Five years after an infamous ABC News report describing "pink slime" in ground beef created a national uproar, the network's corporate parent Walt Disney (DIS) has settled a defamation case brought by the food company that created the product for more than $177 million, the most ever in a corporate legal case of its kind.

Meat processor Beef Products Inc. filed suit in 2012 charging that ABC's coverage of its product -- officially called "finely textured beef" -- misled consumers into thinking it wasn’t safe to eat. After the reports aired, some grocery chains said they would no longer carry ground beef containing what ABC dubbed "pink slime." As a result, sales plummeted from about 5 million pounds per week to less than 2 million pounds.

The South Dakota-based company, whose product was used in about 70 percent of the nation's ground beef, had originally sought as much as $1.9 billion in damages, an amount that could have been tripled to $5.7 billion under South Dakota’s Agricultural Food Product Disparagement Act, which the company alleged ABC had violated.

Executives from the Burbank, Calif.-based media conglomerate, whose properties include ESPN and Walt Disney World resorts, settled the case with BPI in June.
Disney disclosed the legal costs associated with the litigation when it reported earnings Thursday. Terms of the settlement, though, were confidential.

"ABC was hemorrhaging legal costs," said Charles Glasser, a media lawyer and a Media Law and Ethics Professor at NYU's Graduate School of Journalism, adding that a trial alone could have cost ABC "a million dollars or more."

"We forget that these news organizations are corporations -- they have a fiduciary duty to stockholders," he said.

BPI's case was unusual for several reasons. About 80 percent of libel and defamation cases get thrown out of court on procedural grounds before they reach a jury. Media companies that make what most experts would deem "honest mistakes" are typically protected by the First Amendment. However, when the case survives the initial challenges, the odds tilt in favor of the plaintiff against the media companies -- particularly those seen as having deep pockets.

"They had to do a risk calculation about what if this thing goes to trial," Glasser said.

The Hulk Hogan litigation against the now-defunct Gawker website might have served as a cautionary tale for ABC News.

Gawker Media filed for bankruptcy protection last year after losing the case the former professional wrestler brought against it for publishing a sex tape featuring him. A Florida jury awarded $140 million in damages to Hogan, who ultimately settled for $31 million through federal bankruptcy court. Silicon Valley billionaire Peter Thiel, whom Gawker had outed as a gay man in earlier coverage, had bankrolled the Hogan case.

Whether the BPI and Gawker cases will have a "chilling effect" on newsrooms is hard to say.

"Yes, there is much more public hostility to the media in general," Glasser said, adding that there is a "sad tendency to say the sky is falling every time a media entity loses a case."

For his part, Glasser doesn’t share that pessimism, noting that huge jury verdicts against the media aren’t new and that the protections afforded by the First Amendment remain robust.
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Market News

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12:45 PM Magna beats Street 2Q forecasts
12:42 PM Train collision in northern Egypt kills at least 36
12:39 PM Trillium reports 2Q loss
12:38 PM Penney reports 2Q loss
12:36 PM US stock indexes edge higher in midday trading; oil slides
12:34 PM NYC billionaire suggests black NY senator is worse than KKK
12:26 PM Airline worker tracks down cancer patient's bag, delivers it
12:18 PM Investigator in Trump tax return case is taken into custody
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