VICTORY FOR ECONOMIC LIBERTY:
IJ WINS—AGAIN—AT THE U.S. SUPREME COURT

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About the publication:
Liberty & Law is published bimonthly by the Institute for Justice, which, through strategic litigation, training, communication, activism, and research, advances a rule of law under which individuals can control their destinies as free and responsible members of society. IJ litigates to secure economic liberty, educational choice, private property rights, freedom of speech, and other vital individual liberties, and to restore constitutional limits on the power of government. In addition, IJ trains law students, lawyers, and activists in the tactics of public interest litigation. Through these activities, IJ challenges the ideology of the welfare state and illustrates and extends the benefits of freedom to those whose full enjoyment of liberty is denied by government.

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BY MICHAEL BINDAS

On June 26, IJ secured an important victory for economic liberty—and dealt a mighty blow to economic protectionism—with our second win at the U.S. Supreme Court this term. Our case challenged Tennessee’s “durational residency” law, an outrageously protectionist restriction that required prospective business owners to have lived in the state for 10 years before they could apply for and renew a retail liquor license.

Readers may recall from the February issue of Liberty & Law that the case began when Doug and Mary Ketchum applied for a license to purchase Kimbrough Fine Wine and Spirits, a historic liquor shop just down the road from Sun Studio in Memphis. Purchasing the shop would allow them to support themselves while following their doctor’s advice that they move their daughter, Stacie, who has cerebral palsy and paraplegia, from Salt Lake City to a climate less likely to cause complications for her health. But when the Ketchums arrived in Memphis, they were met not with economic opportunity but with a legal nightmare.

The Tennessee Wine and Spirits Retailers Association—the lobbying group for in-state alcohol retailers—threatened to sue...
the Tennessee Alcoholic Beverage Commission (TABC) if the Commission failed to enforce the state’s residency requirements against the Ketchums and the national chain store Total Wine, which had also applied for a license around the same time. In response, the director of the TABC filed his own lawsuit, asking the court to determine the constitutionality of the durational residency requirement.

IJ followed that case closely as it made its way through the lower courts. After all, it involved the very issue that lies at the heart of our economic liberty work: regulations aimed not at protecting public health and safety but at protecting favored business interests from competition. What’s more, the case tied directly to another IJ case challenging protectionism in the context of alcohol sales—our 2005 U.S. Supreme Court victory allowing winemakers Juanita Swedenburg and David Lucas to ship their wines directly to consumers in other states.

The Ketchums and Total Wine prevailed in the lower courts, but the liquor cartel—which took over litigation from the state—filed its own lawsuit, asking the court to determine the constitutionality of the durational residency requirement.

When the Court agreed, the Ketchums decided to partner with IJ to vindicate their rights once and for all.

Their perseverance was rewarded during the last week of this Supreme Court term. In a broadside indictment of economic protectionism, Justice Alito, for a seven-justice majority, held not only that Tennessee’s durational residency requirement was unconstitutional but also that economic protectionism was not a legitimate basis for state alcohol regulation. The Twenty-First Amendment, he wrote, “is not a license to impose all manner of protectionist restrictions on commerce in alcoholic beverages.” Tennessee’s law, he concluded, “blatantly favors the State’s residents and has little relationship to public health and safety.”

With this victory, IJ firmly established protection for economic liberty under the Commerce Clause of the U.S. Constitution. We also ensured that Doug and Mary can now rest easy, knowing that their livelihood—and their family—are safely at home in Tennessee. ♦

Michael Bindas is an IJ senior attorney.
BY ARI BARGIL

It all started innocently enough. Last summer, Jim Ficken left his modest home in Dunedin, Florida, for Columbia, South Carolina, to tend to his late mother’s estate. He asked a friend and local handyman to keep an eye on his lawn, lest it grow too long in his absence. Sadly, after Jim left, his friend died unexpectedly. And left unattended, Jim’s grass did what grass in Florida does during the summer: It grew.

The city’s code enforcement department noticed. Labeling Jim a “repeat violator” because he’d once let his grass grow too long some four years earlier, the city began fining Jim immediately, and without warning, for allowing his grass to grow more than 10 inches high. The fine for this seemingly innocuous transgression? Five hundred dollars per day. That’s the same amount as the fine for barreling through a school zone at 50 mph.

The fines kept accruing the entire time Jim was away—totaling about $7,000 by the time he returned home. But because the city issued no notice, Jim still had no idea he was being fined. And like his grass, the fines continued growing.

