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Unwinding *Sony*

Peter S. Menell* and David Nimmer**

Abstract

The dawning of the digital age has brought the Supreme Court’s *Sony* “staple article of commerce” doctrine to center stage in legal and policy discussions about the proper role and scope of copyright protection. To technology companies, it represents a vital safe harbor for product design; to the content industries, this doctrine remains an Achilles heel. The origins of this doctrine have always been somewhat obscure. With nary a peak at the text or the legislative history of the then-recently enacted overhaul of the copyright system, the Supreme Court adverted to patent law to determine the scope of indirect liability – a fundamental issue that would loom large in the shift from the analog to the digital distribution platform for content. A slim majority of the Supreme Court justified this interpretation of the Copyright Act of 1976 on the basis of a vague assertion of “historic kinship” between patent and copyright.

This article scrutinizes this critical logical premise. Part I exhaustively reviews the litigation and correspondence of the justices to understand why the Court paid so little attention to the legislative materials and so much to the patent law. It finds that gaps in the information provided to the Court, in conjunction with the justices’ lack of familiarity with copyright law generally and the Copyright Act of 1976 in particular, led the Court astray. Part II tests the “historic kinship” premise, finding that it cannot withstand scrutiny. Had the Court traced the origins of copyright and patent back to their source, it would have seen that they both derive from a common wellspring: tort principles. Concerns about patent misuse and improper leveraging of monopoly power led the courts, and later Congress, to carve out an express safe harbor in patent law for those selling “staple articles of commerce” – products suitable for substantial non-infringing uses. Part III demonstrates that the 1976 Copyright Act envisioned that courts would continue to use the traditional tort wellspring, informed by the distinctive challenges of copyright enforcement. This would have brought the reasonable alternative design framework of products liability law into play. The article shows that this approach would almost certainly have resulted in the same outcome that the *Sony* Court reached, but of critical importance, it would have provided a more sound and dynamic jurisprudential framework for calibrating liability as new technologies develop. Part IV examines *Sony*’s legacy, showing that subsequent legislative activity, court decisions, and the marketplace reflect a practical reality that lies closer to the reasonable alternative design standard than a broad “staple article of commerce” safe harbor. In reality, *Sony*’s “staple article of commerce” doctrine has proven largely symbolic and unworkable, as Congress, the courts, and businesses in the marketplace have sought to promote product innovation without unduly jeopardizing copyright protection. The failure to recognize that reality, however, breeds doctrinal confusion, distorts case law evolution, and stultifies the larger policy debate over copyright protection in the digital age.

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Unwinding *Sony*

From its genesis following the invention of the printing press, copyright has evolved in tandem with technological progress.¹ In the unrelenting process of adapting copyright law to technological advance, no case stands out more prominently than the Supreme Court's 1984 decision in *Sony Corporation of America v. Universal City Studios*,² in which the Court addressed copyright law's treatment of reproduction of television broadcasts by households using Sony's Betamax video cassette recorder (VCR). By the time the case reached resolution, more than 10% of American households owned VCRs.³ Most of them used the VCR to record shows for later viewing, a practice that came to be known as "time shifting." A slender 5-4 majority of the Court rendered two momentous decisions: First, that such time shifting of broadcasts fell within the amorphous fair use defense. And second, that Sony Corporation of America, the manufacturer of the device, could not be held liable for contributory infringement because its device was capable of substantial non-infringing use – most notably, time shifting (as well as recording of public domain programming and copyrighted broadcasts for which the copyright owners did not object).⁴

¹ See generally Peter S. Menell, *Envisioning Copyright Law's Digital Future*, 46 N.Y. L. Sch. L. Rev. 63, 64-67, 98-199 (2003).

Copyright protection became necessary with the invention of the printing press and had its early beginnings in the British censorship laws. The fortunes of the law of copyright have always been closely connected with freedom of expression, on the one hand, and with technological improvements in means of dissemination, on the other. Successive ages have drawn different balances among the interest of the writer in the control and exploitation of his intellectual property, the related interest of the publisher, and the competing interest of society in the untrammelled dissemination of ideas.

Benjamin Kaplan, *An Unhurried View of Copyright* vii-viii (1967).

² 464 U.S. 417 (1984).

³ See Argument by Dean Dunlavey, *Sony Corp. of America v. Universal City Studios*, No. 81-1687 (Oct. 3, 1983) 1983 U.S. TRANS LEXIS 10 (noting estimate that 9.5 million households would have VCRs by the end of the year).

⁴ See 464 U.S. at 442-43, 444-45. Such immunity also extended to retailers and Sony's advertising company.

At the time, the Court's fair use ruling attracted the bulk of attention.⁵ Its holding meant that a large and growing proportion of American households were not violating copyright law on a regular basis by shifting the time that they watched their favorite shows. Yet over time, the second part of the Court's decision has taken on ever greater importance. By immunizing from contributory liability manufacturers of any technology that is "merely . . . capable of substantial noninfringing use,"⁶ the decision has come to be viewed as the "Magna Carta" of both "product innovation"⁷ and the "technology age."⁸ "Consumer electronics and computer makers see [the *Sony*] ruling as having protected the development and sale of everything from Apple Computer's iPod to an ordinary PC."⁹ The Supreme Court's recent unquestioning reliance on *Sony* to address the challenges posed by the digital context in *Metro-Goldwyn-Mayer Studios Inc. v. Grokster, Ltd.*¹⁰ reinforces the significance of this second aspect of *Sony*'s ruling.

⁵ Newspaper accounts led with the headline that home taping is legal. See Linda Greenhouse, Television Taping at Home Is Upheld by Supreme Court, N.Y. Times A1 (Jan 17, 1984); Tom Shales, I'll Tape Tomorrow; And So Will You, Thanks to the Court, Wash. Post B1 (Jan. 18, 1984). Scholarly articles tended to focus on the fair use aspect of the ruling. See, e.g., M.B.W. Sinclair, Fair Use Old and New: The Betamax Case and Its Forebears, 33 Buff. L. Rev. 269 (1984); Adrienne Marsh, Fair Use and New Technology: The Appropriate Standards to Apply, 5 Cardozo L. Rev. 635 (1984); William W. Fisher, III, Reconstructing the Fair Use Doctrine, 101 Harv. L. Rev. 1659, 1784-89 (1988); Jay Dratler, Jr., Distilling the Witches' Brew of Fair Use in Copyright Law, 43 U. Miami L. Rev. 233 (1988). Over the ensuing years, the fair use aspect of the opinion received substantially more attention in copyright litigation. See, e.g., American Geophysical Union v. Texaco Inc., 60 F.3d 913, 916 (2d Cir. 1994); Princeton University Press v. Michigan Document Services, Inc., 99 F.3d 1381, 1386 (6th Cir. 1996); Lewis Galoob Toys, Inc. v. Nintendo of America, Inc., 964 F.2d 965, 969 (9th Cir. 1996); Hustler Magazine Inc. v. Moral Majority Inc., 796 F.2d 1148, 1152 (9th Cir. 1986); Maxtone-Graham v. Burtchaell, 803 F.2d 1253, 1258 (2d Cir. 1986); Financial Information, Inc. v. Moody's Investors Service, Inc., 751 F.2d 501, 502 (2d Cir. 1984).

⁶ 464 U.S. at 442.

⁷ See Randal Picker, Rewinding *Sony*: The Evolving Product, Phoning Home, and the Duty of Ongoing Design, 55 Case Western 749, 753 (2005).

⁸ See Jessica Litman, The *Sony* Paradox, 55 Case Western Reserve L. Rev. 917, 951-60 (2005); Roger Parloff, The Real War Over Piracy: From Betamax to Kazaa, A legal battle is raging over the "Magna Carta of the Technology Age," Fortune Magazine, October 27, 2003, at 148; Pamela Samuelson, The Generativity of *Sony v. Universal*: The Intellectual Property Legacy of Justice Stevens, 74 Fordham L. Rev. 1831 (2006).

⁹ See John Borland, File Swapping vs. Hollywood, CNET News.com (Jan. 25, 2005) http://news.zdnet.com/2100-9588_22-5548781.html. Interestingly, the "ordinary PC" predates by several years the Supreme Court's *Sony* decision. See James L. Rowe Jr., IBM to Sell Personal Computer in Fall, Wash. Post D12 (Aug. 13, 1981); Andrew Pollack, Big I.B.M.'s Little Computer, N.Y. Times D1 (Aug. 13, 1981).

¹⁰ 125 S.Ct. 2764 (2005).

Although *Sony* was the first Supreme Court decision to interpret the 1976 Copyright Act, the Court cited neither the statute nor its legislative history to delineate the scope of contributory liability. Rather, on the basis of what it asserted as an “historic kinship between the patent and copyright laws,” the Court engrafted an express provision from the Patent Act of 1952 into the Copyright Act of 1976.¹¹ In the process, moreover, the Court expanded that categorical exception— whereas section 271(c) of the Patent Act exempts from liability a staple article that is “suitable for substantial noninfringing use,”¹² *Sony*'s exemption extends to products that are merely “capable of” substantial non-infringing use.¹³

Given the comprehensive reform of the Copyright Act of 1976, the product of innumerable hearings and reports that span whole library shelves,¹⁴ it seems more than a bit surprising for the “Magna Carta for the technology age” to be rooted not in that voluminous history but instead to be handed down in a contemporaneous judicial decision.¹⁵ When Congress adopted the Copyright Act, it clearly could have turned, if it wished to the 1952 Patent Act as “[i]n the Patent Act both the concept of infringement and the concept of contributory infringement are expressly defined by statute.”¹⁶ Instead, the legislative history of the Copyright Act reveals that Congress rooted its considerations regarding contributory infringement elsewhere.¹⁷ Why, then, did the Court reason from an older, explicit provision of the patent statute in construing a more recently enacted copyright statute lacking those express features? Why did the Court overlook an express provision of the Copyright Act extending liability to

¹¹ The provision in question reads as follows:

Whoever offers to sell or sells within the United States or imports into the United States a component of a patented machine, manufacture, combination, or composition, or a material or apparatus for use in practicing a patented process, constituting a material part of the invention, knowing the same to be especially made or especially adapted for use in an infringement of such patent, and *not a staple article or commodity of commerce suitable for substantial noninfringing use*, shall be liable as a contributory infringer.”

35 U.S.C. § 271(c) (emphasis added).

¹² *Id.*

¹³ See *Sony Corp. of America v. Universal City Studios, Inc.*, 464 U.S. 417, 442 (1984).

¹⁴ See George S. Grossman, *Omnibus Copyright Revision Legislative History* (2001) (17 volumes); William H. Manz, *Federal Copyright Law: The Legislative Histories of the Major Enactments of the 105th Congress* (1999) (5 vols.); Alan Latman and James F. Lightstone, eds., *The Kaminstein Legislative History Project : a compendium and analytical index of materials leading to the Copyright Act of 1976* (Littleton, Co., 1985) (6 vols.).

¹⁵ Ironically, the process culminated the month before the filing of the complaint against *Sony*. The Copyright Act of 1976 was signed into law on October 19, 1976. See Pub. L. 94-553, 90 Stat. 2541. The *Sony* complaint was filed November 11, 1976. See James Lardner, *Fast Forward: A Machine and the Commotion it Caused* 19 (rev. ed. 1987) (hereinafter cited as “Fast Forward”).

¹⁶ *Sony*, 464 U.S. at 440.

¹⁷ See ___ *infra*.

those who “authorize” violations of the copyright owner’s exclusive rights? Why did the Court not examine those aspects of the legislative history of the Copyright Act expressly addressing indirect liability? Rather than approach this aspect of the case in the conventional manner of examining the applicable statute and its legislative history,¹⁸ why did the Court invoke an “historic kinship” between the patent and copyright regimes – about which the Court offered only cursory and selective support – to base not only its conclusion in the particular case but also to adopt a broad prospective safe harbor for future cases? This article explores those questions and in so doing, places the *Sony* precedent in its proper legislative and jurisprudential perspective.

Although *Sony* was handed down in 1984, the inquiry is especially timely now. With the dawning of the Internet age, *Sony*’s importation of patent law’s “staple article of commerce” doctrine has taken on ever greater importance. Yet its critical logical premise has never been scrutinized. If that premise proves historically and functionally inaccurate, then the support for the Court’s interpretation of indirect copyright liability in *Sony* falls away. With it collapses much of the support for the Court’s much more recent *Grokster* ruling.

As set forth below, the logical foundation on which *Sony*’s indirect liability regime was based cannot withstand scrutiny. The Court overlooked directly relevant statutory text and legislative history that should have served as the starting point for its interpretive journey. The Court did not systematically analyze its critical premise. Gaps in the information provided to the Court, in conjunction with the justices’ lack of familiarity with copyright law generally and the Copyright Act of 1976 in particular, led the Court astray. In brief, the historical premise between patent and copyright law misstates the complex relationship between those two regimes. For the similarity of patent and copyright liability in several respects is more effect than cause. Had the

¹⁸ As classically stated by the U.S. Supreme Court in pre-*Sony* decisions: “our objective in a case [turning on the interpretation of a statute] is to ascertain the congressional intent and give effect to the legislative will,” *Philbrook v. Glodgett*, 421 U.S. 707, 713 (1975); “The question here, as in any problem of statutory construction, is the intention of the enacting body,” *United States v. N.E. Rosenblum Truck Lines, Inc.*, 315 U.S. 50, 53 (1942); “In the interpretation of statutes, the function of the courts is easily stated. It is to construe the language so as to give effect to the intent of Congress.” *United States v. Am. Trucking Ass’ns*, 310 U.S. 534, 542 (1940); “The object of construction, as has been often said by the courts and writers of authority, is to ascertain the legislative intent, and, if possible, to effectuate the purposes of the lawmakers.” *ICC v. Baird*, 194 U.S. 25, 38 (1904). See generally William N. Eskridge, Jr. & Philip P. Frickey, *Statutory Interpretation as Practical Reasoning*, 42 *Stan. L. Rev.* 321, 325-26 (1990) (noting that the “grand theory” of intentionalism is the most popular means of statutory interpretation). Even a textualist who downplays or disregards consideration of legislative history, see Frank H. Easterbrook, *Text, History, and Structure in Statutory Interpretation*, 17 *Harv. J.L. & Pub. Pol’y* 61, 68 (1994); Antonin Scalia, *Judicial Deference to Administrative Interpretations of Law*, 1989 *Duke L.J.* 511, 517; cf. Caleb Nelson, *What Is Textualism?*, 91 *Va. L. Rev.* 347 (2005), would devote substantial effort to deciphering the meaning of the statute. See Jonathan T. Molot, *The Rise and Fall of Textualism*, 106 *Colum. L. Rev.* 1 (2006); John F. Manning, *Textualism and Legislative Intent*, 91 *Va. L. Rev.* 419 (2005); William N. Eskridge, Jr., *The New Textualism*, 37 *UCLA L. Rev.* 621 (1990).

Court traced the origins of copyright and patent back to their source, it would have seen that they both derive from a common wellspring: tort principles. Distinctive features of these two laws have moved them in different directions. Concerns about patent misuse and improper leveraging of monopoly power led the courts, and later Congress, to carve out an express safe harbor in patent law for those selling “staple articles of commerce” – products suitable for substantial non-infringing uses. The 1976 Copyright Act envisioned that courts would continue to use the traditional tort wellspring to continue to evolve copyright’s liability framework. Thus, in resolving the issues presented, the Court should have looked not to patent law but to tort principles informed by the distinctive concerns of copyright law, most notably the challenges of enforcement and the manner in which new technology platforms can threaten a wide range of creative expression. Moreover, the Court should have followed its own admonition to “exercise [] caution” in “applying doctrine formulated in one area to the other.”¹⁹ In sum, it could have reached the proper result in *Sony* case without judicially legislating a broad, categorical safe harbor going well beyond the issues and technologies *sub judice*.

Part I begins with a comprehensive history of the *Sony* litigation to ascertain how the Supreme Court came to engraft an express provision of the Patent Act into the Copyright Act. It shows that the logical linchpin in the Court’s rationale for importing patent law in the Copyright Act of 1976 derives not from careful statutory analysis or systematic jurisprudential research but instead serves as a *post hoc* rationalization for a particular policy preference. The decision suffered from significant gaps in the information presented to the courts, compounded by the jurists’ lack of familiarity with the newly enacted Copyright Act of 1976 and copyright liability jurisprudence. Part II then scrutinizes the historical claim on which *Sony*’s indirect liability edifice was erected, calling into question the Court’s decision to transplant a broad safe harbor from patent law. Part III examines how indirect copyright liability should have been analyzed on the basis of first principles – interpreting the Copyright Act’s text and legislative history as well as the jurisprudence of indirect copyright liability, which Congress intended to perpetuate. This review reveals that Congress intended to preserve the traditional tort-based doctrines of indirect copyright liability. The section concludes by analyzing how the indirect liability aspect of the

¹⁹ See *Sony*, supra n. ___, 464 U.S. at 439-40, n.19 (citing *Mazer v. Stein*, 347 U.S. 201, 217-218 (1954) (noting that the patentability of an article does not bar copyright, but refusing to pass judgment on the article in question, a statuette being used as a table lamp base, in heed of the “dichotomy of protection” afforded by patent as opposed to copyright law), and *Bobbs-Merrill Co. v. Straus*, 210 U.S. 339, 345 (1908) (“[t]here are such wide differences between the right of multiplying and vending copies of a production protected by the copyright statute and the rights secured to an inventor under the patent statutes, that the cases which relate to the one subject are not altogether controlling as to the other”) as examples where the Court had exercised such caution); cf. *Guess? v. United States*, 944 F.2d 855, 858 (Fed.Cir.1991) (declining to use Uniform Commercial Code definition of “fungible” to interpret Tariff Act because of the different natures of the statutes); *In re Sugar Pine Ranch*, 100 Bankr. 28, 33 (Bankr.D.Or.1989) (expressing reluctance to borrow from other statutes to interpret the Bankruptcy Code because the underlying intent of the statutes might be entirely different). The Supreme Court in *Sony* was not merely borrowing a definition for a term that was present in the Copyright Act but left undefined; rather, the Court was transplanting a broad, categorical safe harbor from the Patent Act into the recently enacted Copyright Act of 1976.

Sony case should have been resolved under such jurisprudence. The Supreme Court would have reached largely the same result in *Sony* had it adhered to legislative intent, without importing a broad prospective safe harbor from patent law that threatened to undermine congressional intent in future cases. Part IV examines *Sony*'s legacy, reviewing subsequent legislative actions, the treatment of the "staple article of commerce" doctrine in court decisions, and the extent to which *Sony*'s safe harbor has affected the consumer electronics and computer marketplaces.

This article focuses on the history of the *Sony* litigation, the Supreme Court's 1984 decision, and the subsequent reception over two decades of that case confronting analog technology. The enterprise assumes special significance in light of the Supreme Court's enshrining of *Sony* as governing law for the digital age as well, in its 2005 *Grokster* decision.²⁰ The focus here, though, ends before that ruling. A sequel to this article critically assesses the Supreme Court's decision in *Grokster*, building on the framework set forth herein to confront that latest ruling.²¹

I. Rewinding the *Sony* Litigation

Although less than a quarter-century old, the *Sony* case arose in a completely different technological era. When the motion picture studios filed their complaint in November 1976, the compact disc (CD) was several years away from commercialization²² and microcomputers were mere hobbyist toys.²³ A digital revolution – in which tens of millions of decentralized and

²⁰ 125 S.Ct. 2764 (2005).

²¹ See Peter S. Menell & David Nimmer, Direct Analysis of Indirect Copyright Liability (in process).

²² See Kees Immink, The Compact Disc Story, *Journal of the Audio Engineering Society*, 46(5), pp. 462, May 1998 (reflecting the commercial birth of the CD in 1983 and subsequent decline of the sales of LP albums). Available online at <http://www.exp-math.uni-essen.de/~immink/pdf/cdstory.pdf>. ; N.R. Kleinfield, *Sony, Philips Present Digital Disk Players*, N.Y. Times D6 (May 28, 1981).

²³ The MITS Altair 8800, widely considered the first personal computer, was first sold in a kit advertised in *Popular Electronics* in 1975. See Altair 8800, Wikipedia http://en.wikipedia.org/wiki/Altair_8800; Personal Computer, Wikipedia, <http://en.wikipedia.org/wiki/Personal_computer>. The model advertised was only a prototype, but appealed to avid hobbyists willing to put forth significant effort to construct the machine. The Altair 8800 was limited by its modest memory capacity and the lack of a versatile programming language. Bill Gates and Paul Allen first became known in the computer field for adapting BASIC (Beginners' All-purpose Symbolic Instruction Code) to run on the Altair 8800. See BASIC, Wikipedia <http://en.wikipedia.org/wiki/BASIC>; James Wallace and Jim Erickson, *Hard Drive: Bill Gates and the Making of the Microsoft Empire* 71-80, 85-107 (1992). Apple Computer's Apple II machine, released in 1977, represented the first consumer-oriented microcomputer. The release of Visicalc, the first spreadsheet program, in 1979 brought the personal computer into widespread use. See Visicalc, Wikipedia, <<http://en.wikipedia.org/wiki/VisiCalc>>. In 1982, *Time Magazine* named the "personal

largely anonymous Internet users could instantaneously reproduce and distribute perfect digital copies of sound recordings to millions of others – was science fiction. By contrast, *Sony* concerned a new form of analog technology – a bulky and expensive device that could record television programming onto magnetic tape for later viewing. At the time, Sony’s Betamax device cost \$1,400. It would be several years before markets for the sale or rental of prerecorded cassettes would emerge. Among the more revolutionary aspects of this device was that it allowed households to record a television show on one network while viewing another.

