opinion is a total vindication for the monks and a complete repudiation of the state board’s nearly six-year campaign to deny the monks their economic liberty.

This case arose when the brothers of Saint Joseph Abbey, a century-old Benedictine monastery in Covington, La., began to sell their handmade caskets in 2007 to support the monks’ educational and health-care expenses. The Louisiana State Board of Embalmers and Funeral Directors moved to shut down the fledgling business before it sold even one casket because it was a crime in Louisiana for anyone but a government-licensed funeral director to sell caskets to the public.

Parishioners at the abbey’s church and others in the community were eager to buy the beautiful yet simple wooden caskets, appreciating that the monks make them from scratch, pray while constructing them, and bless each one.

Being non-confrontational, the monks tried to change the law in Louisiana in two consecutive legislative terms, only to have both efforts crushed by funeral industry pressure. With no other recourse, the monks teamed with IJ to bring suit in federal court on the ground that this arbitrary restriction served no legitimate public purpose and existed only to funnel money to the funeral-director cartel.

The 5th Circuit’s landmark decision—one of only a handful of federal appellate court decisions since the New Deal to protect economic liberty—will benefit millions of Americans across the country struggling to earn an honest living under the weight of government licensing rules that create barriers to entry and suppress competition.

The 5th Circuit—which covers Texas, Louisiana and Mississippi—held that laws amounting to “naked transfers of wealth” to politically favored insiders are unconstitutional. The court also rejected Louisiana’s argument that virtually any justification, no matter how imaginary and fantastical, was sufficient to uphold a law from constitutional attack: “The great deference due state economic regulation does not demand judicial blindness to the history of a challenged rule or the context of its adoption nor does it require courts to accept nonsensical explanations for regulation.”

But the monks’ fight may not be over. The state board is now drafting its petition to the U.S. Supreme Court. Although the Supreme Court agrees to hear fewer than one percent of petitions, the state board’s chances are far better than most.

The state board intends to argue that there is a fundamental disagreement among the federal courts of appeal about the Constitution’s protection of economic liberty. In 2004, in another IJ case, the 10th U.S. Circuit Court of Appeals ruled that the government can restrict economic liberty simply to make connected industry cartels better off, ruling that “dishing out special favors” to industry insiders is the “national pastime” of state and local governments. In the monks’ case, by contrast, the 5th Circuit—which followed a different line of cases, including a 2002 IJ case—ruled that pure economic protectionism was not a legitimate government goal.

The main purpose of the Supreme Court is to resolve these sorts of disagreements among the federal courts. That means that IJ and the monks may be walking up the steps of the Supreme Court next year to defend economic liberty for all Americans from overreaching government. That is a journey we are prepared to make.

Stay tuned!
By Anthony Sanders

Many of us have worked for a business owner and thought, “You know, I could do that.” And, many IJ supporters at one point or another in their lives have not only thought that, but have gone on to start their own businesses. It’s the American Dream.

But, if you were a taxi driver in Milwaukee, that was basically outlawed. Until now.

In April, a Wisconsin state judge ruled that Milwaukee’s government-imposed cap on the number of taxicabs, which favored a privileged few at the expense of everyone else, was unconstitutional.

Imposed in 1991, Milwaukee’s cap on taxis mandates that if you want to own a taxicab you must purchase one of the few government-limited permits from an existing owner. As happened in New York and other big cities, this predictably drove the cost of a permit to ridiculous heights, with the going rate now at about $150,000—more than the cost of an average home in that area. Not only does this fence out all but the most well-heeled from owning taxis, it also allows the cartel of owners to treat their drivers like urban sharecroppers. They pay drivers less than they would have to in a free-market system and subject drivers to arbitrary working conditions because they have nowhere else to go. For example, many drivers, including our client Ghaleb Ibrahim, were recently fired by their cab owners simply for speaking out at a city council meeting in favor of the city lifting the permit cap.

IJ demonstrated to the judge what this law really is all about: using government power to protect established businesses from competition. The judge noted that when the city passed the cap, an owner said the law would increase the value of his business and allow him to “move south.” In response, the judge ruled that enabling someone to retire to Florida is not a legitimate government interest.