Only after a chance encounter with a code enforcement officer—who cryptically warned Jim that he was “going to get a big bill from the city”—did Jim finally learn that he was being fined. At that point, he immediately did what any responsible homeowner would do: He cut the grass.

It was too late. The city’s $500 daily fines had been running for weeks, and Jim now owed roughly $24,000. The city later tacked on an additional fine of $5,000 for another 10 days of alleged noncompliance—even though these were days after Jim had mowed. Like most people, Jim doesn’t have $30,000 hiding in his couch cushions to pay off the fines. And now the city is threatening to foreclose on the property to collect what Jim owes.

With seven active cases across the nation, including three class action suits, IJ is exposing and ending schemes in which cities use abusive code enforcement and outrageous fines to fill their coffers at the expense of innocent residents. Jim’s case is IJ’s latest such effort and builds directly on our recent U.S. Supreme Court victory in Timbs v. Indiana. In Timbs, the Court explicitly applied the Eighth Amendment’s Excessive Fines Clause to state and local governments. Using this new legal ammunition, IJ and Jim have teamed up to protect the property rights of all Floridians and to send a clear message to other cities that abusive code enforcement is not only wrong—it’s unconstitutional.

Ari Bargil is an IJ attorney.
Homeowner Jim Ficken joined with IJ to fight for his rights after Dunedin, Florida, fined him nearly $30,000 and threatened to foreclose on his home—all for having grass the city deemed too long.
Civil forfeiture puts innocent people’s property at risk, and law enforcement uses it to police for profit. IJ has always known this, and thanks to our work, a growing number of Americans know it, too. We’ve been so successful in turning the tide of public opinion against forfeiture that proponents have been left with only one claim in their defense: “Forfeiture fights crime.” But does it really?

We and other forfeiture critics have long doubted that claim. And now, thanks to a strategic research report released in June, we have strong new evidence against it. We commissioned Dr. Brian Kelly, associate professor of economics at Seattle University, to test whether forfeiture helps police fight crime or is instead used by police to raise revenue. The result is Fighting Crime or Raising Revenue? Testing Opposing Views of Forfeiture.

The most extensive and sophisticated study of its kind, it combines local crime, drug use, and economic data from a variety of federal sources with more than a decade’s worth of data from the nation’s largest forfeiture program, the Department of Justice’s equitable sharing program. Each year through equitable sharing, state and local law enforcement agencies partner with the feds on tens of thousands of forfeitures and get back hundreds of millions of dollars in proceeds, which by law must be used to supplement their budgets.

In this way, equitable sharing—and forfeiture in general—gives law enforcement more resources to fight crime. Or so proponents say. Yet our study finds that all this extra money does not translate into more crimes solved or less drug use,
strongly suggesting forfeiture is not the valuable crime-fighting tool proponents claim.

Proponents ask us to accept forfeiture’s many major downsides—from the horror stories of innocent people losing their property to the shocking examples of forfeiture fund misuse—because of this one important supposed upside. But our study adds to a growing body of evidence showing this upside is illusory.

At the same time, it provides additional evidence that policing for profit is real: When local economies suffer, forfeiture activity increases, indicating police may make greater use of forfeiture when local budgets are tight. A 1 percentage point increase in local unemployment—a standard proxy for fiscal stress—was associated with a 9 percentage point increase in seizures of property for forfeiture.

More and more legislators are showing openness to even the most sweeping forfeiture reforms, but they often lose their nerve when proponents tell them reining in forfeiture will hurt police work and make communities less safe. Our new findings show them they can end the financial incentive in state forfeiture laws and limit law enforcement’s ability to profit from equitable sharing without jeopardizing police effectiveness. IJ’s communications and legislative teams are busy making sure lawmakers get the truth.

The facts are on our side, and we’re going to use this new research to support reforms to keep police focused on fighting crime, not raising revenue. ◆

Mindy Menjou is IJ’s research editor.
BY ERICA SMITH

The First Amendment protects the right of all Americans to speak freely on topics that matter most to them—from business to politics to any other subject. It does not allow government officials to pick and choose who gets to speak and what those speakers can and cannot say. Yet that is exactly what officials in Mandan, North Dakota, have been doing by aggressively enforcing the city’s sign code.

Mandan, like many cities across the country, has a sign code that unconstitutionally discriminates against speech that promotes a business. Over the past two years, local bureaucrats have used these sign regulations to play “mural police,” threatening entrepreneurs in their town with thousands of dollars in fines for code violations.