This attribute appears to have been the spark that ignited the litigation. VCR technology first came to the attention of Sidney Sheinberg, President of Universal City Studios,²⁴ when Sony’s advertising firm sought permission to reference two of Universal’s popular television series in a newspaper advertisement: “Now you don’t have to miss *Kojak* because you’re watching *Columbo* (or vice versa). Betamax – It’s a Sony.”²⁵ The advertising agency assumed that Universal would welcome a technology that allowed two of its television productions that appeared on rival networks during the same time slot to be viewed by the same audience through the VCR’s time shifting capability. But Universal refused to grant permission to reference its television shows.²⁶

computer” “Machine of the Year,” marking the first time that its editors selected a non-human entity for its annual award. See *Time* (Jan. 3, 1983). See generally Paul E. Ceruzzi, *A History of Modern Computing* 226-41 (1998).

²⁴ Sheinberg's role reverberated the following year, when Universal attempted to use its tenuous rights to *King Kong* in an effort to squelch a hugely popular video game called *Donkey Kong*:

Sheinberg is the Willie Keith of this story: "the event turned on his personality as the massive door of a vault turns on a small jewel bearing." (Caine Mutiny, p.i). He acknowledged that the issues surrounding *King Kong* have had a special attraction for him. As he stated, "The *King Kong* case was my case and I was involved with it. I don't remember there being an intermediary. It had been said with some jest in Hollywood on my tombstone the two words that will go on are *King Kong* and *Sony*. Maybe they will add a third."

Universal City Studios, Inc. v. Nintendo Co., 615 F. Supp. 838 (S.D.N.Y. 1985), *aff'd*, 797 F.2d 70 (2d Cir. 1986). Because of the statement that "Universal's litigation had been a profit center for the company and that Nintendo should start saving its money for legal fees," the court awarded defendant \$1,142,545 as punitive damages on its tort counterclaim, an amount equal to defendant's attorney's fees incurred in defending plaintiff's bad faith copyright claim.

²⁵ See *Fast Forward*, supra n. ___, at 5.

²⁶ Consequently, the advertisement that Sony ultimately ran did not reference Universal’s programs. It instead highlighted that Betamax users could watch Monday Night Football while recording favorite 9:00 pm Monday night television show series. See *Sony Betamax Display Ad*, *NY Times* 19 (Nov. 5, 1975) (noting that “[w]e’ve all been in the situation where there are two TV programs on opposite each other and we’d give anything to be able to see both of them. Well, now you *can* see both of them. . . . Sony’s revolutionary new Betamax. Now you can have your cake and eat it, too.”) (emphasis original).

Instead of embracing the VCR, Universal became concerned about how this new consumer technology might affect one of its technology business ventures – a multi-million dollar, but still nascent, investment in videodisc technology.²⁷ Videodisc promised to create a market for pre-recorded video content, much like phonorecords. As conceived at the time, videodisc technology would not have enabled recording capability.

As a result, Universal sought to persuade Sony, with whom it had other business dealings, to drop its VCR business plans. When Sony declined, Universal chose to bring suit for copyright infringement. With one exception, other major studios were reluctant to join the suit directly, although the Motion Picture Association of America (MPAA) and other content companies and organizations ultimately sided with Universal in amicus filings.²⁸ Walt Disney Productions shared Universal's concern with the VCR, although for somewhat different reasons. Disney had long profited from periodically taking its animation classics – such as *Snow White* and *Sleeping Beauty* – out “from the vault” for the benefit of each new generation.²⁹ Although

²⁷ See *Why Sony's Betamax Has MCA Seething*, *Business Week* 29 (Nov. 29, 1976) (observing that the Betamax litigation “could signal problems with [MCA's] forthcoming videodisc player”); see also Jack Egan, *Videodiscs' Debut: Can \$10 Movies Sell?; Videodisc Introduction Set This Year*, *Wash. Post P1* (Feb. 20, 1977); see generally *Laserdisc* (Wikipedia), <http://en.wikipedia.org/wiki/Laserdisc>.

²⁸ See, e.g., *Brief of Motion Picture Association of America, Amicus Curiae, in Opposition, Sony Corporation of America v. Universal City Studios, Inc.*, No. 81-1687 (Oct. Term, 1981) (May 7, 1982) (1982 U.S. S. Ct. Briefs LEXIS 537); *Brief of Amici Curiae of Motion Picture and Television Producers and Distributors in Opposition to the Petition for Writ of Certiorari to the United States Court of Appeals for the Ninth Circuit, Sony Corporation of America v. Universal City Studios, Inc.*, No. 81-1687 (Oct. Term, 1981) (May 10, 1982) (1982 U.S. S. Ct. Briefs LEXIS 253). See generally *EFF: The Betamax Case*, <http://www.eff.org/legal/cases/betamax/>; 1981 U.S. Briefs 1687

²⁹ “Thus, to cite an example, Disney released *Snow White and the Seven Dwarfs* in 1937, and periodically thereafter in theatrical re-release. Even when the medium of videotapes (and later laser discs) gained popularity, Disney adopted a conscious stratagem of withholding those eight characters from public distribution. As late as 1990, therefore, she and her cohorts remained unpublished.” David Nimmer, *Brains and Other Paraphernalia of the Digital Age*, 10 *Harv. J.L. & Technology* 1, 15-16 (1996) (footnotes omitted); see also B. Britt, “International Marketing: Disney's Global Goals,” *Marketing*, May 17, 1990, 22-26 (“To avoid overkill, Disney manages its character portfolio with care. It has hundreds of characters on its books, many of them just waiting to be called out of retirement Disney practices good husbandry of its characters and extends the life of its brands by not overexposing them They avoid debasing the currency.”); *Sleeping Beauty* (1959 film), http://en.wikipedia.org/wiki/Sleeping_Beauty_%281959_film%29 [release history]; *Snow White and the Seven Dwarfs* (1937 film), http://en.wikipedia.org/wiki/Snow_White_and_the_Seven_Dwarfs_%281937_film%29 [release history].

only three of Disney's feature length films had ever been licensed for television broadcast,³⁰ Disney feared that the VCR would interfere with its re-releasing business as well as its other film rental business.

The contours of legal liability were sufficiently unclear that the plaintiffs decided to sue not only Sony Corporation of America,³¹ its advertising company, and retail stores offering Sony's Betamax, but also a still home taper whom they agreed to shield from monetary damages.³² The case was brought in the Central District of California, home to Hollywood and many of the leading content companies. It was assigned to Judge Warren Ferguson, a former state court jurist who had been appointed to the federal bench a decade earlier. Prior to the *Sony* case, Judge Ferguson had rendered but one published opinion in a copyright matter, which was later reversed.³³

A. The District Court Proceeding

The *Sony* case presented three complex, inter-related legal and factual questions: (1) whether households using the VCR to record television shows violated any of the exclusive rights of copyright owners; (2) if so, whether the manufacturers of such devices—as well as their advertising firms and retailers—could be held indirectly liable for contributing to or inducing infringement; and (3) if liability were found, what remedies should apply to these various actors. The case presented significant litigation challenges. The Copyright Act had only recently been comprehensively reformed and courts had only just begun to interpret its many new provisions. Most notably, the codification of the judicially developed fair use doctrine—which would figure prominently in assessing the direct liability of home tapers—was notoriously vague in both its procedural (burden of proof) and substantive elements.³⁴ Furthermore, the

³⁰ See *Universal City Studios, Inc. v. Sony Corporation of America*, 480 F.Supp. 429, 434-35 (C.D.Cal. 1979).

³¹ In the annals of United States copyright jurisprudence, that party has been an influential plaintiff as well as defendant in numerous cases. See David Nimmer, *On the Sony Side of the Street*, 34 Sw. U. L. Rev. 205 (2004).

³² 480 F. Supp. 436-37; 464 U.S. at 424 n.3; *Fast Forward*, supra n. ___ at 17-18.

³³ See *Goodson-Todman Enterprises, Ltd. v. Kellogg Co.*, 358 F.Supp. 1245 (C.D. Cal. 1973) (finding on summary judgment that a television commercial using a game show format did not infringe the copyright in the television game show "To Tell the Truth"), *rev'd* 513 F.2d 913 (9th Cir. 1975).

³⁴ See *Williams & Wilkins Co. v. United States*, 487 F.2d 1345 (Ct. Cl. 1973), *aff'd per curiam by an equally divided Court*, 420 U.S. 376 (1975); *American Geophysical Union v. Texaco Inc.*, 802 F.Supp 1, 11 (S.D.N.Y. 1992) ("As vague, broad and far reaching as [the statutory fair use] factors are, the Supreme Court has noted that they are not exclusive and that the fair use doctrine is an 'equitable rule of reason.'") (citations omitted), *aff'd*, 37 F.3d 881 (2d Cir. 1994), *cert. dismissed*, 516 U.S. 1005 (1995). Cf. David Nimmer, "Fairest of them All" and Other Fairy Tales of Fair Use, 66 Law & Contemp. Probs. 263 (2003); Pierre N. Leval, *Toward a Fair Use Standard*, 103 Harv. L. Rev. 1105 (1990).

gathering of evidence would be complicated, given the fact that most VCRs were used in the relative privacy of users' homes.

The plaintiffs hired Stephen Kroft, a litigator at an established Beverly Hills entertainment law firm who had cut his teeth on traditional copyright infringement and entertainment industry cases.³⁵ Notwithstanding the technological aspects of this matter, Kroft saw the case in straightforward terms.³⁶ He opened the trial with a basic equation: "The simple fact that Betamaxes were used to duplicate copyrighted works, along with the equally simple fact that Sony built and sold them for that purpose, added up to a simple case of copyright infringement."³⁷ Four years later, he would come back to this same theme in the opening to his Supreme Court argument:

Although the technology involved in this case makes the case more interesting than the normal copyright case, all that the case really involves is unauthorized and uncompensated copying of entire motion pictures, and that's something that's never been permitted by the Copyright Act. Neither Congress nor any court has ever permitted such copying, merely because it takes place in the home rather than someplace else, or because the copy is taken from the television air waves rather than from some other source.³⁸

Notwithstanding the many intricacies of copyright law involved in the case, Sony's Chairman Akio Morita looked outside of the usual copyright circles in selecting lead counsel. Dean Dunlavey, a general litigator without any significant copyright experience, had a track record as a hard-nosed litigator. He also held a Ph.D. in nuclear chemistry from the University of California at Berkeley and had significant experience litigating patents.³⁹

As a nonspecialist Dunlavey came to the lawsuit with a pronounced lack of respect for the intellectual rigor of copyright law. To his way of thinking, fair use wasn't a 'doctrine.' It was simply a phrase that had entered the legal vocabulary after countless occasions when judges had said to themselves, 'Yeah, this is copyright infringement by any normal test. It was copyrighted. It was copied. But it just isn't fair to hold the guy responsible for infringement, and I'm not going to do it. So I'll call it fair use.'⁴⁰

³⁵ See Fast Forward, supra n. ___, at 6.

³⁶ See Fast Forward, supra n. ___, at 7-8.

³⁷ See Fast Forward, supra n. ___, at 99.

³⁸ Argument by Stephen A. Kroft, *Sony Corp. of America v. Universal City Studios*, No. 81-1687 (Jan. 18, 1983), 1983 U.S. TRANS LEXIS 89 at 23-24.

³⁹ See Profile: Dean C. Dunlavey, *LA Daily Journal* 1, (Jan. 23, 1984); *Obituaries; Dean Dunlavey, 77; Won Case to Allow VCR Taping*, *Los Angeles Times*, July 4, 2003.

⁴⁰ Fast Forward, supra n. ___, at 88.

Dunlavey's patent law background would prove particularly valuable in persuading the trial court—and later the U.S. Supreme Court—to read the Patent Act's staple article of commerce safe harbor into copyright law.⁴¹

Both sides recognized early on that the trial would turn on the application of the fair use doctrine. They focused their preparation on the character and nature of home copying and the harm such activity causes to the market for television programming. The studios' lawyers sought to prove copying in several ways.⁴² By naming a still home taper as a defendant, they would have direct testimony about VCR usage.⁴³ In addition, they hired a private investigator to gather information from retail stores. They also sought to ascertain VCR usage through door-to-door canvassing of households, to which the defendants objected. As a compromise, Judge Ferguson allowed both parties to conduct telephone surveys.⁴⁴ Universal's survey of 805 households with VCRs revealed ownership of approximately 32 videocassettes on average,⁴⁵ far more than would be needed merely to time-shift programs, given that tapes could be re-recorded. To the plaintiffs' legal team, such ownership patterns indicated that households were creating home movie libraries, which would harm the potential market for video rentals and sales. The studios also believed that the ability to skip over commercials would adversely affect how much advertisers would be willing to pay to sponsor television programming. Delayed viewing might also hurt the market for time-sensitive advertising. Given Sony's knowledge and encouragement of consumers' home copying through its advertisements, the plaintiff team members believed that they had all that they needed to hold Sony liable.

Sony could prevail by establishing that home copying did not violate the Copyright Act. It set out to show that owners of the copyrights for many of the broadcast programs consented to their shows being recorded on VCRs for later viewing. It obtained declarations from a range of content owners – from public television children's shows (“Mr. Rogers’ Neighborhood”) to sports leagues (the National Hockey League, the National Football League) – endorsing time-shifting of their programming. Sony also sought to show that VCRs did not harm nonconsenting copyright owners. It procured a survey of 1,000 households indicating that the VCR was used primarily to shift when households watch shows, not to create libraries or eliminate commercials.⁴⁶ Rather than harm copyright owners, Sony would argue, VCRs expanded the audience for television broadcasts and opened up new opportunities for rental and sale of television programming and films. Consequently, home copying fell within the fair use doctrine, Sony concluded. Sony would also argue that it could be inferred from the legislative history of

⁴¹ See Profile: Dean C. Dunlavey, LA Daily Journal 1, (Jan. 23, 1984) (noting Dunlavey's patent background); 1983 U.S. TRANS LEXIS 10 at 14; see Fast Forward, supra n. ___, at 105.

⁴² See 480 F. Supp. at 434-40.

⁴³ See 480 F. Supp. at 436-37.

⁴⁴ See 480 F. Supp. at 438-39.

⁴⁵ Id.

⁴⁶ See id; 464 U.S. at 423-24.

the Sound Recording Act of 1971, in conjunction with the legislative history of the Copyright Act of 1976, that Congress had impliedly exempted home recording from liability.⁴⁷

Even if home copying of over-the-air television broadcasts violated copyright law, Sony had a second line of defense: manufacturers of a VCR did not bear indirect liability for the acts of their customers. Reflecting his patent law perspective, Dunlavey would build his case around the larger public policy principle, reflected in the Patent Act, that intellectual property law should never stand in the way of products that have substantial non-infringing uses.

A five-week bench trial commenced in early 1979 amidst the glare of media attention. From the outset, Judge Ferguson revealed discomfort with plaintiffs' implicit assertion that the government should regulate the use of recording devices within the privacy of the home,⁴⁸ as well as skepticism that the VCR had caused or threatened any significant harm to copyright owners.⁴⁹ Studio executives' claims of impending doom rang hollow in the face of record profits at Universal City Studios and emerging new markets for content as a result of VCR technology.⁵⁰ One of the studios' key witnesses, the home tapper who had agreed to be named as the shell defendant, reinforced Sony's assertion that VCRs were used primarily for time shifting and not building home video libraries. Although acknowledging that he had initially purchased the Betamax in order to build a home video library, William Griffiths testified that the costs of taping had pushed him into using his machine for time shifting.⁵¹

In defending the case, Sony put into evidence the many examples of television programming for which copyright owners consented to over-the-air taping, an internal media company study conducted by NBC downplaying the effects of home taping on content industry profits, and other public and private statements to like effect.⁵² Dunlavey closed by emphasizing that "[t]here never has been a case in history where the manufacturer of a machine with legitimate use was ever punished for some improper use made of the machine by a purchaser."⁵³ He urged the court to look to patent law's staple article of commerce doctrine in judging, for the first time, whether the manufacturer of a consumer product should be held liable for the acts of downstream users outside of its control. He emphasized the many non-infringing uses of VCRs, from simple time-shifting of television broadcasts to recording the many shows for which copyright owners freely consented (or at least had not objected).

⁴⁷ See 480 F. Supp. at 443.

⁴⁸ Years later, that sensitivity began to percolate into copyright cases. *See, e.g.,* Columbia Pictures Indus., Inc. v. Professional Real Estate Investors, Inc., 866 F.2d 278, 281 (9th Cir. 1989); *Shaul v. Cherry Valley-Springfield Cent. Sch. Dist.*, 218 F. Supp. 2d 266, 271 (N.D.N.Y. 2002), *aff'd*, 363 F.3d 177, 185-86 (2d Cir. 2004); *see also* *Lewis Galoob Toys, Inc. v. Nintendo of Am., Inc.*, 780 F. Supp. 1283, 1293 (N.D. Cal. 1991), *aff'd*, 964 F.2d 965 (9th Cir. 1992).

⁴⁹ See 480 F. Supp. at 468; *Fast Forward*, supra n. ___, at 97-99.

⁵⁰ See 464 U.S. at 453-54; *Fast Forward*, supra n. ___, at 97-98.

⁵¹ See 464 U.S. at 424, n.3; *Fast Forward*, supra n. ___, at 102.

⁵² See *Fast Forward*, supra n. ___, at 104.

⁵³ See *Fast Forward*, supra n. ___, at 105.

Anticipating future controversies over rights management technology and even the broadcast flag,⁵⁴ Kroft sought to rebut Dunlavey's argument for application of patent law's staple article of commerce safe harbor by proffering an engineer to testify that Sony could easily and inexpensively redesign its VCR so as to be able to record only those programs authorized by the copyright owners.⁵⁵ Judge Ferguson refused to allow the engineer to testify as a rebuttal witness, commenting that "as sure as you or I are sitting in this courtroom today, some bright young engineer, unconnected with Sony, is going to come up with a device to unjam the jam. And then we have a device to jam the unjamming of the jam, and we all end up like jelly."⁵⁶

Following post-trial briefing, Judge Ferguson issued a detailed opinion finding for Sony on all of the key issues.⁵⁷ He began his 42-page opinion by quoting the Intellectual Property Clause of the U.S. Constitution – empowering Congress "To promote the Progress of Science and Useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries"⁵⁸ – while at the same time emphasizing copyright's statutory limitations:

The limited scope of the copyright holder's statutory monopoly, like the limited copyright duration required by the Constitution, reflects a balance of competing claims upon the public interest: Creative work is to be encouraged and rewarded, but private motivation must ultimately serve the cause of promoting broad public availability of literature, music, and the other arts.⁵⁹

With this preamble never far from the surface, Judge Ferguson proceeded to make detailed factual findings, interpret copyright law, and apply the law to the unprecedented issues before him.

With regard to the direct liability question, Judge Ferguson concluded on two grounds that home recordings of over-the-air broadcasts for personal use did not infringe copyrights in plaintiffs' works— (1) an implied immunity for home recording buried within the legislative history of the Sound Recording Act of 1971 and the Copyright Act of 1976 as well as (2) the fair

⁵⁴ See Thomas S. Fletcher, *American Library Ass'n v. FCC: Charting the Future of Content Protection for Digital Television*, 21 *Berkeley Tech. L.J.* 613 (2006); Penina Michlin, *The Broadcast Flag and the Scope of the FCC's Ancillary Jurisdiction: Protecting the Digital Future*, 20 *Berkeley Tech. L.J.* 907 (2005); Susan P. Crawford, *The Biology of the Broadcast Flag*, 25 *Hastings Comm. & Ent. L.J.* 603, 611-12 (2003).

⁵⁵ See *Fast Forward*, supra n. ___, at 104.

⁵⁶ See *Fast Forward*, supra n. ___, at 105.

⁵⁷ Judge Ferguson amended the opinion, without altering the outcome, three months later. *Universal City Studios, Inc. v. Sony Corp. of America*, 480 F.Supp. 429 (C.D. Cal. 1979).

⁵⁸ U.S. Constitution, Article I, Section 8, Clause 8.

⁵⁹ 480 F.Supp. at 432 (quoting *Twentieth Century Music Corp. v. Aiken*, 422 U.S. 151, 156 (1974)).

use doctrine. In upholding implied immunity, Judge Ferguson found compelling the following quotation from the House Report accompanying the 1971 sound recording legislation:

Home Recording

In approving the creation of a limited copyright in sound recordings it is the intention of the Committee that this limited copyright not grant any broader rights than are accorded to other copyright proprietors under the existing title 17. Specifically, it is not the intention of the Committee to restrain the home recording, from broadcasts or tapes or records, of recorded performances, where the home recording is for private use and with no purpose of reproducing or otherwise capitalizing commercially on it. This practice is common and unrestrained today, and the record producers and performers would be in no different position from that of the owners of copyright in recorded musical compositions over the past 20 years.⁶⁰

Other legislative history, including testimony of the Register of Copyrights, reinforced this interpretation—although all of it related specifically to audio recording.

Judge Ferguson conjoined this statutory interpretation with a detailed application of the fair use defense to the unprecedented context of home video recording of over-the-air broadcasts. He was guided by the Supreme Court’s observation that “[w]hen technological change has rendered [the Copyright Act’s] literal terms ambiguous, the Copyright Act must be construed in light of [its] basic purpose.”⁶¹ After briefly reviewing the jurisprudential origins of the fair use doctrine and its codification by Congress in the 1976 Act, Judge Ferguson placed greatest emphasis on whether home recording harmed actual or potential markets for the copyrighted works – the fourth statutory fair use factor. Noting that the plaintiffs “have admitted that no actual harm to their copyrights has occurred to date” and that their experts “admitted that they knew neither the year in which the predicted harm would occur nor the number of Betamax purchases which would cause harm,” Judge Ferguson expressed reluctance to credit the plaintiffs’ predictions of imminent, substantial harm. Although VCR users recorded the entirety of highly expressive creative works without engaging in productive use (such as criticism or parody), Judge Ferguson downplayed these considerations on the grounds that the works were broadcast without charge and that the uses were both not commercial and confined to the privacy of the users’ homes.⁶² Bearing in mind the inherent flexibility of the fair use doctrine, particularly as a means of adapting copyright to technological change, Judge Ferguson determined that the home use of VCRs constituted fair use.