IJ’s victory on behalf of three cab drivers came in dramatic fashion. The courtroom was filled with anxious cab drivers. With them at our back, I made our argument to the judge, and the city’s attorney did the same. At the close of the arguments we expected the judge to say she would get back to us on her decision another day, because typically judges rule weeks, months or even years after a hearing. But after we finished, the judge said she would be back in a few minutes with a ruling.

Wow!

We nervously waited with the drivers and other friends watching in the courtroom until the judge returned. Then she issued a stirring ruling in our favor. After it was over, my co-counsel, IJ-MN Attorney Katelynn McBride, and I turned to face the crowd and were besieged with a flurry of hugs from the drivers that then spilled out into the hall. It was a wonderful scene and an IJ moment that will remain with us forever.

The fight is not over, as the city may appeal or may change the law and claim a “new” cap is constitutional. But whatever happens, we will fight on until the right to be your own boss and earn an honest living gets the respect it deserves.

Anthony Sanders is an IJ Minnesota Chapter attorney.
Mile-High Victory for Taxicab Entrepreneurs

By Robert McNamara

As loyal readers of Liberty & Law will remember from our December issue, IJ is devoted to identifying opportunities to advance economic liberty for transportation entrepreneurs like taxi drivers nationwide. That devotion has allowed us to bring constitutional lawsuits in key jurisdictions across the country and also to bring less traditional cases like our representation of Mile High Cab in Colorado, where we presented that state’s supreme court with its first-ever chance to interpret Denver’s new taxi regulations. But seizing opportunities is only part of the equation; we also have to win. I am pleased to report that we have been doing just that. (And not just in Colorado—see Anthony Sanders’ report on our Milwaukee taxi victory on page 8.)

Our Denver case grew out of legislation passed in 2008 that removed key barriers to entry—specifically, the new law said that the state’s Public Utilities Commission (which regulates taxis) could not keep otherwise-qualified entrepreneurs out of the Denver market unless it had actual proof that the new entrepreneurs would harm the public. The commission, of course, did not like this one bit and kept right on doing what it had always done: locking new businesses out of the Denver taxi market. The first case to arise under the new law was a denied application by a new cooperative called Mile High Cab, Inc. We knew Mile High’s case would make or break the 2008 reforms, and, worried that Mile High could not afford an attorney to make the right arguments, we took the case straight to the Colorado Supreme Court ourselves. We hoped to convince the court to issue a stern rebuke to the commission.

It worked.

In April, the Colorado Supreme Court issued a unanimous opinion holding exactly what we had been saying all along: The 2008 law forbids the commission from shutting new businesses out of the market just because it thinks Denver might already have enough cabs. Without real evidence that a new company poses a danger, the commission’s job is to get out of the way.

These reforms make sense. The people of Denver no more need a state commission to decide whether Denver has enough cabs than it needs a commission to decide whether the city has enough restaurants. Entrepreneurs and consumers, not state bureaucrats, are best able to make those decisions.

More than 20 years ago, IJ looked out at a national landscape full of outdated, anti-competitive transportation regulations and resolved to improve things one case at a time. Since then, our battles on behalf of taxi drivers, commuter vans and limousines have ebbed and flowed, but our resolve has remained clear. Last month’s victory is just one more step in this long-running battle, and it only deepens our commitment to keep fighting, and to keep identifying and seizing opportunities. And, of course, to keep winning for groups like Mile High Cab and transportation entrepreneurs all across the country.◆

Robert McNamara is an IJ senior attorney.
LAW & LAW

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FOR SUCCESS

Conference Served Up

Chicago’s Food Entrepreneurs
Were Hungry for What the IJ Clinic’s

RECIPE
FOR SUCCESS

By Beth Kregor

After months of preparation, the Institute for Justice Clinic on Entrepreneurship at the University of Chicago Law School held a marvelous conference for food entrepreneurs—Recipe for Success: How to Start and Build a Food Business in Chicago. About 200 attendees learned more about how to start a food-related business in Chicago. The stream of aspiring entrepreneurs who kept arriving on Saturday morning blew our attendance goals away. (And they came close to blowing our catering plans away, so we had to order some extra food for lunch at the last minute!)