One victim of this unconstitutional speech policing is August “Augie” Kersten, owner of the Lonesome Dove saloon and dance hall. Augie incurred the wrath of Mandan officials when he decided to spruce up one side of his aging saloon by covering up an old beer logo with a beautiful, sunset-colored mural painted by a local artist. The mural brought in new customers and many compliments, but two words on the painting sparked a bureaucratic nightmare for Augie: “Lonesome Dove.” Because Augie had painted the name of his business on his own building, the
city of Mandan labeled the mural “illegal advertising” and threatened him with thousands of dollars in fines unless he removed it.

Augie’s was just one of several local businesses subjected to such harassment. In May, IJ came to their rescue and sued the city in federal court for violating the First Amendment. Within 48 hours, we won a resounding victory. In a 10-page opinion recognizing that “commercial speech is valuable and serves an important public function,” the court issued a rare temporary restraining order (TRO) compelling the city to stop enforcing its sign code against Augie and other businesses while IJ’s case proceeds.

This opinion is a big deal, and not just because it protects our clients while we continue fighting for ultimate victory. Even though the U.S. Supreme Court has called “content-based” sign restrictions unconstitutional, lower courts have been reluctant to apply that doctrine to restrictions on commercial speech. There was no such reluctance in this case, and IJ will rely heavily on this court’s ruling as we take our fight for the free speech rights of entrepreneurs to more and more cities across the nation.

Erica Smith is an IJ attorney.

SAVANNAH TOUR GUIDES CELEBRATE VICTORY

Loyal readers of Liberty & Law may remember that this past October we brought you the news of our victory over Charleston’s tour guide licensing requirement—a victory that was the fruit of a yearslong strategic campaign to change the way courts treat licensing requirements that tread on First Amendment rights. We are pleased to bring you the sequel to that news: In May, a federal court ruled that a similar licensing law in Savannah, Georgia, also violated the First Amendment.

The Savannah decision is a mark of IJ’s continued progress in this area, as yet another federal court has adopted our once-radical legal arguments. Just as importantly, though, it demonstrates IJ’s persistence. We filed the Savannah case five years ago, and it would have been easy to sit on the sidelines while the court refused to issue a ruling. But that is not the IJ way: We spent those five years aggressively advancing the case every way we could think of until we achieved this victory. All told, we filed 13 different briefs with the trial court in our effort to get the court to grant judgment in our favor—usually, a lawyer would file two or three.

That sort of commitment is essential to achieving systemic change. We cannot rest on our laurels after a single splashy victory. IJ’s goal is freedom for all Americans, and we achieve that goal the old-fashioned way: one step at a time.

After securing a historic victory for tour guides in Charleston, South Carolina, last year, IJ won again this spring, protecting tour guides in Savannah, Georgia, from an unconstitutional licensing law. Now, our client “Savannah Dan” Leger can speak freely about the city he loves.
Untangling Red Tape, One State at a Time

With a new hair braiding lawsuit, IJ takes the fight for economic liberty to Louisiana

BY WESLEY HOTTOT

Since our very first case back in 1991, IJ has scored major victories for hair braiders across the country, both in court and in state legislatures. Twelve times we have sued to overturn licensing requirements for braiders, and 12 times those requirements have been struck down or repealed. In nine other states, IJ’s legislative and activism teams have persuaded lawmakers to do away with licensing requirements without the need for litigation.

Having pioneered braiding freedom—and having prevailed so decisively—why would IJ bring another hair braiding case now? The answer lies in a pathbreaking victory that we secured in 2015. In Patel v. Texas Department of Licensing and Regulation, the Texas Supreme Court struck down a 750-hour training requirement for eyebrow threading, a South Asian method of hair removal that uses only a single strand of cotton thread. Adopting IJ’s arguments, the court ruled that the Texas Constitution forbids licensing something as simple and safe as eyebrow threading as though it were conventional cosmetology, and it went on to announce a robust state constitutional test for judging economic liberty challenges like those IJ specializes in bringing.

Because of Patel, economic regulations in Texas must be both rationally related to a real-world danger and not unduly burdensome in light of the government’s objectives. This ruling set the standard for state constitutional protections for the right to earn an honest living.

Now we’re taking the fight for economic liberty across the border to Louisiana. Last month, IJ teamed up with three Louisiana hair braiders—Ashley N’Dakpri, Lynn Schofield, and Michelle Robertson—to challenge that state’s 500-hour specialty license for hair braiding. The case is designed to establish that the robust standard announced in Patel applies to Louisiana.
applies under the Louisiana Constitution, potentially freeing not just braiding but a host of other occupations from unnecessary licensing requirements.