Given this finding, the district court did not need to reach the issue of indirect liability. If VCR users did not violate copyright law, then the suppliers of those products could not be held

⁶⁰ 480 F.Supp. at 444 (quoting H.Rep.No. 487, 92nd Cong., 1st Sess. 7, reprinted in U.S. Code Cong. & Admin. News 1566, 1572 (1971)).

⁶¹ 480 F.Supp. at 447 (quoting *Twentieth Century Music Corp. v. Aiken*, 422 U.S. 151, 156 (1974)).

⁶² 480 F.Supp. at 452-56.

indirectly liable. Nonetheless, Judge Ferguson proceeded to resolve the indirect liability allegations. He began by reviewing the traditional test for contributory copyright liability: “[O]ne who, with knowledge of the infringing activity, induces, causes or materially contributes to the infringing conduct of another.”⁶³ As the court recounted, the Second Circuit in *Gershwin* had imposed contributory liability on a concert artists’ management company on the grounds that it knew that its artists were publicly performing copyrighted works without having obtained a license. Judge Ferguson also observed that in *Screen Gems*, an advertising agency preparing advertisements for pirated records, the radio station broadcasting the advertisements, as well as the company that packaged and mailed the records, were also within the scope of contributory copyright liability to the extent that they knew that the works were manufactured without authorization of the owners of the copyrights in the musical compositions.⁶⁴

Even if there had been direct infringement and material contribution or inducement, Judge Ferguson questioned whether indirect liability would arise. Without explaining the statutory basis in *copyright law* for a staple article of commerce defense, Judge Ferguson observed that:

Plaintiffs claims are unprecedented. Unlike the defendant in *Gershwin*, defendants here do not arrange for and direct the programming for the infringing activity. Unlike the defendants in *Screen Gems I* and *II*, defendants here do not sell or advertise the infringing work. Plaintiffs sue defendants because they manufacture, distribute, advertise, and sell a product capable of a variety of uses, some of them allegedly infringing.

Selling a staple article of commerce – e.g., a typewriter, a recorder, a camera, a photocopying machine – technically contributes to any infringing use subsequently made thereof, but this kind of “contribution,” if deemed sufficient as a basis for liability, would expand the theory beyond precedent and arguably beyond judicial management.

In patent law, manufacturers, distributors, retailers and advertisers of staple articles of commerce suitable for substantial noninfringing use cannot be held liable as contributory infringers. See 35 U.S.C. §271(c); *Aro Manufacturing Co. v. Convertible Top Co.*, 377 U.S. 476, 488-89 (1964); *Henry v. A.B. Dick Co.*, 224 U.S. 1, 48 (1912). As the Court in *Henry* noted, to hold otherwise would “block the wheels of commerce.” *Id.* Whether or not patent law has precedential value for copyright law and the *Betamax* is capable of “substantial” noninfringing use, the underlying rationale for the patent rule is significant. Commerce would indeed be hampered if manufacturers of staple items were held liable as contributory infringers whenever they “constructively” knew that some purchasers

⁶³ 480 F.Supp. at 459 (quoting *Gershwin Publishing Corp. v. Columbia Arts Management, Inc.*, 443 F.2d 1159, 1162 (2d Cir. 1971)).

⁶⁴ 480 F.Supp. at 460 (summarizing *Screen-Gems-Columbia Music, Inc. v. Mark-Fi Records, Inc.*, 256 F.Supp. 399 (S.D.N.Y. 1966)).

on some occasions would use their product for a purpose which a court later deemed, as a matter of first impression, to be an infringement.⁶⁵

Thus was born copyright's "staple article of commerce doctrine."

This first stage of the *Sony* case reveals that the Patent Act's staple article of commerce doctrine worked its way into copyright law without serious attention to the history of copyright law or the text, structure, or legislative history of the 1976 Act. Sony's counsel did an excellent job of arguing, largely on the basis of general policy considerations, for the adoption of the patent law standard. Dunlavey had little knowledge of or interest in delving into copyright jurisprudence or statutory interpretation relating to indirect liability. The patent law doctrine afforded his client the immunity from liability that it sought. Plaintiff's lead counsel did little to rebut defendant's policy arguments or to illuminate the roots of indirect copyright liability. Proving direct infringement and rebutting the fair use defense absorbed much of plaintiffs' energies at trial. Kroft lacked experience in the patent field and badly underestimated the intuitive force of the defendant's argument. By taking an extreme position – that mere knowledge and material contribution are enough to create indirect liability – Kroft lost the opportunity to draw upon copyright traditions to offer a more limited and balanced middle ground. He never provided the court with a cohesive understanding of indirect copyright liability, the way the 1976 Act reinforced and perpetuated the evolution of tort-based analysis,⁶⁶ or the critical analytic differences between the patent and copyright regimes, particularly with regard to enforcement.

As a result, Judge Ferguson was not well-prepared to resolve the question of indirect liability on the basis of first principles. Lacking grounding in copyright law himself while facing a dazzlingly complex new statute, he had to grapple solo with challenging issues of direct liability, fair use, and remedies, all the while confronting an unprecedented issue in copyright history – whether, and if so under what circumstances, the manufacturer of a consumer product that could be used for both infringing and non-infringing purposes should be held liable for the

⁶⁵ 480 F.Supp. at 460-61. Earlier in the opinion, Judge Ferguson foreshadowed his inclination toward patent law's treatment of this question:

The videotape recorder, like a tape recorder, is a staple item of commerce. Its uses are varied. As Justice Holmes recognized in *Kalem* [Co. v. Harper Brothers, 222 U.S. 55 (1911)], "[i]n some cases where an ordinary article of commerce is sold nice questions may arise as to the point at which the seller becomes an accomplice in subsequent illegal use by the buyer," 222 U.S. at 62. Nice questions do arise here. Defendants have provided the public with a machine capable of recording off-the-air. In *Kalem*, manufacturers of the film and the camera used to make the infringing dramatization of "Ben Hur" were not sued; nor were the manufacturer of the Make-A-Tape machine in *Elektra* [Records Co. v. Gem Electronic Distributors, Inc., 360 F.Supp. 821 (E.D.N.Y. 1973)]. There is no precedent for finding [Sony] liable for direct infringement.

Id. at 458-59.

⁶⁶ See *infra*, <section III>

acts of its customers. Without any real jurisprudential or analytical roadmap from counsel, it was asking too much for the trial court to discover the traditions of copyright liability jurisprudence and work through the tortuous legislative history of the 1976 Act. Rather, Judge Ferguson grabbed for what seemed an analogous handhold in the Patent Act: the staple article of commerce doctrine. But that adoption came without considering whether this doctrine fit within the copyright statute or to what extent it needed to be adjusted to reflect distinctive aspects of the copyright regime.

The immediate effect of the *Sony* decision was to fuel a burgeoning market for VCRs and ancillary products. During the course of the litigation, other Japanese electronics manufacturers had introduced a competing VCR standard (VHS).⁶⁷ Price competition greatly expanded the number of households using VCRs. With a growing installed base of VCR-owning households, entrepreneurs and copyright owners saw an opportunity to license the right to sell pre-recorded video cassettes. Fox was the first major studio to authorize the sale of some of its catalog into the VCR marketplace, making available through a mail order enterprise such classic films as “The Sound of Music,” “The French Connection,” and “Patton.”⁶⁸ Makers of sexually explicit films were quick to recognize the advantages of distributing their works through mail-order and retail outlets, and the market for such works expanded rapidly.⁶⁹ Soon video stores and video rental stores began to dot the landscape.⁷⁰

Notwithstanding the changes taking place in the marketplace, Universal and Disney decided to appeal. Pressing their cause in court would also play a role in a larger industry effort to amend the Copyright Act to impose a levy on VCRs and blank tapes and to obtain greater control over the video rental market by imposing statutory limitations on video rentals.⁷¹

B. The Ninth Circuit Decision

⁶⁷ See Video on your Screen, *The Economist* 122 (May 26, 1979) (explaining how Matsushita rejected Sony’s Betamax format in favor of its own VHS format and quickly became the market leader); Format War (Wikipedia), http://en.wikipedia.org/wiki/Videotape_format_war.

⁶⁸ See Tom Shales, All I Want for Christmas Is My Own TV Show . . . , *Wash. Post C1* (Nov. 24, 1977); *Fast Forward*, supra n. ___, at 157-59.

⁶⁹ See Tony Schwartz, The TV Pornography Boom, *N.Y. Times Sec. 6*, p. 44 (Sept. 13, 1981); Video on your Screen, supra n. ___ (noting that pornography was more widely available for sale or rental than major feature films).

⁷⁰ See Hans Fantel, When Buying a Video Cassette Recorder, *N.Y. Times Sec. 1*, p. 21 (Aug. 22, 1981) (“What makes the VCR even more attractive is the recent spread of neighborhood video stores where you can rent a cassette for an evening’s entertainment for the family for as little as \$6 a night. As one satisfied viewer put it, ‘It’s cheaper than the movies and you’ve got more choice.’”); *Fast Forward*, supra n. ___, at 173-88.

⁷¹ See James Lardner, Video Wars, *The Washington Post F1* (May 2, 1982).

The *Sony* case was assigned to Circuit Judges John Francis Kilkenny and William Cameron Canby, Jr. and District Judge William G. East, sitting by designation. Judge Kilkenny, who would write the panel's unanimous decision, had relatively little experience dealing with copyright law over his career. Nonetheless, he had the most experience among the panel. Appointed to the Ninth Circuit in 1969, Judge Kilkenny had participated in four reported copyright decisions prior to *Sony*.⁷² His only written opinion came in a case in which the plaintiff asserted copyright in several greeting cards combining short phrases with visual art.⁷³ Although recognizing that the short phrases lacked sufficient originality to merit copyright protection and that the visual images had not been infringed, the majority concluded that the compilation of elements had been improperly appropriated. Judge Kilkenny filed a short dissent, arguing that "a 56-year monopoly" should not be granted "in a situation where neither infringement of text, nor infringement of art work can be found. On these facts, we should adhere to our historic philosophy requiring freedom of competition."⁷⁴ Based on this tea leaf, the lawyers in the *Sony* case might have inferred that he would be sympathetic to Sony's position that it should be free to innovate and compete.

The other two panel members had no experience litigating or adjudicating copyright disputes. Judge Canby had only recently been appointed to the bench. Prior to serving on the Ninth Circuit, he had been a professor specializing in Indian law. Judge East had been a district judge since 1955, but sitting in Oregon gave him little opportunity to address copyright decisions. He had never participated in a reported copyright case prior to *Sony*.

The Ninth Circuit appeal was argued in February 1981. On October 19, 1981, a day that would come to be known as "Sony's Black Monday,"⁷⁵ the panel reversed the lower court rulings.⁷⁶ Much of the opinion addressed Judge Ferguson's two-pronged direct infringement analysis: finding an implied statutory immunity for home recording and upholding fair use. To rebut the former, Judge Kilkenny offered a textual reading of the Copyright Act of 1976:

The statutory framework is unambiguous; the grant of exclusive rights is only limited by the statutory exceptions. Elementary principles of statutory construction would indicate that the judiciary should not disturb this carefully

⁷² See *Roth Greeting Card Co. v. United Card Co.*, 429 F.2d 1106 (1971); *Runge v. Lee*, 441 F.2d 579 (9th Cir. 1971) (reviewing copyright damage findings); *Duchess Music Corp. v. Stern*, 458 F.2d 1305 (9th Cir. 1972) (relating to impoundment and compulsory licensing provisions); *United States v. Hamilton*, 583 F.2d 448 (9th Cir. 1978) (relating to copyright protection for maps).

⁷³ *Roth Greeting Card Co. v. United Card Co.*, 429 F.2d 1106 (1971). This case is now remembered only for having promulgated the notorious phrase "total concept and feel" as the touchstone for determining substantial similarity. *Id.* at 1110. See 3 MELVILLE B. NIMMER & DAVID NIMMER, NIMMER ON COPYRIGHT § 13.03[A][1][c] (2006).

⁷⁴ *Id.* at 1112.

⁷⁵ http://www.totalmedia.com/trivia_9.asp

⁷⁶ *Universal City Studios v. Sony Corp. of America*, 659 F.2d 963 (9th Cir. 1981).

constructed statutory scheme in the absence of compelling reasons to do so. That is, we should not, absent a clear direction from Congress, disrupt this framework by carving out exceptions to the broad grant of rights apart from those in the statute itself. It is the duty of the courts to give faithful meaning to the language Congress adopted in the light of the evident legislative purpose in enacting the law in question.⁷⁷

The Ninth Circuit noted that Congress had specifically excluded audiovisual works (other than news reporting) from the limited exemption afforded libraries and archives to make copies of protected works for archival purposes.⁷⁸ The appellate court also noted that although Congress carried over much of the 1971 legislative history from the Sound Recording Act into the House Report for the 1976 Act, it omitted the language on which the lower court had relied. In any case, Judge Kilkenny found several indications that Congress did not intend any immunity for home recording of audio to reach motion pictures.⁷⁹

The Ninth Circuit also found fault with the lower court's fair use analysis of home taping. In particular, the appellate court read the preamble to the fair use provision of the 1976 Act, as well as the case law, to limit reproductions to "productive" uses or other areas in which there is a "countervailing societal benefit."⁸⁰ Merely reproducing entertainment works for their "intrinsic use," even if doing so without commercial gain, does not suffice.⁸¹ The appellate court found that the nature of the copyrighted work and the substantiality of copying both weigh against a finding of fair use.⁸² In light of these findings, the Ninth Circuit did not believe that it needed to address the fourth factor – "the effect of the use upon the potential market for or value of the copyrighted work." Given this assessment, the Ninth Circuit reversed the lower court's fair use determination.

With direct infringement now established, indirect liability took on a much greater role in the case. Nonetheless, Judge Kilkenny gave the issue short shrift. Rather than confront the appropriate test directly, he initially seemed to accept that the staple article of commerce doctrine applied in copyright law, only to reject the lower court's conclusion that the VCR qualified as a "staple article of commerce."

Appellees' analogy of videotape recorders to cameras or photocopying machines may have substantial benefit for some purposes, but does not even remotely raise

⁷⁷ 659 F.2d at 966.

⁷⁸ See 17 U.S.C. § 108.

⁷⁹ The House Report to the 1971 Sound Recording Act itself excluded sound recordings.

⁸⁰ 659 F.2d at 971.

⁸¹ 659 F.2d at 971-72.

⁸² 659 F.2d at 972-73. The Ninth Circuit also noted that the lower court had failed to adequately appreciate that "[i]nstances of minor infringements, when multiplied many times, become in the aggregate a major inroad on copyright that must be prevented." *Id.* at 974, n.14 (quoting S. Rep. 94-473 at 65).

copyright problems. Videotape recorders are manufactured, advertised, and sold for the primary purpose of reproducing television programming. Virtually all television programming is copyrighted material. Therefore, videotape recorders are not "suitable for substantial noninfringing use." That some copyright owners choose, for one reason or another, not to enforce their rights does not preclude those who legitimately choose to do so from protecting theirs.⁸³

In light of his detailed textualist reading of Copyright Act to reject an implied home taping exemption, Judge Kilkenny's tacit acceptance of the propriety of reading a patent law exemption into copyright law seems surprising. Nonetheless, his narrow reading of the exemption and blithe brushing away of home recording of programs with the consent of the copyright owners as relevant to the question of noninfringing use led the Ninth Circuit to find Sony indirectly liable. The opinion entirely overlooked the legitimacy of recording programs that are in the public domain or for which a productive fair use is made. It also paid scant attention to the district court's detailed factual findings related to educational, sports, and religious programming. The owners of many such works did not merely choose not to enforce their rights, but affirmatively welcomed home recording.

Thus, the Ninth Circuit's opinion failed to provide any insight into the statutory or jurisprudential basis for reading the staple article of commerce doctrine into copyright law. Without analysis or explanation, the court's cursory treatment of indirect copyright liability assumed that copyright recognized such a defense, but then dismissed the defense in a few conclusory sentences. The appellate court disregarded substantial evidence and factual findings by the district court showing significant, if not substantial, noninfringing uses for the VCR.

The Ninth Circuit's reversal made national headlines.⁸⁴ By October 1981, approximately 4 million VCRs were in use in the United States; video stores and rentals were taking off; video cassette tapes were widely available; and even mainstream studios were beginning to see the opportunity to profit from this new and rapidly growing content technology platform. The Ninth Circuit begrudgingly recognized that fashioning relief could be difficult and chose not to issue a permanent injunction. Rather it remanded the choice of remedy back to the lower court with a mixed message: commenting that "when great public injury would result from an injunction, a court could award damages or a continuing royalty" but at the same time noting that "the district court should not be overly concerned with the prospective harm to the appellees [since] a defendant has no right to expect a return on investment from activities that violate the copyright law."⁸⁵ Within weeks of the Ninth Circuit decision, Universal sued 42 other VCR

⁸³ 659 F.2d at 975 (footnote and citation omitted).

⁸⁴ See Barnaby J. Feder, *Private Videotaping of Copyrighted TV Ruled Infringement*, N.Y. Times A1 (Oct. 20, 1981); Jay Mathews, *Videotaping at Home Ruled Illegal*, Wash. Post A1 (Oct. 21, 1981); Aric Press, Janet Huck, and Peggy Clausen, *The Betamax Imbroglio*, Newsweek 119 (Nov. 2, 1981); Andrew Pollack, *Video Recorder Sales Go On*, N.Y. Times D5 (Oct. 21, 1981).

⁸⁵ 659 F.2d at 976.

manufacturers, distributors, and advertisers in the Central District of California,⁸⁶ setting the stage for a Supreme Court challenge to the Ninth Circuit's ruling.

C. The Supreme Court Proceeding

1. Petitioning for Review

On March 12, 1982, Sony filed its Petition for Writ of Certiorari seeking reversal of the Ninth Circuit decision.⁸⁷ The petition emphasized the widespread adoption of VCR technology and the dire economic consequences of outlawing it. The petition asserted that the Ninth Circuit had committed three principal errors: (1) The Ninth Circuit had misapprehended the statutory framework and misread the legislative history of the Copyright Act in failing to find an implied immunity for home recording; (2) The appellate court had misapplied the fair use doctrine, limiting the doctrine to an overly narrow category of "productive" uses and paying scant attention to the factual findings relating to the lack of actual or potential harm to copyright owners from home taping; and (3) The Ninth Circuit had misapplied the staple article of commerce defense in assessing indirect liability. As an economic backstop, Sony argued that injunctive relief against Sony would be inappropriate in the circumstances of this case and that if liability were to be found, then a compulsory license should be ordered.

The manner in which Sony characterized indirect liability shows how the staple article of commerce doctrine would be insinuated into copyright law. The petition cleverly notes that "[t]his Court has made it clear that the supplier of a staple article of commerce – viz., an item suitable for substantial non-infringing use – are not per se contributory infringers when an owner of the item uses it for direct patent infringement,"⁸⁸ citing patent law precedents and section 271(c) of the Patent Act. It then asserts that "the same principle has been applied by this Court to copyright infringement," citing to *Kalem Co. v. Harper Brothers*,⁸⁹ the 1911 decision in which Justice Holmes observed in dicta that *if* the plaintiffs had alleged indirect copyright infringement against the manufacturer of general purpose motion picture equipment, then "nice questions may arise."⁹⁰ The Court had no occasion to apply the principle in that case or any subsequent matter; but Sony had identified a tenuous jurisprudential pathway through which the Court could channel a patent defense into copyright law.

⁸⁶ See Petition for Writ of Certiorari to the United States Court of Appeals for the Ninth Circuit, *Sony Corp. of America v. Universal City Studios, Inc.* 8 (October Term 1981) (Mar. 12, 1982).

⁸⁷ See Petition for Writ of Certiorari to the United States Court of Appeals for the Ninth Circuit, *Sony Corp. of America v. Universal City Studios, Inc.* (October Term 1981) (Mar. 12, 1982).

⁸⁸ See Petition for Writ of Certiorari to the United States Court of Appeals for the Ninth Circuit, *Sony Corp. of America v. Universal City Studios, Inc.* 17 (October Term 1981) (Mar. 12, 1982); 1982 U.S. S. Ct. Briefs LEXIS 262 at 39.

⁸⁹ 222 U.S. 55 (1911).

⁹⁰ *Id.* at 62-63.

The Respondents opposed the petition for certiorari on procedural and substantive grounds.⁹¹ They asserted that the case was not yet ripe for review because the Ninth Circuit had remanded the case for consideration of three unresolved affirmative defenses – laches/estoppel, copyright invalidity, and unclean hands/copyright unenforceability – and for crafting relief. The Respondents also pointed to draft legislation that, if passed, could moot the pending litigation.⁹² On the substantive level, the Respondents defended the Ninth Circuit’s resolution as careful statutory interpretation and straightforward application of traditional copyright doctrines, neither of which merited Supreme Court review. With regard to the indirect liability question, the Respondents made no attempt to explain the origins of indirect copyright liability or why the patent law standard might be resisted on statutory or jurisprudential grounds. Instead, they suggested that the Ninth Circuit’s decision was “virtually identical to *Kalem* and *Henry*,”⁹³ a gross oversimplification not to mention an invitation to view copyright and patent indirect liability doctrines *in pari materia*. The brief concludes its discussion of indirect liability as follows:

The Court of Appeals’ decision is also consistent with the final case cited by petitioners, *Aro Manufacturing Co. v. Convertible Top Replacement Co.*, 377 U.S. 476 (1964). Interpreting the patent statute, this Court held in *Aro* that the seller of a staple article of commerce cannot be liable for contributory patent infringement if the staple article of commerce "is suitable for substantial non-infringing uses." *Id.* at 485-88. In the instant case, the Court of Appeals, citing *Aro*, merely held that the district court’s reliance on the staple article of commerce theory was inappropriate because, among other reasons, VTR’s [video tape recorders] are not suitable for substantial non-infringing uses (Pet. App. 25-26). Despite the inferences in the petition to the contrary, the district court did not find otherwise (Pet. App. 97, 114).^{FN29} Accordingly, the Court of Appeals’ decision is in complete harmony with *Aro*.