The energy was palpable. The room was packed with dreamers, eager to learn the nitty-gritty details about how to make those dreams come true. The audience included both aspiring and active entrepreneurs from every segment of the food industry. We met a beauty shop owner who wants to start a community kitchen, an innovator who wants to make mushroom-growing kits from recycled coffee grounds, an architect who designs restaurants, a food truck operator, and a vegan ice cream maker, to name only a few.

We kicked off the day with a panel of inspiring entrepreneurs who have overcome countless challenges to succeed. The panelists—a vertical farmer (who grows crops indoors), a restaurant owner and an organic produce distributor—told of their entrepreneurial journeys, which required patience, creativity, thrift, resilience and good advice along the way. Each shared practical tips and inspiring anecdotes. Next on the program were law students who pushed themselves to gain expertise in detailed areas of the law and present them accessibly and enthusiastically. Among the topics covered were restaurant licensing, farm zoning and taxation of tips. Additional expertise was provided by a buyer from Whole Foods (whose title is actually “Local Forager”) and a branding expert from the Leo Burnett advertising agency. Each speaker contributed a different specialty to pack the day with a wide variety of information for aspiring entrepreneurs.

For the main event, five IJ Clinic students explained the regulatory maze faced by entrepreneurs starting food-related businesses in Chicago. The presentation captured the entire IJ Clinic mission in a nutshell. Under close guidance from the IJ Clinic directors, law students had developed expertise in their assigned topics and polished their presentations so that they could address the pressing needs of local entrepreneurs.

“...The presentation captured the entire IJ Clinic mission in a nutshell. Under close guidance from the IJ Clinic directors, law students had developed expertise in their assigned topics and polished their presentations so that they could address the pressing needs of local entrepreneurs.”

To top it off, we served all sorts of food from local businesses. It was definitely the biggest outreach event the IJ Clinic has ever had in its nearly 15-year history! For more details, check out www.ij.org/RecipeForSuccess.

The impact of the program was obvious for all involved. As one participant put it, “This was a helpful and perhaps life-changing day!”

Because the IJ Clinic operates in the rarified air of the University of Chicago Law School, we are always putting such events in an academic context. In this case, all involved in our Recipe for Success adventure certainly earned a solid A+.◆

Beth Kregor directs the IJ Clinic on Entrepreneurship at the University of Chicago Law School.
Host, Brian Williams: “Imagine learning your child needs a bone marrow transplant to save her life, but the one sure way to secure a match was against the law. And the clock is ticking all the while. That was the dilemma confronting [IJ client] Doreen Flynn. What she did next could forever change transplant medicine.”

IJ Senior Attorney Jeff Rowes: “Ron Hines’ exercise of free speech here is dangerously criminal, and as his lawyer I almost feel like telling him to stop. But at the Institute for Justice, we’re about defending free speech and that’s what we’re going to do for Ron—all the way to the Supreme Court if that’s what it takes.”

“What we’re dealing with is what public monopolies always give us, which is low quality at a very high price,” said Richard Komer, a lawyer with the Institute for Justice, a libertarian public-interest law firm that represents the pro-voucher groups in Indiana and Louisiana. “The idea is to try and break that cycle, because what we’ve been doing in public education since the beginning of time is rewarding failure.”

“The brothers of St. Joseph Abbey, clad in their plain monastic habits, never contemplated that nailing together pine boxes would begin a journey toward the Supreme Court. But they are prepared to walk that path if called to do so in order to secure the blessings of economic liberty for all Americans.”

“For 120 years, monks in a Benedictine monastery in eastern Louisiana crafted plain pine caskets for their brothers’ burials. . . . Well, last week, after a series of legal battles, the Fifth Circuit Court of Appeals sided with the monks. And now, that right [to economic liberty] is theirs.”
The federal government tried to take our business using civil forfeiture.

But we did nothing illegal or wrong.

We fought to protect our rights and our property.

And we won.

We are IJ.