This case also marks the first time we have challenged a license designed with hair braiders in mind. In all of our previous challenges, braiders were required to get conventional cosmetology licenses, the training for which included little or no braiding instruction.

Our objective now is to establish that requiring any braiding instruction is both unnecessary and burdensome—and therefore unconstitutional.

Although 27 states now require no license for hair braiding, Louisiana has moved in the wrong direction, imposing the most burdensome braiding license in the nation. Making matters worse, just one school offers the required hair braiding curriculum—and it is located in Monroe, Louisiana, more than a four-hour drive from New Orleans. The result? There are only 19 licensed braiders in all of Louisiana.

We aim to change that. By overturning Louisiana’s hair braiding license, we will not only free the state’s braiders but also establish that the Louisiana Constitution, like the Texas Constitution, demands real reasons and reasonable training requirements before a state can require someone to get a license. Meanwhile, we are developing similar cases in other states to export this standard even more broadly and ensure that all individuals are free to pursue their American Dream—no matter where they live.

The case is designed to establish that the robust standard announced in Patel applies under the Louisiana Constitution, potentially freeing not just braiding but a host of other occupations from unnecessary licensing requirements.

Wesley Hottot is an IJ senior attorney.
IJ client Ron Mugar defeated Norco, California’s efforts to take his home. But now Norco wants him to pay the $60,000 in attorney’s fees it spent losing his case. IJ is challenging this and other outrageous for-profit prosecution schemes in California.
By Jeffrey Redfern

IJ is on a roll in the fight against policing for profit. In February, we obtained a unanimous U.S. Supreme Court ruling establishing, for the first time, that the Constitution’s ban on excessive fines applies to states as well as to the federal government. This past fall, we ended Philadelphia’s notorious forfeiture machine, which seized millions of dollars’ worth of property from individuals who were never charged with crimes. And last December, in Indio, California, we established that it’s illegal for criminal prosecutors to charge defendants for the cost of their own prosecutions.

But our opponents are nothing if not creative. In the wake of our success in California, “city prosecutors”—many of whom are really just private law firms hired by cities—are finding a new way to squeeze cash out of citizens: health and safety receiverships.

Traditionally, receiverships are a tool that allows a city to take temporary possession of a property in order to fix an imminent danger to the community—a structurally unsound building, for instance. The city addresses the threat posed by the property and sends a bill to the owner. If the owner is unable to pay, the bill is attached to the property as a lien and the house is sold.

In California, however, receiverships are no longer a last resort. Cities are increasingly using receiverships for minor code violations because receiverships are easy money.

IJ client Ron Mugar learned about receiverships the hard way. In his retirement years, Ron has enjoyed building and tinkering with machines on his large property in Norco, a semi-rural city known as “Horsetown, USA.” Ron has occasionally annoyed his neighbors (or their real estate agents) by leaving his tools and parts out in the yard. He had been cited before, but he always cleaned up his yard after receiving a citation. Last year, things were different. He received notice that the city was going to seize his house because, essentially, he was messy.

Ron knew that if his house went into receivership, he would lose it—he would never have enough cash to pay the receiver and the city’s law firm, so they would sell his house and take their cut of the proceeds, with very little likely left for Ron.

Ron quickly did everything he could to clean up his property while at the same time vigorously defending himself against some of the more outrageous demands that the city’s law firm was making. Ultimately, Ron prevailed. No receiver ever took possession of his home, the city admitted that Ron was in full compliance with city codes, and Ron successfully argued that he should not have to comply with some of the city’s demands (for instance, that Ron completely tear down his laundry room rather than simply bring it into compliance with the relevant codes).

It seemed like a rare happy ending in a receivership case, but then things took a strange turn. The city asked the trial court to declare that the city was the prevailing party in the case and to award it attorney’s fees of $60,000—paid out of Ron’s home equity.

IJ stepped in to represent Ron, explaining that the city did not, in fact, win the initial case and is not entitled to fees. Furthermore, we argue that due process prohibits city attorneys from having a financial stake in the cases they bring—an argument that another judge of the same court already accepted in our Indio prosecution fees case.

Norco’s predatory practices are not just immoral, they are unconstitutional under both the U.S. and California constitutions.

Though the trial court ruled against us and granted the city’s request, neither Ron nor IJ is giving up. We’re taking the case to the California Court of Appeal, where we intend to score yet another decisive victory against policing for profit.