It is clear that contrary to petitioners’ unexplained assertion (Pet. 23-25), the Court of Appeals did not hold petitioners liable "per se" as contributory infringers for the mere marketing of alleged staple articles of commerce. Rather it imposed liability based on a standard application of the doctrine of contributory copyright infringement.

^{FN29} The district court did not find that VTR’s are capable of some potential non-infringing uses (Pet. App. 104, 107-7, 114). However, it stopped short of finding that these uses were substantial (Pet. App. 97, 114) because the record established that such "potential" uses were negligible, constituting far less than 9% of all use of Betamax (See Appellants’ Opening Brief, pp. 52-53). Without this finding of substantial non-infringing

⁹¹ See Brief for Respondents Universal City Studios, Inc. and Walt Disney Productions in Opposition, *Sony Corp. of America v. Universal City Studios, Inc.* 8 (October Term 1981) (May 10, 1982), 1982 U.S. S. Ct. Briefs LEXIS 261 at 2.

⁹² See *id.* at 18.

⁹³ See *id.* at 32.

uses, the district court's conclusion that VTR's are staple articles of commerce was insufficient to absolve petitioners of liability.⁹⁴

Thus, at least in this opening salvo, the Respondents did not even challenge the application of patent law's staple article of commerce doctrine to a copyright case. Implicitly accepting its applicability, they argued instead that its standards were not met.

The Respondents were not alone in opposing the petition. By this point, various segments of the content industry came to see the Plaintiffs' cause as important to the long-term prospects for creative artists and producers. CBS,⁹⁵ the Motion Picture Association of America,⁹⁶ a consortium of motion picture and television producers and distributors,⁹⁷ as well as many of the entertainment industry guilds⁹⁸ filed amicus briefs opposing the grant of certiorari. None of these briefs explained why the patent staple article of commerce defense was facially inapplicable to a copyright case. Rather, like the Respondents, the briefs accepted (or at least tolerated) the applicability of the doctrine and sought to distinguish the case from *Aro* and *Henry*.

The MPAA opposition suggested that *Kalem* squares with the Ninth Circuit's holding, without ever confronting the fact that *Kalem* did not itself deal with the liability of device manufacturers. It went on to contend:

Nor is there any conflict with *Aro* or *Henry*. Both involved interpretations of the patent law rather than copyright law. Even if indirectly relevant, neither is in conflict with *Kalem* or with the decision below. Neither imposed any

⁹⁴ *Id.* at 32-34. This article adopts the convention of quoting embedded footnotes by reproducing them directly in the text, preceded by "FN" in superscript, as is done for footnote 29 of the passage quoted above from the Opposition.

⁹⁵ Brief Amicus Curiae of CBS, Inc. in Opposition to the Petition for a Writ of Certiorari to the United States Court of Appeals for the Ninth Circuit, *Sony Corp. of America v. Universal City Studios, Inc.* (October Term 1981) (May 10, 1982), 1982 U.S. S. Ct. Briefs LEXIS 543.

⁹⁶ Brief of Motion Picture Association of America, Amicus Curiae, in Opposition, *Sony Corp. of America v. Universal City Studios, Inc.* (October Term 1981) (May 10, 1982) (hereinafter cited as "MPAA Opposition to Certiorari"), 1982 U.S. S. Ct. Briefs LEXIS 537.

⁹⁷ Brief Amicus Curiae of Motion Picture and Television Producers and Distributors in Opposition to the Petition for a Writ of Certiorari to the United States Court of Appeals for the Ninth Circuit, *Sony Corp. of America v. Universal City Studios, Inc.* (October Term 1981) (May 10, 1982) (hereinafter cited as "Content Producers and Distributors Opposition to Certiorari"), 1982 U.S. S. Ct. Briefs LEXIS 253.

⁹⁸ Brief Amici Curiae Writers Guild of America, West, Inc.; Writers Guild of America, East, Inc.; Screen Actors Guild, Inc.; and Directors Guild of America, Inc., in Opposition to the Petition for a Writ of Certiorari to the United States Court of Appeals for the Ninth Circuit, *Sony Corp. of America v. Universal City Studios, Inc.* (October Term 1981) (May 10, 1982), 1982 U.S. S. Ct. Briefs LEXIS 542.

requirement for a contributory infringement suit that was not found to be satisfied by the Court in *Kalem* and by the court of appeals below.⁹⁹

The content producers and distributors' brief explained the relationship of *Kalem* to the instant case in the following manner:

The fact that Betamax purchasers rather than Sony perform the final act of copyright does not immunize Sony. For example, in *Kalem Co. v. Harper Brothers*, 222 U.S. 55 (1911) – the copyright precedent relied on by Sony (Pet. 23 n.24) – the defendant Kalem had made an unauthorized motion picture of the plaintiff's copyrighted book "Ben Hur" and sold the film for ultimate theatrical exhibition by third parties. Kalem was held to have infringed the plaintiff's exclusive right of performance even though the film had actually been exhibited by independent theaters – i.e., Kalem, like Sony, had not committed the final act of infringement. Justice Holmes wrote for a unanimous court: "It [Kalem] is liable on principles recognized in every part of the law." 222 U.S. at 63. So is Sony.¹⁰⁰

In so arguing, the content producers and distributors completely sidestepped the issue raised by Sony's invocation of *Kalem* – Justice Holmes' dictum suggesting that a contributory liability action against the manufacturers of the motion picture equipment used by Kalem would raise "nice questions." The content producers and distributors' brief failed to address the problems in pushing liability upstream into the production of devices.

The content producers and distributors concluded their treatment of indirect liability by accepting the applicability of the staple article of commerce defense and suggesting that Sony did not meet its requirements:

Sony also tries to analogize Betamax to a "staple article of commerce" like typewriters, cameras, or duplicating machines (Pet. 23-25). The flaw in the analogy is obvious. Unlike those neutral machines which have countless legitimate non-infringing uses, Betamax is designed, promoted and advertised to be used almost exclusively for the copying of popular copyrighted motion pictures and television programs. The ability to make copies of copyrighted movies and television programs is the *sine qua non* of Betamax. It is the basis on which Sony sells the razor and the blades.¹⁰¹

The Supreme Court granted certiorari on June 14, 1982 and scheduled it for argument in early 1983.¹⁰² At the time, many viewed the granting of certiorari as a forgone conclusion.¹⁰³

⁹⁹ MPAA Opposition to Certiorari, supra n. ___, 1982 U.S. S. Ct. Briefs LEXIS 537 at 7-8.

¹⁰⁰ See Motion Picture and Television Producers and Distributors Opposition to Certiorari, supra n. ___, 1982 U.S. S. Ct. Briefs LEXIS 253 at 28.

¹⁰¹ See id. at 28-29.

¹⁰² *Sony Corporation of America v. Universal City Studios, Inc.*, 457 U.S. 1116 (1982).

The growing popularity of the VCR and the burgeoning of new businesses surrounding its use raised the salience of the case to a high level. With the unsealing of the papers of Justice Marshall in 1993¹⁰⁴ and Justice Blackmun in 2004,¹⁰⁵ the public has obtained a window into the process by which the writ of certiorari was resolved. The decision to grant certiorari attracted just four votes, the bare minimum needed to hear the case.¹⁰⁶ Ironically, Justice Blackmun, who favored affirmance, was one of the four. Had he not voted to hear the case, the Ninth Circuit ruling would have stood.

2. The Briefs

The granting of certiorari fed a growing cottage industry of lobbyists and lawyers maneuvering to direct public policy and law enforcement surrounding home recording technology. In addition to the parties to the dispute, the opportunity to participate in the Supreme Court case attracted 25 amicus briefs, 14 on behalf of the Petitioners¹⁰⁷ and 11 on behalf of the Respondents.¹⁰⁸ The case generated a tremendous amount of heat, but precious

¹⁰³ Dee Penelope Lemover, *Through the Video Glass*; In Videoland, Wash. Post Leisure 1 (Feb. 19, 1982); cf. James Lardner, *Video Wars*, Wash. Post F1 (May 2, 1982); but cf. Allan Dodds Frank, *Payment Due Forbes* (Feb. 15, 1982) (quoting congressional staffer commenting that the Supreme Court would not grant certiorari because “[t]hey just do not want to get into intellectual property cases”).

¹⁰⁴ See Jonathan Band and Andrew J. McLaughlin, *The Marshall Papers: A Peek Behind the Scenes at the Making of Sony v. Universal*, 17 Colum.-V.L.A. J.L. & Arts 427 (1993) (hereinafter cited as “Marshall Papers”).

¹⁰⁵ See National Public Radio, *Justice Harry Blackmun's Papers, Documents, Oral History Reveal Supreme Court's Inner Workings*, <http://www.npr.org/news/specials/blackmun/>; see also Jessica Litman, *The Story of Sony v. Universal Studios: Mary Poppins Meets the Boston Strangler*, in Jane C. Ginsburg and Rochelle Cooper Dreyfuss, *Intellectual Property Stories* 358 (2006) (hereinafter cited as “Sony Story”).

¹⁰⁶ See “Marshall Papers,” supra n. ___, at 432.

¹⁰⁷ Amici curiae on behalf of the Petitioners reflected both the range of businesses – VCR manufacturers, electronics retailers, advertisers, tape manufacturers, a supplier of magnetic particles used in videotape manufacturing, the publisher of Video Review, a trade magazine for the emerging video industry – and consumer and user groups – American Library Association, 12 state attorneys general, Educators Ad Hoc Committee on Copyright Law – benefiting from VCR technology.

¹⁰⁸ Amici Curiae on behalf of Respondents brought together many of the traditional content industry organizations, from production to artists’ representation: Association of American Publishers, Authors League of America, CBS, Committee on Copyright and Literary Property of the Assoc. of the Bar of NY, Creators and Distributors of Programs, International Alliance of Theatrical Stage Employees, Motion Picture Association of America, National Music Publishers Association, Recording Industry Association of America, Volunteer Lawyers for the Arts, and the Writers’, Screen Actors’, and Directors’ Guilds of America.

little light on the statutory or jurisprudential propriety of reading patent law's staple article of commerce doctrine into copyright law.

Sony's opening brief framed the case as affording two paths for victory – by establishing that its customers did not infringe copyright by recording free off-the-air television programming for later viewing in the privacy of their homes; and even if such activity violated copyright law, by showing that the manufacturers of home recording technology did not bear indirect liability because such technology offered substantial non-infringing uses. With regard to the direct infringement question, Sony backed off its earlier position that the legislative history of the Copyright Act created an absolute implied immunity for home audio and television recording. Instead, Sony incorporated this history into its broader fair use argument: “Congress clearly manifested its belief and intent (while passing a ‘1971 Amendment’ to the 1909 Act) that off-the-air home recording from radio or TV was not infringement – viz., that it was fair use.”¹⁰⁹ In crafting its fair use argument, Sony relied heavily upon the district court's factual findings that many content owners consented to copying, television programming was broadcast free of charge, VCRs were used predominantly for time-shifting and not to create home video libraries, and the copyright owners failed to show actual harm or a significant likelihood of prospective harm. As regards the legal test, Sony criticized the Ninth Circuit's strict requirement that the use fit within a narrow range of “productive” uses and its disregard of the district court's findings as to the absence of harm.

On the issue of indirect liability, Sony asserted that “the manufacture, sale, and/or advertisement of a staple article of commerce (the VTR [video tape recorder]) per se should not constitute contributory infringement even if some home recordings were direct copyright infringement.”¹¹⁰ After reviewing the district court's factual findings – that the VCR is a “staple item of commerce” used to record free off-the air broadcasts – Sony set out to establish that patent law's staple article of commerce doctrine should be incorporated into copyright law:

Copyright infringement, like patent infringement, is a tort.^{FN48} A contributory infringer is a species of joint-tort-feasor, who is held liable because he has contributed with another to the causing of a single harm to the plaintiff.^{FN49} The question is – what must that "contribution" be?

One kind of potential "contribution" long recognized in patent law has been supplying the direct infringer of a "combination" patent with an "article" which is comprised of some, but less than all, of the "elements" of that combination – following which, the direct infringer adds the missing "elements" and thereby contemplates the infringing combination. After years of judicial and legislative consideration of such contribution and its corollaries as *Wallace v. Holmes*, 29 F.Cas. 74 (No. 17,100) (C.C. Conn. 1871); as recently as 35 U.S.C. § 271(c) (1952) and *Dawson Chemical Co. v. Rohm & Haas Co.*, 448 U.S. 176 (1980) – the patent law today is that the supply of a "staple article of commerce suitable for substantial non-infringing use" does not, per se, constitute

¹⁰⁹ Brief for the Petitioners, *Sony Corp. of America v. Universal City Studios, Inc.* (October Term 1982) (Aug. 27, 1982), 1982 U.S. S. Ct. Briefs LEXIS 566 at 33.

¹¹⁰ *Id.* at 62.

contributory infringement when a consumer uses that article of commodity for direct infringement. The definitions of the adjectives "staple" and "substantial" are not precise,^{FN50} but their combined requirements have been satisfied wherever there was any genuine and significant non-infringing use. Wherever the line is drawn, Betamax obviously would be well on the non-infringing side of it. The reason for such a doctrine is self-evident – any other conclusion would extend the patentee's monopoly beyond his patent claims and would "block the wheels of commerce."^{FN51}

An analogous doctrine in copyright infringement was suggested by Justice Holmes in *Kalem Co. v. Harper Bros.*, 222 U.S. 55, 62 (1911):^{FN52}

“The most innocent objects . . . maybe used for unlawful purposes . . .

“In some cases where an ordinary article of commerce is sold nice questions may arise as to the point at which the seller becomes an accomplice in a subsequent illegal use by the buyer. It has been held that mere indifferent supposition or knowledge on the part of the seller that the buyer . . . is contemplating such unlawful use is not enough to connect him [seller] with the possible unlawful consequences. . . .”

In *Kalem Co.*, "no such niceties [were] involved" – the "ordinary staple article of commerce" was a motion picture which, together with its exhibition, constituted an infringing dramatization of the copyrighted book "Ben Hur." However, no suggestion was made by the parties or the Court that the suppliers of the cameras and blank film, by which the film was made, should even be contemplated as contributory infringers.

If supplying Betamax, per se, were to be held contributory infringement, then the supplier of every camera, typewriter, pen, Xerox machine, etc. used in copyright infringement likewise would be a contributory infringer. Such never has been, and should not now be made, the law.⁵³

^{FN48} *Ted Browne Music Co. v. Fowler*, 290 F. 751, 754 (2nd Cir. 1923); *Thomson-Houston Elec. Co. v. Ohio Brass Co.*, 80 F. 712, 721 (6th Cir. 1897).

^{FN49} *Dawson [Chemical Co. v. Rohm & Haas Co.]*, 448 U.S. 176, 186 (1980); *Aro [Mfg. Co. v. Convertible Top Co.]*, 377 U.S. 476, 500 (1963); *Thomson-Houston Elec. Co.*, supra, p. 721.

^{FN50} *Dawson*, supra, p. 186, n.6.

^{FN51} *Henry v. A.B. Dick Co.*, 224 U.S. 1, 48 (1912); *overruled on other grounds by Motion Picture Patents Co. v. Universal Film Mfg.*, 243 U.S. 502, 518 (1917). Also, if a product is suitable for substantial non-infringing use, its supply per se cannot imply any knowledge, intent or inducement on the part of the supplier that the consumer will use it for an infringing purpose (*Rupp & Wittgenfeld v. Elliott*, 131 F. 730, 733 (6th Cir. 1904)).

^{FN52} *Kalem Co.* is the only Supreme Court case to consider the issue of copyright contributory infringement. Resolution of copyright infringement questions by resort to patent infringement analogies is well precedented – e.g., *Sheldon v. Metro-Goldwyn-Mayer Corp.*, 309 U.S. 390 (1939); see 27 *Iowa Law Review* 250 (1942).

^{FN53} The Court of Appeals said the district court's "reliance on the 'staple article of commerce' theory was inappropriate" (Pet. App. 25-6) – apparently meaning "factually," since no review of the law was made. . . .

As this lengthy passage demonstrates, Sony carefully and subtly navigated between copyright's lack of direct precedent and patent law's clear and direct resolution of an analogous issue, leaving the reader with an unmistakable implication that the patent doctrine should be recognized in copyright law. Sony steered well clear of the recently enacted comprehensive codification of the Copyright Act and its legislative history, instead highlighting some of the historical parallels between patent and copyright law as well as the logic supporting patent law's staple article of commerce safe harbor. Not surprisingly, Sony avoided any reference to differences between the two regimes that might have suggested a different rule.

Several of the amicus briefs, most notably those filed by other VCR manufacturers and retailers, focused on persuading the Supreme Court to recognize a staple article of commerce defense in copyright law. Some seemed to assume that copyright law recognized such a defense and directed their attention to whether the VCR is such an article.¹¹¹ The brief filed by the National Retail Merchants Association forthrightly acknowledged the gap in copyright law.¹¹² After explaining the patent law doctrine and its rationale (to prevent contributory liability from "block[ing] the wheels of commerce"¹¹³), the brief urged the court to adopt the same rule in copyright cases:

For the same policy reasons, this principle should be applied in copyright cases. Whereas patent confers a monopoly for a limited time on the manufacture, use or sale of patented equipment, a copyright gives an author the exclusive right to prevent the copying of a particular expression of an idea. Thus, if, as has been held, it would be an unwarranted broadening of the patent monopoly to hold a seller of an article that can be put to substantial noninfringing uses liable for patent infringement, so must it be an unwarranted extension of the copyright

¹¹¹ See, e.g., Brief of Amici Curiae Toshiba Corporation and Toshiba America, Inc. in Support of Petitioners, *Sony Corp. of America v. Universal City Studios, Inc.* (October Term 1982) (Aug. 28, 1982), 1982 U.S. S. Ct. Briefs LEXIS 560 at 28 ("There is no question that VTRs are capable of substantial noninfringing uses"); Brief of General Electric Company, Matsushita Electric Corporation of America, Matsushita Electric Industrial Co., Ltd., N.A.P. Consumer Electronics Corp., Panasonic Hawaii, Inc., RCA Corporation, US JVC Corp., and Victor Company of Japan, Ltd., as Amici Curiae in Support of Reversal, *Sony Corp. of America v. Universal City Studios, Inc.* (October Term 1982) (Aug. 28, 1982), 1982 U.S. S. Ct. Briefs LEXIS 256 at 44 ("The 'substantial noninfringing use' or 'staple article of commerce' defense to contributory infringement, which has been specifically applied by this Court in patent cases such as *Aro*, is simply a facet of the doctrine discussed in *Inwood* and its logic is clearly applicable whether the issue is patent infringement, unfair competition or copyright infringement.").

¹¹² Brief of the National Retail Merchants Association as Amicus Curiae in Support of Reversal, *Sony Corp. of America v. Universal City Studios, Inc.* (October Term 1982) (Aug. 28, 1982) (hereinafter cited as "NRMA Amicus Brief"), 1982 U.S. S. Ct. Briefs LEXIS 563.

¹¹³ *Henry v. A. B. Dick Co.*, 224 U.S. 1, 48 (1912), *overruled on other grounds*, *Motion Picture Patents Co. v. Universal Film Manufacturing Corp.*, 243 U.S. 502 (1917).

monopoly to declare that a seller of an article that can be used for many purposes other than illegal copying is liable for contributory infringement.¹¹⁴

Sears, Roebuck and Co. also argued directly for the cross-germination of intellectual property doctrines, suggesting that the staple article of commerce safe harbor is a principle of general applicability across the intellectual property landscape.¹¹⁵ The brief noted that “the application of contributory infringement liability to the mere sale of home video recorders is staggeringly overbroad” and that contributory copyright infringement “has never been extended so far.” The brief then pointed the Court to other trademark and patent rules that could serve as models:

A recent decision of this Court in the analogous area of trademark law has emphasized that contributory infringement must be predicated upon knowing assistance to particular infringers. *Inwood Laboratories, Inc. v. Ives Laboratories, Inc.*, ___ U.S. ___, 102 S.Ct. 2182, 2188 n.13 (1982); *id.* at 2191-92 (White, J., concurring in the result). As Justice White stated, ‘a finding of contributory infringement requires proof of either an intent to induce illegal substitution or continued sales to particular customers whom the manufacturer know or should know are engaged in improper palming off . . . The mere fact of a generic drug company can anticipate that some illegal substitution will occur to some unspecified extent, and by some unknown pharmacists, should not by itself be a predicate for contributory liability.’ *Id.* at 2191-92. The majority expressed the view that any weaker standard based on sales to the general market would be incorrect. *Id.*, at 2188 n. 13.

Patent law also provides considerable guidance to the resolution of the copyright question presented here. *Cf. Sheldon v. Metro-Goldwun Pictures Corp.*, 309 U.S. 390, 402 (1940) (patent law may be ‘persuasive’ analogy in copyright area); *Morton Salt Co. v. G.S. Suppiger Co.*, 314 U.S. 488, 494 (1942). In the patent field, Congress and this Court have previously faced the problem of reconciling intellectual property rights with the strong national interest in promoting technological progress and free competition. *Sears, Roebuck & Co. v. Stiffel Co.*, 376 U.S. 225, 230-231 (1964). Congress and the courts have concluded that the ‘monopoly’ rights of the patent holder can be amply protected by providing a cause of action for contributory infringement solely against the manufacturer or distributor of ‘non-staple’ items – devices which have no substantial use except in connection with patent infringing activity. At the same time, the patent owner’s monopoly has not been allowed to chill legitimate technical advances in other areas. Hence, no contributory infringement action may be maintained against the manufacturer or seller of ‘staple’ articles, which are suitable for substantial non-infringing uses. 35 U.S.C. § 271(c); see *Dawson Chemical Co. v. Rohm & Haas Co.*, 448 U.S. 176, 200-01 (1980).

¹¹⁴ NRMA Amicus Brief, *supra* n. ___, 1982 U.S. S. Ct. Briefs LEXIS 563 at 6-7.

¹¹⁵ See Brief for Sears, Roebuck and Co. as Amicus Curiae in Support of Petitioners, *Sony Corp. of America v. Universal City Studios, Inc.* (October Term 1982) (Aug. 27, 1982) (hereinafter cited as “Sears Brief”), 1982 U.S. S. Ct. Briefs LEXIS 556.

The reasoning underlying the staple/non-staple distinction in the patent area is applicable to copyright as well. Congress created state sanctioned monopolies in both patent and copyright for the purpose of encouraging inventiveness and intellectual effort. That very purpose dictates that no individual be permitted to employ his patent or copyright monopoly beyond its necessary boundaries to block or impose costs upon legitimate invention and intellectual progress by others. See, e.g., *Deepsouth Packing Co. v. Laitram Corp.*, 406 U.S. 518, 530-531 (1972); *Morton Salt Co. v. G.S. Suppiger Co.*, supra, at 492. ‘[I]ndiscriminate creation of exclusive privileges tends rather to obstruct than to stimulate invention.’ *Atlantic Works v. Brady*, 107 U.S. 192, 200 (1883).¹¹⁶

The last paragraph stretched the argument by citing only to patent law decisions and policies (promoting invention) as support for statements encompassing both patent and copyright. Sears likewise failed to explore any reasons why the patent and copyright regimes might benefit from different treatment. But the logic was persuasive, especially if the plaintiffs and their amici were unwilling to even recognize the problem of regulating dual use technology – devices that are capable of both infringing and noninfringing uses.

The pro-active approach of Sony and several of its amici towards solving the evident gaps in copyright’s direct and indirect infringement law contrasted sharply with the “head in the sand” attitude adopted by the plaintiffs¹¹⁷ and their amici. The latter chose to pretend as though copyright precedent provided ready answers to all the issues raised in the case. As a result, they did not so much as respond to the practical solutions being offered by the Petitioners as to defend the incomplete and conclusory reasoning of the Ninth Circuit.

The content owner-respondents devoted a substantial share of their brief to reinforcing the Ninth Circuit’s analysis of the fair use defense and rejection of an implied immunity for home video recording. This portion of the brief draws heavily upon the text and legislative history of the Copyright Act of 1976. Then, they began the indirect liability section of their brief by noting that “contributory infringement is the most important issue in this case,” averring that “if petitioners are absolved of liability as contributory infringers, to obtain adequate relief respondents would be faced with the prospect of bring suits against each of the millions of VTR owners who have copied respondents’ works, virtually an impossible task.”¹¹⁸ Turning to the law, Respondents began by stating the traditional copyright test for contributory infringement – “one who, with knowledge of the infringing activity, induces, causes, or materially contributes to the infringing conduct of another.”¹¹⁹ They then highlighted factual findings showing that Sony knew that the Betamax was being used to record copyrighted works and that Sony induced

¹¹⁶ Id. at 9-11.

¹¹⁷ See Brief for Respondents, *Universal City Studios, Inc. and Walt Disney Productions, Sony Corp. of America v. Universal City Studios, Inc.* (October Term 1982) (Oct. 27, 1982), 1982 U.S. S. Ct. Briefs LEXIS 568.

¹¹⁸ Id. at 68.

¹¹⁹ *Gershwin Publishing Corp. v. Columbia Artists Management, Inc.* 443 F.2d 1159, 1162 (2d Cir. 1971).

infringement by “‘exhort[ing]’ Betamax purchasers to record ‘favorite shows,’ ‘movies,’ ‘classic movies’ and ‘novels for television’ and to ‘build a library.’”¹²⁰

Plaintiff-respondents then addressed the “staple article of commerce” defense. Apart from observing that “[t]he staple article of commerce is . . . inapposite because it is found in the patent statute – not the copyright statute – and represents a legislative balance of competing considerations unique to patent law,”¹²¹ Respondents did not articulate how the patent law differs from copyright law in ways that bore on the application of indirect liability to sellers of products that have both infringing and noninfringing uses. They devoted their remaining treatment of indirect liability to arguing that the VCR is not a staple article of commerce and does not have “substantial noninfringing uses.” They also pointed out, foreshadowing the later *Grokster* holding,¹²² that the staple article of commerce defense does not apply when the seller “actively cause[s], urge[s], encourage[s], or aid[s] purchasers to use the article for infringing purposes.”¹²³

In the final paragraph, Respondents touched on the issue that most vexed the district court – the problem of enjoining manufacture and sale of dual use technologies.

Because VTRs are advertised and sold for the primary purpose of infringement, petitioners’ additional claim that imposition of liability in this case would be tantamount to imposing liability on the suppliers of cameras, typewriters and Xerox machines is spurious. Unlike cameras, typewriters and Xeroox machines, whose primary market is derived from non-infringing uses, there would be little, if any, market for VTRs if they could not be used for infringing purposes. Petitioners’ unwillingness to devise a technological means of preventing copying of copyrighted works makes plain that without the ability to make unconsented copies of the copyrighted motion pictures owned by respondents and amici, there would be little if any market for VTRs.¹²⁴

The persuasiveness of this argument turned on the extent to which home copying was legal – as a matter of consent of copyright owners or fair use. In any case, their response would do little to assure the manufacturers of other dual use technologies that copyright law would not one day

¹²⁰ See Brief for Respondents, Universal City Studios, Inc. and Walt Disney Productions, *Sony Corp. of America v. Universal City Studios, Inc.* __ (October Term 1982) (Oct. 27, 1982), 1982 U.S. S. Ct. Briefs LEXIS 568 at 70 (quoting specific factual findings).

¹²¹ *Id.* at 33.

¹²² 125 S.Ct. 2764 (2005) (holding that one who distributes a device with the object of promoting its use to infringe copyright, as shown by clear expression or other affirmative steps taken to foster infringement, is liable for the resulting acts of infringement by third parties).

¹²³ Brief for Respondents, Universal City Studios, Inc. and Walt Disney Productions, *Sony Corp. of America v. Universal City Studios, Inc.* __ (October Term 1982) (Oct. 27, 1982), 1982 U.S. S. Ct. Briefs LEXIS 568 at 33

¹²⁴ *Id.* at 87 (citations omitted).

decimate their industries. Their proposed defense – that device manufacturers develop “technological means of preventing copying” – could well be seen as impractical.

Perhaps what is most remarkable about the Respondents’ brief is what it did not present. At no point in their treatment of the indirect copyright liability issue did the plaintiffs discuss the Copyright Act or its legislative history. They failed to even mention that the 1976 Act expressly extended liability to those who “authorize”¹²⁵ violation of the exclusive rights of copyright owners and that the specific legislative history relating to that provision commented that “[u]se of the phrase ‘to authorize’ is intended to avoid any questions as to the liability of contributory infringers.”¹²⁶ Universal and Disney failed to cite the detailed study on indirect liability prepared for the Library of Congress as background for drafting of the comprehensive copyright reform legislation that became the 1976 Act¹²⁷—notwithstanding that prior copyright cases involving indirect liability had routinely cited that study.¹²⁸ They failed to provide the Court with a coherent understanding of how the law of indirect liability developed or how it might be tailored to address the unprecedented concerns raised by the VCR.

Most of the eleven amici supporting the studios focused exclusively or predominantly on the liability of home tapers. The MPAA brief took the most direct aim at the indirect liability issue.¹²⁹ While downplaying the relevance of patent law to addressing indirect copyright liability, the MPAA noted that similar doctrines exist in the fields of unfair competition and trademark law, citing the Supreme Court’s recent decision in *Inwood Laboratories* for the proposition that “if a manufacturer or distributor intentionally induces another to infringe a trademark, or if it continues to supply its product to one whom it knows or had reason to know is engaging in trademark infringement, the manufacturer or distributor is contributorially [sic] responsible . . .”¹³⁰

The MPAA offered three principal reasons why patent law’s staple article of commerce defense should not be available to Sony. First, even under the Patent Act, the staple article of commerce defense is not available in cases of inducement.¹³¹

¹²⁵ 17 U.S.C. § 106 (emphasis added).

¹²⁶ H.R. Rep. No. 94-1476, at 61.

¹²⁷ See *Liability of Innocent Infringers of Copyrights* (Study No. 25) (Jan. 1958).

¹²⁸ See *Shapiro, Bernstein & Co. v. H.L. Green Co.*, 316 F.2d 304, 305 (2d Cir. 1963); *Platt & Munk Co. v. Republic Graphics, Inc.*, 315 F.2d 847, 851 (2d Cir. 1963); *Davis v. E.I. du Pont de Nemours & Co.*, 249 F. Supp. 329, 340 n.31 (S.D.N.Y. 1966); *Gershwin Publishing Corp. v. Columbia Artists Management, Inc.*, 443 F.2d 1159, 1162 (2d Cir. 1971).

¹²⁹ Brief of Motion Picture Association of America, Inc., Amicus Curiae, in Support of Affirmance, *Sony Corp. of America v. Universal City Studios, Inc.* (October Term 1982) (Oct. 27, 1982) (hereinafter cited at “MPAA Amicus Brief”), 1982 U.S. S. Ct. Briefs LEXIS 544.

¹³⁰ *Inwood Laboratories, Inc. v. Ives Laboratories, Inc.*, 456 U.S. 844, 854 (1982).

¹³¹ See 35 U.S.C. § 271(b).

The social interest in competition justifies independent selling of staple articles for use in patented inventions, but there is no justification for inducement to infringe. Therefore, even if the ‘staple article of commerce’ doctrine were to be transplanted from patent law into copyright law, it would provide no defense to petitioner if, as argued at pp. 13-18, they induced copyright infringement.¹³²

Second, the MPAA sought to demonstrate that differences between patent and copyright law undermined the logic of looking to patent law in addressing dual use technologies under copyright law.

In the field of copyright, cases of parasitical production (where there has been some copying, but less than whole appropriation) have generally been decided under the ‘fair use’ doctrine. There is no such doctrine in the patent field: any unauthorized ‘use’ of a patented invention is an infringement. 35 U.S.C. §271(a). In the patent field, one class of cases of parasitical production has involved the manufacture of components for a patented invention or the manufacture of other articles that are used with it. The question has been whether such manufacture violates the patent.

As recounted in *Dawson Chemical Co. v. Rohm & Haas Co.*, 448 U.S. 176, 187-97 (1980), the doctrine of contributory patent infringement has a long and checkered history. In early decisions, the Court expanded the doctrine to the point where it threatened to extend patent monopolies to unjustifiable dimensions; in later decisions, the Court nearly eliminated the doctrine altogether.

Congress enacted 35 U.S.C. § 271(c) and (d). The compromise expressed in § 271(c) was that contributory patent infringement could be based on the selling of components (and, in the case of process patents, materials and apparatuses for use in practicing the process) where the articles sold are non-staples, but not where they are staples. The rationale is an obvious one: to prevent undue expansion of the monopoly over components whose predominant use is in connection with the patented invention. . . .

The District Court failed . . . to consider that the “staple article” doctrine reflects features unique to patent law, and addresses problems that do not arise in copyright law. In patent law, the doctrine serves as a necessary limitation on the absolute monopoly of use of a patented invention given by the law to the patentee. No such absolute monopoly of use exists in the copyright law: ideas, as distinct

¹³² See MPAA Amicus Brief, *supra* n. ___, 1982 U.S. S. Ct. Briefs LEXIS 544 at 34-35. See also Brief Amicus Curiae of Creators and Distributors of Programs in Support of Respondents, *Sony Corp. of America v. Universal City Studios, Inc.* __ (October Term 1982) (Oct. 27, 1982), 1982 U.S. S. Ct. Briefs LEXIS 541 at 48 (emphasizing that “Sony’s advertisements encourage Betamax purchasers to ‘record favorite shows,’ ‘classic movies,’ ‘movies,’ ‘films,’ ‘cartoons,’ and ‘novels for television’”; that “Sony’s own surveys show that 80% of videocopying consists of entertainment programs”; that “[s]uch programs are copyrighted – primarily by amici and respondents who produce or distribute most network programs, most syndicated programs, and most programs for the PBS National Program Service.”)

from expressions, are uncopyrightable, and the fair use doctrine substantially limits even the monopoly over use of the copyrighted expression. The ‘staple article’ doctrine addresses the peculiar problem in patent law of control over components of a patented invention, or articles used with a process patent. No similar problem arises in copyright law: uses of ‘components’ of a copyrighted work are governed by the fair use doctrine, and there is no problem of sales of components of a copyrighted work for use with it. Nor is there in copyright law anything analogous to a process patent: though expressions of an original business procedure, for example may be copyrighted, the procedure itself is not subject to copyright.¹³³

Finally, the MPAA argued that VCRs are not staple articles of commerce because “they were designed and marketed for the specific purpose of allowing users to record off-the-air.”¹³⁴

The MPAA’s brief made the only direct effort to explain how differences between patent and copyright stand in the way of reading patent’s staple article of commerce defense to contributory liability into copyright law. The MPAA’s particular argument, however, makes little sense. The fact that copyright protects only ideas and not expression has scant relevance to this case. Instead, the issue is whether effective *enforcement* of copyrights in works that might be copied using VCRs justifies holding the maker of VCRs liable for indirect liability notwithstanding the fact that VCRs have some noninfringing uses. In that sense, and analogously to patent law, indirect liability affords an intellectual property owner the power to control commerce in products that have noninfringing uses.¹³⁵

Turning finally to CBS’s amicus brief, it accepted without qualms that copyright law recognizes the staple article of commerce defense to contributory liability. Instead, it focused its attention on arguing that the defense does not apply to the facts of this case:

Even if the VTR were capable of substantial noninfringing use, that fact would not absolve petitioners of liability. As the Court has recognized, the question of whether a defendant who sells an article that is used for infringing purposes is liable for contributory infringement depends on whether it sold it with the intent and purpose that it would be so used.^{FN52} The necessary intent and purpose obviously are present when the article has no noninfringing use.^{FN53} But the Court has held that, even where there are noninfringing uses, a purpose and intent to facilitate infringing activity ‘may be inferred when [the article’s] most conspicuous use is one which will co-operate in an infringement [and] sale to

¹³³ See MPAA Amicus Brief, *supra* n. ___, 1982 U.S. S. Ct. Briefs LEXIS 544 at 32-36.

¹³⁴ *Id.* at 36.

¹³⁵ As set forth below, see *infra* ___, the different purposes of patent (to promote technological advance) and copyright (to promote the arts) and, most importantly, enforcement differences between patent and copyright law justify a more cautious approach toward crafting a safe harbor for dual use technology under copyright law than under patent law. Neither the MPAA nor any other party in the litigation identified such differences.

such user is invoked by advertisement.” *Henry v. A.B. Dick Co.*, 224 U.S. at 148-49, citing *Kalem Co. v. Harper Brothers*, 22 U.S. 55 (1911).

^{FN52} *Henry v. A.B. Dick Co.*, 224 U.S. 1, 48 (1912), overruled on other grounds, *Motion Picture Patents Co. v. Universal Film Mfg. Co.*, 243 U.S. 502 (1917). Cf. *Inwood Laboratories, Inc. v. Ives Laboratories, Inc.*, 102 S. Ct. 2182, 2188 (1982) (if a manufacturer or distributor intentionally induces another to infringe a trademark, or if it continues to supply its product to one whom it knows or had reason to know is engaging in trademark infringement, the manufacturer or distributor is contributorially responsible for any harm done as a result of the deceit.”).

^{RN53} *Id.* Cf. 35 U.S.C. § 271(c) (1976): “Whoever sells a component of a patented machine . . . knowing the same to be especially made or especially adapted for use in an infringement of such patent, and not a staple article or commodity of commerce suitable for substantial noninfringing use, shall be liable as a contributory infringer.”¹³⁶

In its reply brief, Sony seized on the studios' acknowledgement that indirect liability is the “most important issue in the case.”¹³⁷ It then launched into a broadside attack against the content industries for seeking to block every major new technology – from radio and television to the VCR. In rebuttal to the Respondents and their amici on the indirect liability issue, Sony denied the practicality of developing a technological means to block recording of copyrighted works for which the owners withhold consent to home copying. It also cataloged the VCR's many types of noninfringing uses.

3. Supreme Court Argument: Take One

The *Sony* case was first argued before the U.S. Supreme Court on January 18, 1983. By that time, VCRs adorned more than five million U.S. households, approximately 6% of the total.¹³⁸ The Court had not heard a copyright case since 1975.¹³⁹ Thus, *Sony* was the first copyright case to reach the Supreme Court applying the newly enacted and complex Copyright Act of 1976, a massive statute that had languished in Congress for nearly two decades.¹⁴⁰ No member of the Court had any meaningful experience working in copyright law prior to joining the Court. In particular, Justice O'Connor, who would ultimately play a decisive role in

¹³⁶ 1982 U.S. S. Ct. Briefs LEXIS 558 at 39.

¹³⁷ See Reply Brief for the Petitioners, *Sony Corp. of America v. Universal City Studios, Inc.* __ (October Term 1982) (Dec. 3, 1982), 1982 U.S. S. Ct. Briefs LEXIS 567 at 5.

¹³⁸ See HH-1. Households, by Type: 1940 to Present
<<http://www.census.gov/population/socdemo/hh-fam/hh1.pdf>>

¹³⁹ See *Twentieth Century Music Corp. v. Aiken*, 422 U.S. 151 (1975). The court tangentially addressed copyright issues in a 1979 antitrust matter, *Broadcast Music, Inc. v. Columbia Broadcasting System, Inc.*, 441 U.S. 1 (1979), and a 1977 right of publicity case (which the state in question labeled “common law copyright”), *Zacchini v. Scripps-Howard Broadcasting Co.*, 433 U.S. 562 (1977).

¹⁴⁰ See Jessica Litman, *Copyright, Compromise, and Legislative History*, 72 *Cornell L. Rev.* 857, 890-91 (1987). See also fn. <354> *infra*.

swinging the Court from affirmance to reversal, in her service in the Arizona legislature from 1969-1975 and on the Arizona state court bench from 1975 until her appointment to the Supreme Court in September 1981, did not have any professional exposure to federal copyright law prior to the *Sony* case.¹⁴¹ As Justice Blackmun would later comment, “we were all pretty ignorant of copyright law” at the time that the *Sony* case came along.¹⁴² The Courts' lack of exposure to copyright law was evident during some of the questioning at oral argument by Chief Justice Burger:

QUESTION: I should know, but I don't, for example whether National Geographic Society programs are copyrighted by them. Since they're educational, I would take a wild guess that they'd have no objection to their being copied for private use.

MR. DUNLAVEY: I don't disagree with that, and the –

QUESTION: But they are copyrightable, aren't they?

MR. DUNLAVEY: They would be copyrightable, yes.

Question: But not copyrighted, but perhaps not copyrighted?

Mr. Dunlavey: Perhaps not.

And then the stations that produce their programming and don't bother to copyright it. . . .¹⁴³

In that brief colloquy, the Chief Justice confused registration (which was not required for a work to be protected by copyright under either the 1909 Act¹⁴⁴ or the 1976 Act¹⁴⁵) with protectability, thereby betraying ignorance about the basic mechanism through which copyright law protection arose under either the 1909 Act (publication with proper notice)¹⁴⁶ or the 1976 Act (fixation in a tangible medium of expression).¹⁴⁷ *Sony's* counsel cleverly dodged disabusing him of his confusion, thereby reinforcing the error by suggesting that registration was required. Somewhat later in the argument, Chief Justice Burger asked “isn't there some requirement that copyright

¹⁴¹ Justice O'Connor would not have seen much copyright law in her early legal career either. After law school, she worked as Deputy County Attorney of San Mateo County, California from 1952-1953 and as a civilian attorney for Quartermaster Market Center, Frankfurt, Germany from 1954-1957. From 1958-1960, she practiced law at a private firm in Phoenix before joining the Arizona Attorney General's office, where she worked until being appointed to the state legislature. See Joan Biskupic, *Sandra Day O'Connor: How the First Woman on the Supreme Court Became Its Most Influential Justice* (2005); http://en.wikipedia.org/wiki/Sandra_Day_O%27Connor>

¹⁴² See The Justice Harry A. Blackmun Oral History Project: Interviews with Justice Blackmun, conducted by Professor Harold Hongju Koh (Jul. 6, 1994 – Dec. 13, 1995).

¹⁴³ 1983 U.S. Trans LEXIS 89 at 20.

¹⁴⁴ See 2 NIMMER ON COPYRIGHT § 7.16[A][2].

¹⁴⁵ *Id.* § 7.16[A][1].

¹⁴⁶ 17 U.S.C. § 10 (1909 Act, repealed).

¹⁴⁷ See 17 U.S.C. § 102(a).

material must be identified as such in order to have protection?”¹⁴⁸ Later still, he expressed further confusion about whether works need to be registered in order to receive protection.¹⁴⁹

On behalf of Sony, Dean Dunlavy emphasized that “[t]he trial judge said that [the VCR] was a staple item of commerce, that it is suitable for a variety of non-infringing uses,”¹⁵⁰ to which one of the justices asked whether the Court of Appeals had upset this finding. Dunlavy responded that “The Court of Appeals rolled over it like it wasn’t even there.”¹⁵¹ Shortly thereafter, a justice inquired whether the staple article of commerce doctrine was a patent law doctrine and if it had ever been “adapted to the copyright area.” Dunlavy responded:

The answer is yes, it has been alluded to in the copyright area, but it was a long time ago. It was Justice Holmes in the *Kalem* case, and he was confronted with a motion picture which had been made without authority of a copyrighted book called ‘Ben Hur.’ And nobody even questions that the makers of the camera and the film were infringers, but there was a question as to whether the person who made the film was a contributory infringer when the person he gave it to exhibited it – exhibited it.