Jeffrey Redfern is an IJ attorney.
Turning a LOSS Into VICTORY: IJ’S STRATEGY FOR LONG-TERM SUCCESS

BY DANA BERLINER

We often say in these pages that IJ litigates cutting-edge cases and that these cases are uphill battles. What does that mean in the real world of courtroom litigation? It means that we frequently litigate about situations that no one else has challenged; we come up with legal theories that no one else has taken to court; and we pursue theories that we think are viable, but that few—if any—others have won. And we are remarkably successful.

But litigating cutting-edge cases also means that we sometimes lose in court. Trial courts, the first courts to hear any case, do often rule in our favor. However, there are many situations where lower courts are unwilling to go out on a limb for a theory that is not well established. As a result, many of our cases must be resolved on appeal.

Litigating cutting-edge cases also means that we sometimes lose in court.

When faced with a loss in court, IJ continues fighting to secure the vital constitutional rights of our clients—and countless others like them.
even acknowledging the possibility of reversal. This happened in two of IJ’s recent vending cases, including our challenge to blatant economic protectionism in Chicago—and the Draconian means the city of Chicago uses to enforce it. The Illinois Supreme Court handed down a ruling that allows cities to prefer brick-and-mortar restaurants to food trucks, and shamelessly favor them with protectionist laws, and to mandate that all food trucks submit to ongoing GPS tracking so that the city can be sure they cooperate. Portions of this ruling directly contradict U.S. Supreme Court precedent from only a few years ago, and we will be seeking review of the decision.

And even when we lose on appeal, IJ does not give up. When we mounted a property rights challenge to the city of Miami Shores’ prohibition on front yard vegetable gardens, we were unsuccessful in court. But we were so determined to help our clients that we vowed to get the law overturned. We persisted through not one but two Florida legislative sessions, and in June of this year we succeeded in getting a state law passed that freed our clients to finally replant their beloved garden.

In a legal climate where by far the easiest path for judges is to simply defer to the government in constitutional cases, asking courts to take seriously their responsibility to evaluate laws and regulations that violate constitutional liberties can be challenging. But IJ’s commitment to our clients and to the rights of all those like them means that we are going to keep asking—and appealing—until we secure these vital freedoms for all Americans.

Dana Berliner is IJ’s senior vice president and litigation director.
Decrease Your Taxes and Support Freedom

Suppose you could make a gift that helps secure constitutional limits on government power . . . while also providing you with income for life and reducing your taxes. It’s not too good to be true! All you need to do is establish a charitable gift annuity with the Institute for Justice. These are some of the benefits a gift annuity offers:

• The security of stable cash flow for life.
• Higher than average payments compared to certificates of deposit and savings accounts.
• Payments taxed less than regular income.
• An immediate charitable income tax deduction.
• Capital gains tax benefits when you donate appreciated assets.
• The satisfaction of knowing your gift will benefit IJ—and our clients—for years to come.

Here’s how it works: You make a gift to IJ, and in return we agree to make fixed payments to you for life. The gift agreement is a simple contract between you and IJ, and you don’t need an attorney to set it up. When the contract ends, we use any balance of the gift annuity to fund IJ’s fight for individual liberty.

Because the money is entrusted to IJ, you receive an immediate income tax deduction and, for gifts of appreciated stock, capital gains tax savings.

You can fund an annuity for as little as $10,000. Payout rates for gift annuities depend on the ages of the income beneficiaries, with older individuals receiving higher payout rates than younger individuals. The chart below provides a selection of IJ’s current payout rates.

Please contact us for a personalized proposal, detailing how a gift annuity might work for you. You can also learn more on our website at ij.org/CGA.

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You can establish a gift annuity with IJ—and receive tax benefits as well as guaranteed income for life—for as little as $10,000.

To request a personalized proposal showing how a gift annuity might work for you, simply contact Megan Cook at mcook@ij.org or (703) 682-9320, ext. 230.
The articles and editorials listed above are just a sample of the favorable local and national pieces IJ has secured since the last issue of Liberty & Law. Earning in-depth and high-profile coverage of our cases and issues is a crucial part of our public interest litigation strategy, fostering interest from the general public and a greater understanding of why our work matters to all Americans.
Save the date for IJ’s next Partners Retreat

September 10–13, 2020
Newport Coast, California

Open to members of the Partners Club,
Guardians Circle, and Four Pillars Society.

For more information, contact Molly Schwall at molly@ij.org or (703) 682-9320, ext. 249.