And Justice Holmes made a very terse but pointed comment at that there are lot of things in society that when you sell them they might be useable for a wrongful purpose, and you set your mind to inquiring when the man makes and sells that product, does he really have cause to know that it’s going to be used for a wrongful purpose?

So the staple item concept came up. Justice Holmes said that if you have an indifferent supposition, that the buyer might be going to use your product for a wrongful purpose, that certainly does not suffice to make you a contributory infringer. . . .¹⁵²

Dunlavy later fielded several question about the non-infringing uses of the VCR, noting that recording would not be infringing when the copyright owner consents, “has forfeited his right to an infringement action by putting it beyond his power any longer to register his works,” copies uncopyrightable works (such as works created by the federal government), and records works for which copyright has expired.¹⁵³

¹⁴⁸ Transcript of Oral Argument, *Sony Corp. of America v. University City Studios* (No. 81-1687) (Jan. 18, 1983), 1983 U.S. TRANS LEXIS 89 at 38.

¹⁴⁹ *Id.* at 38-39

¹⁵⁰ *Id.* at 9-10

¹⁵¹ *Id.* at 9. The irony merits a postmodernist celebration: Dunlavy complained that “The Court of Appeals rolled over it like it wasn’t even there” when, in fact, there was no staple article of commerce doctrine in copyright law; but by virtue of this very case, he succeeded in inserting it!

¹⁵² *Id.* at 11-12.

¹⁵³ *Id.* at ____.

In response, Stephen Kroft characterized the case as no more than “unauthorized and uncompensated copying of entire motion pictures.”¹⁵⁴ Several justices asked him whether home copying had ever been litigated, to which Kroft acknowledged that no such case had ever been presented.¹⁵⁵ When asked about the district court’s finding that the VCR is a staple item of commerce, Kroft replied that:

it may have been a finding of fact, but it was an incomplete finding of fact. Because if you analogize to the patent statute, which we strenuously resist, the patent statute requires that not only must the product be a so-called staple article of commerce, but it must be suitable for substantial non-infringing use.¹⁵⁶

Kroft never addressed why it would be improper to analogize to the Patent Act. Somewhat later in the argument, however, Kroft invited the Court to consider importing the treatment of indirect liability from the trademark area, referencing the Supreme Court’s *Inwood Laboratories* decision issued at the end of the prior term.¹⁵⁷ Toward the end of his argument, however, Kroft seemed to accept the approach of the Patent Act:

I think we should leave the staple article of commerce and the contributory infringement issue with this thought: I think that Petitioners conceded in their brief, and I believe it is very clear to me the law, that if there’s knowing contribution to the direct infringement involved here, you don’t ever have to reach the staple article of commerce argument. That was an approach approved by this Court in the *Kalem Brothers* [sic] case.

It’s exactly the approach that is followed in Section 271 of the patent statute, where very specifically the patent statute says that when a defendant causes, furthers, or urges the use of his product, which might otherwise be a staple, in an infringing way then he is liable for patent infringement under Section 271(b) even if you call that product a staple article.¹⁵⁸

4. Supreme Court Deliberations: No Resolution

The justices took up the case at the January 21, 1983 conference, three days after oral argument. According to Justice Blackmun’s papers, a paper-thin majority of the justices was inclined to affirm the Ninth Circuit’s decision holding Sony liable for copyright infringement.¹⁵⁹ Justices Marshall, Blackmun, and Rehnquist voted to affirm, believing that home taping violated copyright law. Although also leaning toward affirmance, Justice Powell felt that home copying

¹⁵⁴ Id. at 23-24.

¹⁵⁵ Id. at ____.

¹⁵⁶ Id. at 28-29.

¹⁵⁷ 445 U.S. 844 (1982).

¹⁵⁸ 1983 U.S. TRANS LEXIS 89 at 49-50.

¹⁵⁹ Handwritten Notes of Justice Harry A. Blackmun (Jan. 21, 1983), cited in “Sony Story,” supra n. ___, at 367.

should be legal but was unable to see a workable distinction between infringing and noninfringing uses. Justice O'Connor expressed the view that she would exempt home copying if she were a legislator,¹⁶⁰ but because she did not believe that the Copyright Act of 1976 could be interpreted to create such an exception, she nonetheless was a likely fifth vote to affirm. Justice Stevens voted to reverse, believing that the Act should be read to allow the making of single copies for private, personal use. Because there was no direct infringement, Stevens did not believe that Sony could be liable for contributory infringement. Chief Justice Burger and Justices Brennan and White were somewhere in the middle, believing that time shifting was fair use, but building home libraries of copyrighted works was unfair.¹⁶¹ As the senior justice in the apparent majority, Justice Marshall assigned the opinion to Justice Blackmun.

A few days later, Justice Stevens wrote to Justice Blackmun, with copies to the other justices, to express his view that Congress allowed private, noncommercial home taping.¹⁶² Citing the legislative history of the Copyright Act, he based this interpretation on Congress' awareness of the common practice of home audio recording and its failure in the Act to expressly prohibit such activities. Justice Stevens also reasoned that imposition of potentially "staggering liability" on home users and manufacturers of new products under the statutory damage provisions would be unfair when no actual economic harm had been proven. Justice Powell indicated that he had not considered these issues and would await further drafts before committing his vote.¹⁶³ Acknowledging that the outcome of the case was in question and that the opinion might have to be reassigned, Justice Blackmun asked his colleagues to suspend judgment until he had time to complete a full written opinion.¹⁶⁴

Justice Blackmun circulated his first draft on June 13, 1983,¹⁶⁵ less than two weeks before the close of the 1982 Term. After reviewing the facts and procedural history, Justice Blackmun began his analysis with the direct liability issue. His draft rejected the district court's determination (and Justice Stevens' view) that Congress had created an implied immunity for home copying, noting that several of the specific statutory exemptions and limitations would have been superfluous if home copying were exempt. Justice Blackmun then addressed fair use, reasoning that

¹⁶⁰ Justice O'Connor, in line with her prior experience as a state court legislator, brought a legislative mindset to her work on the Supreme Court, as well as astute political leadership. See Kathleen M. Sullivan, *Justice in the Balance; The precedent-setting life of the all-important swing vote on the high court*, Wash. Post T03 (Dec. 25, 2005) (reviewing Joan Biskupic, *Sandra Day O'Connor : How the First Woman on the Supreme Court Became Its Most Influential Justice* (2005)).

¹⁶¹ See Handwritten Notes of Justice Harry A. Blackmun (Jan. 21, 1983), Box 391, folder 3; see also "Sony Story," supra n. __, at 367.

¹⁶² Letter from Justice John Paul Stevens to Justice Harry A. Blackmun (Jan. 24, 1983).

¹⁶³ Letter from Justice Lewis F. Powell, Jr. to Justice Harry A. Blackmun (Feb. 3, 1983).

¹⁶⁴ Letter from Associate Justice Harry A. Blackmun to Associate Justice Lewis F. Powell, Jr. at 1 (Feb. 3, 1983).

¹⁶⁵ First Draft, *Sony* (No. 81-1687) (circulated by Justice Blackmun) (Jun. 13, 1983).

when the proposed use is an unproductive one, a copyright owner need produce only evidence of a potential for harm. Infringement then will be found, unless the user can demonstrate affirmatively that permitting the use would have no tendency to harm the market for or the value of the copyrighted work.¹⁶⁶

He concluded that time shifting should not be considered a productive use and that defendants had not carried the burden of disproving even potential harm to the copyright owner's market. With regard to indirect liability, Justice Blackmun held that a product manufacturer bore liability when it knew that infringement was taking place and that the "most conspicuous purpose" of its product constituted copyright infringement. The draft would have remanded the case for further consideration of this issue, as well as the choice of remedies, suggesting imposition of royalties as opposed to injunctive relief.

Sensing the volatility of the majority, Justice Stevens had been preparing his opinion during the spring. He circulated his draft opinion on the same day Justice Blackmun's draft was released.¹⁶⁷ Justice Stevens articulated his view that the fair use provision of the 1976 Act, in conjunction with the apparent recognition of immunity for noncommercial home taping in the 1971 House Report, provided a safe harbor for private copying. He also questioned the feasibility of the courts imposing a remedy in this context, favoring legislative action.¹⁶⁸ Justice Stevens also circulated a memorandum responding directly to Justice Blackmun's draft, suggesting substantial agreement except on the issue of private copying. The approaches differed in at least two other respects. Justice Stevens took a more positive view of time shifting, arguing that it serves the public interest by allowing viewers to see programming that they would otherwise miss. He also advocated a principle that Congress, and not the courts, should take the lead in adapting copyright law to address new technologies.

Justice Blackmun responded the next day, criticizing Justice Stevens' reading of the Copyright Act to afford immunity for home copying.¹⁶⁹ He also argued that the 1976 Act should be construed to cover new technologies and that the courts had a responsibility to apply the law to new challenges. Justice Blackmun further explained the importance of indirect liability in the case, noting that "[i]t is frequently impossible to recover from individual infringers, and it is precisely this fact that gave rise to the doctrine of contributory infringement."¹⁷⁰

¹⁶⁶ Id. at 26.

¹⁶⁷ First Draft, Memorandum of Associate Justice John Paul Stevens, *Sony* (No. 81-1687) (circulated Jun. 13, 1983).

¹⁶⁸ Id. at 20.

¹⁶⁹ Memorandum from Associate Justice Harry A. Blackmun to the Conference (Jun. 14, 1983).

¹⁷⁰ Id. at 4.

At that point, Justice Brennan intervened to offer a middle course.¹⁷¹ On the issue of direct infringement, Justice Brennan agreed with Justice Blackmun's view that Congress did not intend to open a broad exemption for private, noncommercial copying, but he came down closer to Justice Stevens on application of the fair use doctrine. Justice Brennan believed that "a good deal of timeshifting is fair use," emphasizing the studios' failure to substantiate their allegations of harm. On the issue of indirect liability, Justice Brennan endorsed Justice Blackmun's view that "Sony can be liable for contributory infringement only if the Betamax's 'most conspicuous purpose' or 'primary use' is an infringing use."¹⁷² But given the high proportion of non-infringing time shifting use of the VCR, Justice Brennan concluded that Sony could not be held liable for contributory infringement.

On June 15th, Chief Justice Burger announced that he would join Justice Stevens.¹⁷³ That same day, Justice Blackmun circulated a revised opinion suggesting that the district court should consider imposing a compulsory licensing scheme as an alternative to injunctive relief.¹⁷⁴ Shortly thereafter, Justices Marshall and Rehnquist indicated that they would join Blackmun's opinion.¹⁷⁵

Justice O'Connor weighed in the next day. While endorsing Justice Blackmun's view that the Copyright Act could not be interpreted to provide a general exemption for private copying, she was uncomfortable with the opinion's disregard of the district court's findings that neither actual nor potential harm had been established.¹⁷⁶ Justice O'Connor opposed shifting the burden onto defendants to disprove harm with regard to nonproductive uses. Justice Blackmun responded later that day with several compromise proposals.¹⁷⁷ He offered to remand for further factfinding on the issue of harm. He declined to change his burden-shifting framework, but offered to raise the plaintiff's initial burden by requiring proof of potential harm.

¹⁷¹ Memorandum from Associate Justice William J. Brennan, Jr., to the Conference (Jun. 14, 1983).

¹⁷² Later in his memorandum, Justice Brennan commented that Sony was not a contributory infringer "[a]s long as the Betamax has substantial noninfringing use . . ." Memorandum from Associate Justice William J. Brennan, Jr., to the Conference at 4 (Jun. 14, 1983). Given his clear endorsement of Justice Blackmun's indirect liability standard, it appears that Justice Brennan was inclined toward that more narrow formulation of an indirect liability safe harbor. But given his view that the predominant use of VCRs – time-shifting – fell within the fair use defense, Sony would have prevailed under Blackmun's more narrow secondary liability standard or the broader patent law standard.

¹⁷³ Letter from Chief Justice Warren Burger to Associate Justice John Paul Stevens (Jun. 15, 1983).

¹⁷⁴ Second Draft, *Sony* (No. 81-1687) (circulated by Justice Blackmun) (Jun. 15, 1983).

¹⁷⁵ See "Marshall Papers," *supra* n. ___, at 437.

¹⁷⁶ Letter from Associate Justice Sandra Day O'Connor to Justice Harry A. Blackmun (Jun. 16, 1983).

¹⁷⁷ Letter from Justice Harry A. Blackmun to Associate Justice Sandra Day O'Connor (Jun. 16, 1983).

On June 17th, Justice White offered a pragmatic middle ground to create a majority coalition around the proposals of Justices Stevens and Brennan.¹⁷⁸ Recognizing their split on aspects of direct liability and the fact that the studios were not seeking any remedy against home tapers, Justice White posited that a majority of justices could be united around the idea that Sony was not liable for indirect infringement, leaving the issue of direct liability to another day.¹⁷⁹ Justice Stevens agreed to this approach, shifting his focus to the indirect liability to the case:

I would agree that failure of proof of contributory infringement, which rests in part on the total failure of any proof of any impairment of the copyright monopoly, either actual or prospective, is an adequate ground for [reversal.] There is nothing in either the statute itself or any of our prior cases that even remotely suggest[s] that the manufacturer of copying equipment, which has a variety of legitimate uses, can be held liable as a contributory infringer for advertising and selling the equipment to the general public.¹⁸⁰

Later that day, Justice Brennan indicated that he was on board with the Stevens compromise: “reversing on contributory infringement grounds without deciding the question of the homeowners.”¹⁸¹

On June 18th, Justice O’Connor responded to Justice Blackmun’s compromise proposals.¹⁸² She questioned whether there was any value to further factfinding on the issue of harm to the studios. Nonetheless, O’Connor indicated that that she might be willing to support a remand if Justice Blackmun satisfied three conditions: (1) that fair use be considered flexible enough to accommodate both productive and unproductive uses; (2) that the plaintiff bear the burden of proof to show actual or potential harm; and (3) that the contributory infringement standard follow the patent standard recognizing a defense for products that are “capable of noninfringing use.”¹⁸³ O’Connor’s explanation of her third point is particularly relevant to the genesis of the *Sony* staple article of commerce safe harbor in copyright law:

¹⁷⁸ Letter from Associate Justice Byron R. White to Associate Justice William J. Brennan, Jr. (Jun. 17, 1983).

¹⁷⁹ “If there were five votes to reverse as to Sony, the issue of the homeowner is hardly a pressing question.” Letter from Associate Justice Byron R. White to Associate Justice William J. Brennan, Jr. at 1 (Jun. 17, 1983).

¹⁸⁰ Letter from Associate Justice John Paul Stevens to Associate Justice Byron R. White at 1 (Jun. 17, 1983).

¹⁸¹ Letter from Associate Justice William J. Brennan, Jr. to Associate Justice Byron R. White at 1 (Jun. 17, 1983).

¹⁸² Letter form Associate Justice Sandra Day O’Connor to Associate Justice Harry A. Blackmun (Jun. 18, 1983).

¹⁸³ Memorandum from Associate Justice Sandra Day O’Connor to Associate Justice Harry A. Blackmun (Jun. 18, 1983).

I had thought that the ‘staple article’ doctrine developed in order to limit the patent holder from depriving society of the good that comes from the existence of other enterprises that nevertheless frustrate the patent holder’s monopoly to some degree. I see no reason why we should not be similarly concerned with what the copyright holder does with his monopoly. If the videorecorder has substantial noninfringing uses, we should be reluctant to find vicarious liability. In addition, I think the focus of the inquiry should not be whether virtually all of the copied material is copyrighted, but rather, whether virtually all of the copying amounts to infringement. Even if you do not wish to import the ‘staple article’ doctrine directly to the copyright area, I fail to see why the same standard – whether the item is capable of substantial noninfringing use – should not be used.¹⁸⁴

Later that day, Justice Brennan volunteered in a memo to Justice Blackmun that he considered Justice O’Connor’s points to be “very constructive” and indicated that he would be “most interested in your response.”¹⁸⁵

On June 20, 1983, the pressure on Justice Blackmun to compromise continued to build when Justice Powell expressed a temptation to follow Justice White’s proposal to “simply conclude on the basis of the findings made by the district court that there can be no contributory infringement in this case.”¹⁸⁶ Justice Powell urged Justice Blackmun to accommodate Justice O’Connor’s suggestions.

Justice Blackmun resolved to accommodate Justices O’Connor and Powell without undermining the support of Justices Marshall and Rehnquist.¹⁸⁷ The task would be difficult. He was convinced that the Copyright Act of 1976 did not place copyright owners in the awkward position of having to prove actual harm in the face of new technologies. In a letter to O’Connor and Powell, he emphasized that the legislative history of the statute “makes clear that copyright owners are not to be deprived of protection simply because the effects of a new technology are unknown.”¹⁸⁸ As a compromise, Blackmun’s third draft required that plaintiffs show “a reasonable possibility of harm.”¹⁸⁹ With regard to O’Connor’s comments on the indirect liability standard, Blackmun reiterated his opposition to importing patent law standards into copyright law. Nonetheless, he largely capitulated:

¹⁸⁴ Id. at 2-3.

¹⁸⁵ Letter from Associate Justice William J. Brennan, Jr. to Associate Justice Harry A. Blackmun at 1 (Jun. 18, 1983).

¹⁸⁶ Memorandum of Associate Justice Lewis F. Powell, Jr. to Associate Justice Harry A. Blackmun at 1 (Jun. 20, 1993).

¹⁸⁷ Letter from Associate Justice Harry A. Blackmun to Associate Justices Thurgood Marshall and William F. Rehnquist (Jun. 20, 1983).

¹⁸⁸ Letter from Associate Justice Harry A. Blackmun to Associate Justices Lewis F. Powell, Jr. and Sandra Day O’Connor (Jun. 21, 1983).

¹⁸⁹ Third Draft at 26, *Sony* (No. 81-1687) (circulated by Justice Blackmun) (Jun. 21, 1983).

I am willing, however, to adopt Sandra's proposed standard for contributory infringement, provided that an opinion for the Court can thereby be obtained. I agree that the question of contributory infringement turns on the amount of VTR use that is infringing rather than the amount of television programming that is copyrighted.¹⁹⁰

Blackmun raised the indirect liability standard to "whether virtually all of the copying amounts to infringement."¹⁹¹

Justice O'Connor responded later that day that the opinion was "still inconsistent with portions of my views as previously set forth" and requesting several additional changes that would have to be made for her to join Justice Blackmun's opinion.¹⁹² First, she opposed language "that would ostensibly preclude a finding that any VTR copying (other than that which could be characterized as 'productive use') could be fair use."¹⁹³ In her view, it should be possible for other uses, such as "timeshifting with all advertisements preserved," to be a fair use in the absence of any evidence of harm to the copyright owners.¹⁹⁴ Second, O'Connor felt that Blackmun had improperly lightened the copyright owners' burden to show actual or potential harm. She noted that the statute refers to "harm to the potential market for, or value of, the copyrighted work."¹⁹⁵ Third, O'Connor preferred to leave open whether the studios had met the harm standard and proposed that the district court be asked to apply the new standard without disapproving the findings already made.

Lastly, Justice O'Connor called for significant changes on the indirect liability portion of the opinion. She seems to have conjoined contributory and inducement liability, noting that "contributory infringement may result from either inducement or material contribution."¹⁹⁶ She endorsed the trial court's finding that Sony did not induce infringement. O'Connor pressed for adoption of the staple article of commerce defense in copyright cases. She did not believe that the dance hall cases had significance "because they involved instances of control by the party found to be the contributory infringer. Whatever else the VTR manufacturers may do, they certainly do not have any control over VTR users."¹⁹⁷ She emphasized that the standard should

¹⁹⁰ Id. at 2.

¹⁹¹ Id. at __.

¹⁹² Letter from Associate Justice Sandra Day O'Connor to Associate Justice Harry A. Blackmun (Jun. 21, 1983).

¹⁹³ Id. at 1.

¹⁹⁴ Id. at 1.

¹⁹⁵ Id. at 2 (quoting 17 U.S.C. § 107 (adding commas)).

¹⁹⁶ Id. at 3.

¹⁹⁷ Id. at 3.

be “is the VTR *capable* of substantial non-infringing uses”¹⁹⁸ and proposed incorporating the following language into the opinion:

We therefore conclude that there can be no contributory infringement if the VTR is capable of significant noninfringing uses. If a significant portion of what is available to copy on the VTR is either not copyrightable or is copyrighted but the owners have authorized copying, then the VTR must be deemed capable of substantial noninfringing uses irrespective of the actual uses to which VTR’s are put.¹⁹⁹

By this point, Justice O’Connor appears to have come nearly 180 degrees in her thinking about this case. She now considered time-shifting, the principal use of the VCR, potentially within the bounds of fair use and endorsed a standard for indirect liability that would immunize Sony if time-shifting were fair use. Nonetheless, Justice Blackmun indicated that he was willing to accommodate all of O’Connor’s conditions except the one relating to the burden of proof on copyright owners.²⁰⁰

Meanwhile, Justice Stevens had been reworking his draft along the lines suggested by Justice White and toward Justice O’Connor’s emerging views. In particular, Justice Stevens’ draft expressly adopted patent law’s staple article of commerce doctrine as a defense to contributory liability in copyright law.²⁰¹ Four days later, he circulated a new draft discussing copyright law’s historical treatment of new technologies.²⁰² A fourth draft, circulated the next day, further refined the opinion, added references to the record, and dropped the argument that

¹⁹⁸ Id. at 3-4 (emphasis in original).

¹⁹⁹ Id. at 4.

²⁰⁰ Letter from Associate Justice Harry A. Blackmun to Associate Justice Sandra Day O’Connor (Jun. 23, 1983).

The statutory language to which you refer comes into play when a *productive* use is found. Under your proposal, the copyright owner would have to prove actual harm to the value of the copyright or to a potential market even for unproductive uses. The problem with this, as I have tried to point out, is that copyright owners would be deprived of protection when the technology is a new one and when predictions of harm are necessarily imprecise. I strongly feel that the standard articulated in the opinion – that the copyright owner must show a ‘reasonable possibility of harm’ – is the correct one.

Id. (emphasis in original).

²⁰¹ Memorandum from Associate Justice John Paul Stevens to the Conference (Jun. 23, 1983).

²⁰² Memorandum from Associate Justice John Paul Stevens to the Conference (Jun. 27, 1983).

had defined his early view of the case: that the statute could be interpreted to allow private copying.²⁰³

By this time the gap between the Stevens and Blackmun opinions had shrunk considerably. At a practical level, the principal difference was that the Stevens opinion would reverse the Ninth Circuit outright and rule for Sony whereas the Blackmun opinion would remand the case with a standard reasonably favorable to Sony, particularly on the question of indirect liability. During this time, Justice O'Connor continued to press Justice Blackmun to increase the showing of harm that copyright owners must satisfy even in the context of nonproductive uses.²⁰⁴ On June 28th, Justice Blackmun declined to accommodate Justice O'Connor's final demands.

I have endeavored of [sic] the past several days to accommodate your many concerns. My letter of June 23 to you represents the limit of what I am willing to do. Five votes are not that important to me when I feel that proper legal principles are involved.²⁰⁵

It became apparent that Justice Blackmun's majority had splintered. Justice O'Connor wrote to Chief Justice Burger that she was now closer to Justice Stevens' opinion.²⁰⁶ She also agreed to have the case reargued the following term. Stevens believed that he could bring together a majority of the Court, which would avoid the need to have the case reargued.²⁰⁷ Although leaning toward Stevens' opinion, Justice White favored having the case reargued in the next term in order to avoid a hasty decision.²⁰⁸ Justice Rehnquist endorsed White's proposal.²⁰⁹ O'Connor also agreed to having the case reargued.²¹⁰ At the next day's conference, the Court

²⁰³ Memorandum from Associate Justice John Paul Stevens to the Conference (Jun. 28, 1983).

²⁰⁴ Letter from Associate Justice Sandra Day O'Connor to Associate Justice Harry A. Blackmun (Jun. 25, 1983).

²⁰⁵ Letter from Associate Justice Harry A. Blackmun to Associate Justice Sandra Day O'Connor (Jun. 28, 1983).

²⁰⁶ Letter from Associate Justice Sandra Day O'Connor to Chief Justice Warren Burger (Jun. 28, 1983).

²⁰⁷ Letter from Associate Justice John Paul Stevens to Chief Justice Warren Burger (Jun. 28, 1983).

²⁰⁸ Letter from Associate Justice Byron R. White to Chief Justice Warren Burger (Jun. 28, 1983).

²⁰⁹ Memorandum from Associate Justice Wililam H. Rehnquist to the Conference (Jun. 28, 1983).

²¹⁰ Letter from Associate Justice Sandra Day O'Connor to Chief Justice Warren Burger (Jun. 28, 1983).

decided to have the case reargued. It ordered that the case be set for reargument in the 1983 Term on the basis of the briefs that had already been submitted.²¹¹

5. Supreme Court Argument: Take Two

The case was reargued on October 3, 1983, the first day of the Supreme Court's 1983 Term. By that time, it was estimated that more than 10% of U.S. households owned VCRs.²¹² Justice Rehnquist began the questioning by pushing Dean Dunlavey on whether fair use was limited to productive uses.²¹³ After some back and forth, Justice O'Connor intervened to ask whether the issue of fair use mattered to resolution of the case:

QUESTION: Mr. Dunlavey, I suppose of course the Court doesn't have to resolve this question in order to resolve the contributory infringement question. The Court could resolve it as a means of getting to the contributory infringement question, but does it have to?

MR. DUNLAVEY: Justice O'Connor, that's precisely right. There are two roads to Rome. You can say that there is direct infringement but nevertheless there was no contributory infringement or, as you have just suggested, you can say, whether or not there was direct infringement, and we bypass that question, there clearly was nothing that constitutes contributory infringement. So Your Honor is correct, you can resolve this case without resolving whether home use is infringement. . . .²¹⁴

Dunlavey later elaborated on the justification for resolving the case in this manner.

[The staple article of commerce doctrine] is a transplant to a great extent from the copyright [sic] law, but it's also founded in common sense. If you make something that people can use for legitimate purposes, there is no legal justification in holding you responsible if somebody somewhere uses it for an improper purpose.²¹⁵

Soon after Universal's counsel began, Justice Stevens cut to the issue that had emerged in deliberations as the easiest way to resolve the case:

QUESTION: Mr. Kroft, can I ask you a question about the staple article of commerce test? We don't have any precedent in the copyright field for what the

²¹¹ Sony Corp. of America v. Universal City Studios, 463 U.S. 1226 (1983).

²¹² See Argument by Dean Dunlavey, Sony Corp. of America v. Universal City Studios, No. 81-1687 (Oct. 3, 1983) 1983 U.S. TRANS LEXIS 10 at 2 (noting estimate that 9.5 million households would have VCRs by the end of the year).

²¹³ Id. at 4.

²¹⁴ Id. at 7-8.

²¹⁵ Id. at 14.

test of that problem is. You rely on a precedent from the trademark field, and of course there is an analogy to the patent law.

Do you think we should look to one of those two fields for precedent, and if so would you not look to the patent law? Why not?

MR. KROFT: I do not think you should look to the patent law in this particular case because the patent law is a statute which was designed specifically to meet years of history in this Court dealing with certain patent problems, that is misuse and contributory infringement.

And it also deals, Justice Stevens, with the very peculiar attributes of patents. Patents are made up of a series of components which together, taken as a whole, end up being something that's protected as an invention. And that's not the case with copyrights.

In addition to that, I might add that the staple article of commerce doctrine in the patent field was developed to protect the sale of ordinary items, like paper and ink, dry ice, salt tablets. Those are the products that came out of the cases of this Court. But it was not designed to protect the sale of items designed specifically for infringement when the manufacturer and seller of that machine knew or had reason to know it would be used for infringement.²¹⁶

Kroft did little to explain why the Court should not look to patent law. Rather he argued that the staple article of commerce standard does not apply to products designed specifically to infringe. But on its own terms, patent law's staple article of commerce doctrine did not apply to non-staple articles, i.e., those that are "especially made or especially adapted for use in an infringement . . . and not a staple article or commodity of commerce suitable for substantial noninfringing use."²¹⁷

Justice Stevens pressed the issue, asking whether Xerox would be vulnerable for indirect liability if its users made unauthorized copying. Kroft sought to distinguish Xerox by arguing that illegal use

wasn't happening when Xerox began selling its machine. Xerox first started selling the machine for business applications. We can all remember what they looked like. You'd have to put one page in. You couldn't run through pages and pages and pages like you can today.

And over the years I suppose people have come to use Xerox for different reasons. Xerox has tried to protect itself -- and I don't know if it's doing it adequately or not -- by giving every Xerox renter -- and I believe most of these machines are rented -- a little list of do's and don't's. And one of the don't's is don't copy copyrighted material.²¹⁸

²¹⁶ Argument by Stephen Kroft, *Sony Corp. of America v. Universal City Studios*, No. 81-1687 (Oct. 3, 1983) 1983 U.S. TRANS LEXIS 10 at 21-23.

²¹⁷ 35 U.S.C. § 271(c).

²¹⁸ Argument by Stephen Kroft, *Sony Corp. of America v. Universal City Studios*, No. 81-1687 (Oct. 3, 1983) 1983 U.S. TRANS LEXIS 10 at 23.

Justice Stevens pressed the analogy harder.

QUESTION: But your view of the law is that as long as Xerox knows that there's some illegal copying going on, Xerox is a contributory infringer?

MR. KROFT: To be consistent, Your Honor, I'd have to say yes.

QUESTION: A rather extreme position.²¹⁹

This questioning exposed the hard line being taken by the studios and their inability to articulate any intermediate principle for cabining indirect copyright liability. To a large extent, they were unwilling to acknowledge that the VCR, as well as the Xerox machine, presented difficult and unprecedented issues for the law of indirect copyright liability. By failing to engage that issue, and expressing a willingness for the Court to look to trademark law in resolving this case, the studios invited the cross-germination of copyright law with patent law's "staple article of commerce" doctrine.

Compounding their predicament, the studios pointed the Court to trademark law. Yet that body of law was less pertinent than patent law on the issue of indirect liability for manufacturers of dual use products. Whereas both patent and copyright face the problem of whether and to what extent to impose indirect liability on the makers of products that have both infringing and noninfringing uses, such a scenario had never arisen in trademark law and would have been seen as far-fetched. Trademark law focuses on ensuring the integrity of the marketplace by protecting consumers against confusion as to the source of products and services. Thus, indirect trademark liability extends to those who encourage downstream retailers to mislead consumers into passing off their product as those of another.²²⁰ Similarly, one who knowingly acts for a trademark infringer – for example, by printing labels that it knows will be used on counterfeit goods – faces contributory trademark liability.²²¹ More recently, courts have held landlords who rent space to retailers that they know to be engaged in counterfeit operations liable for contributory trademark infringement.²²² Such trademark doctrines, however, have little if any relevance to the context of indirect liability for selling dual use technologies.²²³ An analogous situation would arise if a trademark owner sued the maker of plain paper that was used

²¹⁹ Id. at 23-24.

²²⁰ See *Inwood Laboratories, Inc. v. Ives Laboratories, Inc.*, 456 U.S. 844, 854-55 (1982); *William R. Warner & Co. v. Eli Lilly & Co.*, 264 U.S. 526 (1924); *Coca-Cola Co. v. Snow Crest Beverages*, 64 F.Supp. 980 (D.Mass. 1946), *aff'd*, 162 F.2d 280 (1st Cir. 1947).

²²¹ See *Andrew Jergens Co. v. Bonded Products Corp.*, 13 F.2d 417 (E.D.N.Y. 1926), *modified*, 21 F.2d 419 (2d Cir. 1927).

²²² See *Fonovisa, Inc. v. Cherry Auction, Inc.*, 76 F.3d 259 (9th Cir. 1996); *Polo Ralph Lauren Corp. v. Chinatown Gift Shop*, 855 F. Supp. 648 (S.D.N.Y. 1994); *Hard Rock Cafe Licensing Corp. v. Concession Services, Inc.*, 955 F.2d 1143 (7th Cir. 1992).

²²³ Cf. *Sony*, 464 U.S. at 339 n.19.

by an advertising company to produce labels for counterfeit goods. Trademark liability, however, does not extend that far.²²⁴

D. The Supreme Court Opinions

The outcome of the case was sealed at the conference following reargument. There would be no repeat of the jockeying for a majority after the first round. According to Justice Blackmun's notes,²²⁵ Chief Justice Burger and Justices Brennan, White, Stevens, and O'Connor voted to reverse the Ninth Circuit outright. Chart 1 illustrates the process by which a majority was ultimately reached. Only Justice Marshall joined Justice Blackmun in voting to affirm. Justices Powell and Rehnquist voted to affirm on direct liability, but to remand on the issue of contributory liability. The majority opinion was assigned to Justice Stevens, with Justice Blackmun writing the dissent.

Chart 1

1. The Majority Opinion

Within a few weeks, Justice Stevens circulated a slightly revised version of the draft that he had prepared at the end of the 1982 Term. That draft was built around Justice O'Connor's suggestion that the Court adopt the patent law standard. Lacking any clear signal from Congress, Justice Stevens grounded the transplantation of patent law's express statutory safe harbor into the newly enacted Copyright Act of 1976 on what he declared an "historic kinship" between these two bodies of law. The final majority opinion would largely track the initial draft and attract four other votes: Chief Justice Burger and Justices White, Brennan, and O'Connor.

Following some stage-setting, the first section of the opinion highlighted the unprecedented nature of the assertion of copyright liability against device manufacturers and distributors. After reviewing the complex factual background to the case – emphasizing that the predominant use of the VCR to time-shift public broadcasts "enlarges the television viewing audience"²²⁶ and that the studios "were unable to prove that the practice has impaired the commercial value of their copyrights or has created any likelihood of future harm"²²⁷ – the majority concluded that "there is no basis in the Copyright Act upon which respondents can hold petitioners liable for distributing VTR's to the general public."²²⁸

²²⁴ Cf. 15 U.S.C. § 1114(2)(A), (B) (limiting liability of those who print trademarks for others without knowledge of infringing activity to injunction against further printing).

²²⁵ See "Sony Story," supra n. ___, at 379 (describing Justice Blackmun's handwritten notes recording the conference vote).

²²⁶ 464 U.S. at 421.

²²⁷ Id.

²²⁸ Id.

Evolution of the Majority in <i>Sony v. Universal City Studios</i>						
	1st Conference Jan. 23, 1983	Stevens Memo Jan 24, 1983	Blackmun - Stevens Drafts Jun 13-28, 1983	End of Term Jul. 1983	2nd Conference Nov. 1983	Opinion Jan. 1984
Burger	undecided		Reverse	Reverse	Reverse	Reverse
Brennan	undecided		Reverse	Reverse	Reverse	Reverse
White	undecided		lean reverse	lean reverse	Reverse	Reverse
Marshall	Affirm		Affirm	Affirm	Affirm	Affirm/Remand
Blackmun	Affirm		Affirm	Affirm	Affirm	Affirm/Remand
Powell	lean affirm	undecided	undecided	undecided	Affirm/Remand	Affirm/Remand
Rehnquist	Affirm		Affirm	Affirm	Affirm/Remand	Affirm/Remand
Stevens	Reverse		Reverse	Reverse	Reverse	Reverse
O'Connor	lean affirm		undecided	lean reverse	Reverse	Reverse
Majority	Affirm (3) lean affirm (2) undecided (3) Reverse (1)	Affirm (3) lean affirm (1) undecided (4) Reverse (1)	Reverse (3) lean reverse (1) undecided (2) Affirm (3)	Reverse (3) lean reverse (2) undecided (1) Affirm (3)	Reverse (5) Affirm (2) Affirm/Remand (2)	Reverse (5) Affirm/Remand (4)

The majority opinion then explained, in three principal sections, the basis for this conclusion. Because the issue of indirect liability arises only if direct infringement is present, one might have expected the analysis to begin with the direct infringement question and reach the indirect liability allegation only if direct infringement were present. Due to the compromise brokered by Justices Brennan and White, however, the majority opinion inverted this structure – first delineating the indirect liability standard and only then evaluating direct infringement. Part II framed the analysis by offering some general observations about the copyright system and how it has adapted to technological change. Part III then explained the logic for adopting patent law’s “staple article of commerce” safe harbor as a defense to contributory copyright liability. Under that standard, copying equipment “need merely be capable of substantial noninfringing use” to shield its seller from contributory copyright infringement. Part IV then applied that standard. The Court determined that time shifting of television broadcasts, the principal use of VCRs, did not constitute copyright infringement. Therefore, Sony (and the other defendants) could not be held liable. The opinion concluded by suggesting that the copyright treatment of new technology is a matter best left to Congress.

i. Laying the Interpretive Foundation.

Section II motivates the interpretive structure undergirding the Sony decision: that Congress, and not the courts, is best situated institutionally and constitutionally to address the challenges of new technology. It begins by tracing the constitutional source of intellectual property protection. The opinion emphasizes that in granting Congress power to enact intellectual property, the Constitution imposed some limits in order to strike a balance between the creation of monopoly privileges and promoting public accessibility to works of authorship. Furthermore, the Constitution assigned “the task of defining the scope of the limited monopoly” to Congress, implying a subsidiary role for the courts.²²⁹

Justice Stevens then argues that the judiciary’s role should be particularly deferential, limited, and circumspect in dealing with new technology. He bases this interpretive principle on a cursory reading of copyright history and considerations of comparative institutional competence. As historical support, Justice Stevens asserts that “as new [technological] developments have occurred . . ., it has been the Congress that has fashioned the new rules that new technology made necessary.”²³⁰ He quotes an 1889 Supreme Court decision for the

²²⁹ Id. at 429.

²³⁰ Id. at 430-31. While accurate with regard to new protections, this statement misapprehends the relatively general nature of the statutory copyright system in place by the late 19th century. The 1790 Act was relatively limited in scope, extending protection to maps, charts, and books. See Section 1, Act of May 31, 1790, Ch. 15, 1 Stat. 124. Over the course of the 19th century, additions to this list transformed the Copyright Act into a general framework. See 1909 Act. Thus, by the later part of the 19th century, courts did not have to wait for Congress to pass new legislation before applying copyright protections to new media. The relatively broad scope of protection enabled courts to address many new technologies – such as photogravure, photography, the phonograph, motion pictures, radio, television, and aspects of computer technology – before Congress addressed them explicitly. See, e.g., *Fishel v. Luekel*, 53 F. 499 (S.D.N.Y. 1892) (liability for reproduction using photogravure process); *Buck v. Jewell-La Salle*

proposition that “[t]he remedies for infringement ‘are only those prescribed by Congress.’”²³¹ Justice Stevens then suggests that “[t]he judiciary’s reluctance to expand the protections afforded by the copyright without explicit legislative guidance is a recurring theme,” citing cases dealing with cable television, player piano rolls, and fair use with regard to photocopying.²³²

The majority opinion reinforces the argument for a limited judicial role in adapting copyright law to new technologies by averting to Congress’ “constitutional authority” and “institutional ability to accommodate fully the varied permutations of competing interests that are inevitably implicated by [] new technology.”²³³ While certainly accurate as far it goes, this observation overlooks the judiciary’s expertise in dealing with enforcement issues – a recurring theme in copyright jurisprudence – as well as the judiciary’s comparative advantage in responding quickly to new technological advances.

Justice Stevens completes the interpretive framework by invoking Justice Stewart’s approach to resolving ambiguities in the copyright law: “[w]hen technological change has rendered [the Copyright Act’s] literal terms ambiguous, the Copyright Act must be construed in

Realty Co., 283 U.S. 191, 196-98 (1931) (“Although the art of radio broadcasting was unknown at the time the Copyright Act of 1909 was passed, and the means of transmission and reception now employed is wholly unlike any then in use, it is not denied that such broadcasting may be within the scope of the act.”; “[N]othing in the act circumscribes the meaning to be attributed to the term ‘performance,’ or prevents a single rendition of a copyrighted selection from resulting in more than one public performance for profit. While this may not have been possible before the development of radio broadcasting, the novelty of the means used does not lessen the duty of the courts to give full protection to the monopoly of public performance for profit which Congress has secured to the composer.” (footnotes and citations omitted)). Thus, both courts and Congress had dealt with the adaptation of copyright law to new technologies – the courts through applying existing protections and Congress through wider ranging policy adjustments.

²³¹ *Id.* at 431 (quoting *Thompson v. Hubbard*, 131 U.S. 123, 151 (1889)). Again, the implication here seems to be that it is Congress and not the courts that have legitimacy in delineating the scope of copyright protection. Although true in a formal sense – courts may impose only those *remedies* provided for in the Copyright Act – this quotation has nothing to say about the role of the courts in delineating the scope of *liability*, in which the courts have long played an active role. As explained in Part III, *infra* pages ___-___, the Copyright Act has been largely silent on the scope of liability. Since 1790, courts have played the principal role in delineating the contours of copyright liability, including the recognition and demarcation of indirect copyright liability.

²³² 464 U.S. at 431 (citing *Teleprompter Corp. v. CBS*, 415 U.S. 394 (1974); *Fortnightly Corp. v. United Artists*, 392 U.S. 390 (1968); *White-Smith Music Publishing Co. v. Apollo Co.*, 209 U.S. 1 (1908); *Williams and Wilkins v. United States*, 487 F.2d 1345, 203 Ct.Cl. 74 (1973), *affirmed by an equally divided court*, 420 U.S. 376 (1975)). These cases do not, however, provide a basis for interpreting the scope of indirect copyright liability for acts narrowly. The first three concerned whether particular activities fit within a particular statutory provision. The fourth deals with the scope of fair use, a court-developed doctrine.

²³³ 464 U.S. at 431.

light of” its “ultimate aim [] to stimulate artistic creativity for the general public good.”²³⁴ The import of this interpretive canon for the *Sony* is hardly self-evident. It could be used to support interpretations that ensure that new technologies do not compromise the economic infrastructure undergirding the content industries. That is not, however, the direction in which Justice Stevens heads. He tips his hand in the following paragraph, observing that copyright protection “has never accorded the copyright owner complete control over all possible uses of his work.”²³⁵ Although undeniably true, the connection between this observation and the quotation from Justice Stewart is remote at best.

Section II ends with two seemingly disjointed observations: this case was not brought as a class action and that only a small portion of the total amount of videotaping done by VCR owners relates to the plaintiffs’ works. Both seem to counsel caution. Justice Stevens concludes by observing that in order “to prevail, [the plaintiffs] have the burden of proving that users of the Betamax have infringed their copyrights and that Sony should be held responsible for that infringement.”

ii. Adopting the Patent Law Standard.

Section III takes up the latter question first – under what circumstances Sony “should be held responsible” for any direct infringement. It begins at the correct starting point – the Copyright Act of 1976. Unfortunately, it begins with a fundamental error. According to Justice Stevens, “[t]he Copyright Act does not expressly render anyone liable for infringement committed by another.”²³⁶ This statement is wrong. Section 106 extends liability not only those

²³⁴ 464 U.S. 432 (quoting *Twentieth Century Music Corp. v. Aiken*, 422 U.S. 151, 156 (1975)).

²³⁵ *Id.* at 432 (citing *White-Smith Music Publishing Co. v. Apollo Co.*, 209 U.S. 1, 19 (1908)). Closer and fuller inspection undermines this support. In *White-Smith*, the Supreme Court ruled that piano rolls did not constitute “copies” under the then-applicable copyright law because they were not human-readable. The cited portion of the *White-Smith* opinion (page 19) contains Justice Holmes’ concurrence commenting that “the [Court’s] result is to give to copyright less scope than its rational significance and the ground on which it is granted seem to me to demand.” Interestingly, Justice Holmes concludes that “[o]n principle anything that mechanically reproduces that collocation of sounds ought to be held a copy, or, if the statute is too narrow, ought to be made so by a further act, except so far as some extraneous consideration of policy may oppose.” The 1976 Act expressly overturned the *White-Smith* decision. See H.R. Rep. 94-1476 52 (1976) (“[The fixation provision of the 1976 Act “is intended to avoid the artificial and largely unjustified distinctions, derived from cases such as *White-Music*. . . . Under the [1976 Act,] it makes no difference what the form, manner, or medium of fixation may be”] Justice Stevens further supports his assertion with a comparison citation to a patent law case, *Deepsouth Packing Co. v. Laitram Corp.*, 406 U.S. 518, 530-31 (1972), which Congress would overrule shortly after the *Sony* decision was rendered. See Patent Law Amendments Act of 1984, Pub.L. 98-622, Title I, § 101, 98 Stat. 3383 (adopting 35 U.S.C. § 271(f); S. Rep. No. 98-663 at 2 (describing the legislation as reversing the *Deepsouth* decision.)

²³⁶ 464 U.S. at 434.

who “do” acts that violate the rights of the copyright owner but also those who “authorize” such acts.²³⁷ The specific legislative history on section 106 confirms that use

of the phrase ‘to authorize’ is intended to avoid any questions as to the liability of contributory infringers. For example, a person who lawfully acquires an authorized copy of a motion picture would be an infringer if he or she engages in the business of renting it to others for purposes of unauthorized public performance.²³⁸

The legislative history also confirms the continued validity of vicarious liability:

The committee has considered and rejected an amendment to this section intended to exempt the proprietors of an establishment, such as a ballroom or night club, from liability for copyright infringement committed by an independent contractor, such as an orchestra leader. A well-established principle of copyright law is that a person who violates any of the exclusive rights of the copyright owner is an infringer, including persons who can be considered related or vicarious infringers. To be held a related or vicarious infringer in the case of performing rights, a defendant must either actively operate or supervise the operation of the place wherein the performances occur, or control the content of the infringing program, and expect commercial gain from the operation and either direct or indirect benefit from the infringing performance. The committee has decided that no justification exists for changing existing law, and causing a significant erosion of the public performance right.²³⁹

Thus, the language of the Copyright Act and its legislative history establish that the Copyright Act *does* expressly render some actors liable for infringement committed by another. Yet because none of the briefs had called attention to this critical language, Justice Stevens appears to have overlooked it entirely.²⁴⁰

²³⁷ “[T]he owner of copyright under this title has the exclusive rights to do and to authorize any of the following” 17 U.S.C. § 106.

²³⁸ H.R. Rep. No. 94-1476 at 61 (emphasis added).

²³⁹ *Id.* at 159-60.

²⁴⁰ Had the Court recognized that the Copyright Act of 1976 extended liability to those who “authorize” violations of the exclusive rights of copyright owners, it would have confronted the scope of this term, which is open to a range of interpretations. At a minimum, however, the legislative report accompanying the 1976 Act would have removed any doubt that this term was specifically intended to encompass contributory liability. See H.R. Rep. No. 94-1476 at 61.

The Court might also have looked to the use of this term in foreign copyright laws. British case law appears to have taken a narrow construction, see *CBS v. Ames Records & Tapes*, [1982] Ch. 91 (“an act is not authorised by somebody who merely enables or possibly assists or even encourages another to do that act, but does not purport to have any authority which he can grant to justify the doing of the act.” at 106); 1 K. Garnett et al., *Copinger & Skone James on Copyright* 469-72, 486 (14th ed. 1999) (UK law does not impose secondary liability on

From this initial misstep, Justice Stevens immediately jumps to the Patent Act, observing that “[i]n contrast, the Patent Act expressly” imposes contributory liability. He backtracks, however, and notes that the

absence of such express language in the copyright statute does not preclude the imposition of liability for copyright infringements on certain parties who have not themselves engaged in the infringing activity. For vicarious liability is imposed in virtually all areas of the law, and the concept of contributory infringement is merely a species of the broader problem of identifying the circumstances in which it is just to hold one individual accountable for the actions of another.²⁴¹

The Court’s logic is vague. If the Copyright Act does not provide for indirect liability, on what is it based? Justice Stevens offers only a conclusory observation: “[f]or vicarious liability is imposed in virtually all areas of the law.” He then proceeds to distinguish prior indirect copyright liability cases. He properly observes that *Kalem Co. v. Harper Brothers*,²⁴² although containing some broad language about the scope of indirect liability, does not provide controlling precedent:

The producer in *Kalem* did not merely provide the ‘means’ to accomplish an infringing activity; the producer supplied the work itself, albeit in a new medium of expression. Sony in the instant case does not supply Betamax consumers with respondents’ works; respondents do. . . . The Betamax can be used to make

suppliers of multiple-use goods absent the supplier’s actual knowledge of a specific infringement at the time when the supplier could take action to prevent it.). Similarly, Canadian courts have interpreted “to authorize” narrowly in the context of equipment suppliers. See, P. D. Hitchcock, “Home Copying and Authorization” (1983), 67 C.P.R. (2d) 17, at pp. 29-33. This is confirmed in *BMG v John Doe*, 2004 FC 488 (2004) (Canadian federal court) (“a person does not authorize infringement by authorizing the mere use of equipment that could be used to infringe copyright. Courts should presume that a person who authorizes an activity does so only so far as it is in accordance with the law . . . This presumption may be rebutted if it is shown that a certain relationship or degree of control existed between the alleged authorizer and the persons who committed the copyright infringement [citations omitted]); see also J. S. McKeown, *Fox Canadian Law of Copyright and Industrial Designs*, 4th ed. (looseleaf), at p. 21-104.

By contrast, Australian law has been more expansive. See *Moorhouse and Angus & Robertson v. University of New South Wales*, (1975) 133 CLR 1, [1976] RPC 15 (“inactivity or indifference, exhibited by acts of commission or omission, may reach a degree from which an authorization or permission may be inferred.” at 12); *Universal Music Australia Pty Ltd v. Sharman License Holdings Ltd. (KaZaA)*, [2005] FCA 1242 (Federal Court of Australia); Jane Ginsburg and Sam Ricketson, *Inducers and Authorisers: A Comparison of the US Supreme Court’s Grokster decision and the Australian Federal Court’s KaZaA Ruling*, __ *Media & Arts Law Review* __ (forthcoming 2006).

²⁴¹ 464 U.S. at 435 (footnote omitted).

²⁴² 222 U.S. 55 (1911).

authorized or unauthorized uses of copyrighted works, but the range of its potential use is much broader than the particular use of the film *Ben Hur* in *Kalem*.²⁴³

Justice Stevens then derives from *Kalem*, as well as several lower court cases, an important limiting principle in indirect copyright liability jurisprudence:

[the presence of] an ongoing relationship between the direct infringer and the contributory infringer at the time the infringing conduct occurred. In such cases, as in other situations in which the imposition of vicarious liability is manifestly just, the “contributory” infringer was in a position to control the use of copyrighted works by others and had authorized the use without permission from the copyright owner.²⁴⁴

The Court then notes that this case “plainly does not fall in that category,”²⁴⁵ observing that any contact between Sony and the user of Betamax devices ends at the time of sale and there was no evidence that any of the home tapers “were influenced or encouraged by [Sony’s] advertisements.”²⁴⁶ It is from this perch that Justice Stevens leaps to the Patent Act:

If vicarious liability is to be imposed on Sony in this case, it must rest on the fact that it has sold equipment with constructive knowledge of the fact that its customers may use that equipment to make unauthorized copies of copyrighted material. There is no precedent in the law of copyright for the imposition of vicarious liability on such a theory. The closest analogy is provided by the patent law cases to which it is appropriate to refer because of the historic kinship between patent law and copyright law.^{FN19}

^{FN19} E.g., *United States v. Paramount Pictures, Inc.*, 334 U.S., at 158; *Fox Film Corp. v. Doyal*, 286 U.S., at 131; *Wheaton v. Peters*, 8 Pet. 591, 657-658 (1834). The two areas of the law, naturally, are not identical twins, and we exercise the caution which we have expressed in the past in applying doctrine formulated in one area to the other. See generally *Mazer v. Stein*, 347 U.S. 201, 217-218 (1954); *Bobbs-Merrill Co. v. Straus*, 210 U.S., at 345.

We have consistently rejected the proposition that a similar kinship exists between copyright law and trademark law, and in the process of doing so have recognized the basic similarities between copyrights and patents. *The Trade-Mark Cases*, 100 U.S. 82, 91-92 (1879); see also *United Drug Co. v. Theodore Rectanus Co.*, 248 U.S. 90, 97 (1918) (trademark right “has little or no analogy” to copyright or patent); *McLean v. Fleming*, 96 U.S. 245, 254 (1878); *Canal Co. v. Clark*, 13 Wall. 311, 322 (1872). Given the fundamental differences between copyright law and trademark law, in this copyright case we do not look to the standard for contributory infringement set forth in

²⁴³ 464 U.S. 436-37.

²⁴⁴ 464 U.S. at 437 (footnote omitted).

²⁴⁵ 464 U.S. at 437-38.

²⁴⁶ 464 U.S. at 438 (quoting the district court decision).

Inwood Laboratories, Inc. v. Ives Laboratories, Inc., 456 U.S. 844, 854-855 (1982), which was crafted for application in trademark cases...²⁴⁷

This passage serves as the linchpin for the majority's engrafting the Patent Act's staple article of commerce safe harbor onto the Copyright Act. Before turning to the specifics, it is worth scrutinizing the logic underlying this critical paragraph.

The assertion that the only possible basis for holding Sony liable for indirect infringement is on "constructive knowledge of the fact that its customers may use that equipment to make unauthorized copies of copyrighted material"²⁴⁸ emerges from thin air. The jurisprudence of indirect copyright liability would have supported several possible theories. It was well-established, prior to the *Sony* case, that copyright infringement, whether direct or indirect, is a strict liability offense. In order for indirect liability to attach, an employer need not know that its employees have committed infringement,²⁴⁹ nor does a dance hall owner need to know that its facility is used by independent contractors who infringe the works of others.²⁵⁰ . In addition, Sony had some control over the downstream use of its technology through its design of the product. In any event, Justice Stevens' premise is not grounded in copyright jurisprudence.

Justice Stevens then states that "[t]here is no precedent in the law of copyright for the imposition of vicarious liability"²⁵¹ on the seller of equipment for acts committed by consumers.²⁵² He then turns to patent law to resolve the *Sony* case: "The closest analogy is

²⁴⁷ 464 U.S. at 439.

²⁴⁸ 464 U.S. at 439.

²⁴⁹ See *McDonald v. Hearst*, 95 F. 656, 657 (D.C.Cal. 1899).

²⁵⁰ See *Dreamland Ball Room v. Shapiro, Bernstein & Co.*, 36 F.2d 354 (7th Cir. 1929).

²⁵¹ 464 U.S. at 439.

²⁵² This assertion overlooks two cases, handed down after the 1976 Act had become effective, in which courts imposed contributory liability on sellers of equipment used by purchasers after the sales were consummated in order to infringe copyrights. One held that the supplier of a jukebox for use in a tavern could be held liable for contributory copyright infringement if the tavern owner did not qualify for the statutory exemption and did not obtain public performance licenses from the copyright owners. See *Stewart v. Southern Music Distributing Co., Inc.*, 503 F.Supp. 258 (D.C.Fla. 1980). The other imposed contributory copyright liability on the maker of printed circuit boards that sped up the rate of play of copyrighted video games.

Among a copyright owner's exclusive rights is the right "to prepare derivative works based upon the copyrighted work." 17 U.S.C. § 106(2). If, as we hold, the speeded-up "Galaxian" game that a licensee creates with a circuit board supplied by the defendant is a derivative work based upon "Galaxian," a licensee who lacks the plaintiff's authorization to create a derivative work is a direct infringer and the defendant is a contributory infringer through its sale of the speeded-up circuit board. See, e.g., *Gershwin Publishing Corp. v. Columbia*

provided by the patent law cases to which it is appropriate to refer because of the historic kinship between patent law and copyright law.”²⁵³ The majority opinion then explains the Patent Act’s framework for dealing with technologies that serve both infringing and noninfringing purposes: “Unless a commodity ‘has no use except through practice of the patented method,’ , the patentee has no right to claim that its distribution constitutes contributory infringement.”²⁵⁴ To do otherwise, the Court notes, would “block the wheels of commerce.”²⁵⁵ Recognizing substantive differences between the patent and copyright laws, the Court nonetheless adopts the patent law standard:

The sale of copying equipment, like the sale of other articles of commerce, does not constitute contributory infringement if the product is widely used for legitimate, unobjectionable purposes. Indeed, it need merely be capable of substantial noninfringing uses.²⁵⁶

The Court’s adoption of a broad and specific safe harbor from another statute seems hasty and cavalier in light of the Court’s prior statements about (1) deference to Congress; (2) the importance of prudence in adapting copyright law to new technology, and (3) reliance on the touchstone of “stimulat[ing] artistic creativity for the general public good” “[w]hen technological change has rendered [the Copyright Act’s] literal terms ambiguous.”²⁵⁷ It is all the more

Artists Mgmt., Inc., 443 F.2d 1159, 1162 (2d Cir.1971); Universal City Studios, Inc. v. Sony Corp. of America, 659 F.2d 963, 975 (9th Cir.1981), *certiorari granted*, 457 U.S. 1116 (1982).

Midway Mfg. Co. v. Artic Intern., Inc., 704 F.2d 1009, 1013 (7th Cir. 1983). See n. <__ > *infra* Nonetheless, these cases are distinguishable from *Sony*. The jukebox manufacturer in *Southern Music Distributing Co.* loaded the sound recordings onto the jukebox and the circuit boards in *Artic* came with software that had little use other than to speed up the plaintiff’s game – if indeed such use should be deemed a direct infringement. Still, the point remains that in both these cases, courts had imposed contributory copyright liability on equipment manufacturers and distributors. See also *Midway Mfg. Co. v. Strohon*, 564 F. Supp. 741, 748 (N.D. Ill. 1983) (distinguishing Ninth Circuit’s *Sony* holding Sony Corporation liable because, “By contrast, here there is no evidence that Slayton expects or encourages his customers to infringe Midway’s copyright in its audiovisual work”).

²⁵³ 464 U.S. at 439. Part III of this article focuses on the accuracy of the asserted “historic kinship.”

²⁵⁴ 464 U.S. at 441 (citing *Dawson Chemical Co. v. Rohm & Hass Co.*, 448 U.S. 176, 199 (1980)).

²⁵⁵ 464 U.S. at 441 (quoting *Henry v. A.B. Dick Co.*, 224, U.S. 1, 48 (1912)).

²⁵⁶ 464 U.S. at 444.

²⁵⁷ 464 U.S. at 432 (quoting *Twentieth Century Music Corp. v. Aiken*, 422 U.S. 151, 156 (1975)).

remarkable in view of the Court's unexplained departure from its own traditional methods of statutory construction of intellectual property statutes and statutes more generally.²⁵⁸

In interpreting the Patent Act four years earlier, Chief Just Burger began

In cases of statutory construction we begin, of course, with the language of the statute. And “unless otherwise defined, words will be interpreted as taking their ordinary, contemporary common meaning.” We have also cautioned that courts “should not read into the patent laws limitations and conditions which the legislature has not expressed.”²⁵⁹

Later in the opinion, the Court reinforced its responsibility to review statutes and pertinent legislative history carefully:

It is, of course, correct that Congress, not the courts, must define the limits of patentability; but it is equally true that once Congress has spoken it is “the province and duty of the judicial department to say what the law is.” *Marbury v. Madison*, 1 Cranch 137, 177, 2 L.Ed. 60 (1803). Congress has performed its constitutional role in defining patentable subject matter in § 101; we perform ours in construing the language Congress has employed. In so doing, our obligation is to take statutes as we find them, guided, if ambiguity appears, by the legislative history and statutory purpose. Here, we perceive no ambiguity. The subject-matter provisions of the patent law have been cast in broad terms to fulfill the constitutional and statutory goal of promoting “the Progress of Science and the useful Arts” with all that means for the social and economic benefits envisioned by Jefferson. Broad general language is not necessarily ambiguous when congressional objectives require broad terms.²⁶⁰

Two years later, in *Dawson Chemical Co. v. Rohm & Haas Co.*,²⁶¹ the Court showed due deference to Congress, painstakingly parsing the text, legislative history, and jurisprudence of patent law in determining legislative intent with regard to indirect patent liability.

The *Rohm & Haas* Court's detailed analysis of legislative materials and patent jurisprudence stands in stark contrast to the *Sony* Court's breezy review of the statute and accompanying reports. The *Sony* majority largely overlooked both the express textual reference to indirect liability (“to authorize”) and the specific legislative history relating to contributory

²⁵⁸ See Justin Hughes, On the Logic of Suing One's Customers and the Dilemma of Infringement-Based Business Models, 22 *Cardozo Arts & Ent. L. J.* 725, 754-55 (2005).

²⁵⁹ *Diamond v. Chakrabarty*, 447 U.S. 303, 308 (1980) (citations omitted).

²⁶⁰ *Id.* at 315.

²⁶¹ See 448 U.S. 176 (1980)

and vicarious liability. A plausible explanation for the difference is that the parties²⁶² and the lower courts²⁶³ in *Rohm & Haas* had done the necessary legwork.²⁶⁴ The Fifth Circuit decision in that case, as well as the parties' briefs to the Supreme Court, displayed a level of erudition lacking in *Sony*, both in the lower courts' treatment of indirect copyright liability and in the parties' briefs. The parties and lower courts in *Sony* barely scratched the surface of the legislative record. The plaintiff studios, parroting the Ninth Circuit, hoped to fit the case into a broad reading of inapposite contributory liability cases – *Kalem Co. v. Harper Brothers*²⁶⁵ and *Gershwin Publishing Corp. v. Columbia Artists Management*.²⁶⁶ The plaintiffs also may have had a strategic reasons for keeping the Supreme Court in the dark about the details of the statute and copyright jurisprudence: a careful analysis of the proper rule favored the defendants if the fair use issue did not go plaintiffs' way.²⁶⁷ The defendants, for their part, wanted to steer as far away from copyright law as possible, preferring the broad and clear safe harbor of patent law that had intrigued Judge Ferguson. The *amici* were no more helpful, largely pushing their own parochial policy interests. Taken together, the legislative analysis and copyright jurisprudence put forth in the briefs was incomplete and unsystematic.

The net result was to leave the Supreme Court to its own devices if it were to solve the puzzle of the *Sony* case. As Justice Blackmun would later remark, the Supreme Court relies heavily on the parties to learn and understand the details of complex cases.²⁶⁸ In areas where the Supreme Court has substantial experience – such as constitutional law – or where the issues depend on less complex background, the Court is well-situated to make decisions. But the Supreme Court's first encounter with the complex and comprehensive Copyright Act of 1976 did

²⁶² See Brief for the Respondent, *Rohm and Haas Co.*, 1979 U.S. BRIEFS 669, 1980 U.S. S. Ct. Briefs LEXIS 1616 (Mar. 21, 1980); Brief for the Petitioners, *Dawson Chemical Co., Dawson Chemical Co. v. Rohm and Haas Co.*, 1980 WL 340046 (Feb. 29, 1980).

²⁶³ See *Rohm and Haas Co. v. Dawson Chemical Co.*, 59 F.2d 685 (1979); *Rohm and Haas Co. v. Dawson Chemical Co., Inc.*, 191 U.S.P.Q. 691 (S.D.Tex. 1976).

²⁶⁴ See *Rohm and Haas Co. v. Dawson Chemical Co.*, 59 F.2d 685 (1979); *Rohm and Haas Co. v. Dawson Chemical Co., Inc.*, 191 U.S.P.Q. 691 (S.D.Tex. 1976); Brief for the Respondent, *Rohm and Haas Co.*, 1979 U.S. BRIEFS 669, 1980 U.S. S. Ct. Briefs LEXIS 1616 (Mar. 21, 1980); Brief for the Petitioners, *Dawson Chemical Co., Dawson Chemical Co. v. Rohm and Haas Co.*, 1980 WL 340046 (Feb. 29, 1980).

²⁶⁵ *Kalem Co. v. Harper Brothers*, 222 U.S. 55, 62-63 (1911)

²⁶⁶ 443 F.2d 1159 (2d Cir. 1971).

²⁶⁷ See *infra*, <Part III>.

²⁶⁸

I think it means a lot to the Court when one leaves the bench after [a case] was well argued and every base, so to speak, was covered. You the Court then has all the arguments before it and need not do its own separate research in the thought that some vital issue might have been left uncovered.

See The Justice Harry A. Blackmun Oral History Project: Interviews with Justice Blackmun, conducted by Professor Harold Hongju Koh (Jul.6, 1994 – Dec. 13, 1995), page 355.

not fit that pattern; it is therefore particularly unfortunate that the briefing did little to illuminate the legislative record or jurisprudential landscape.

Beyond the Court's cursory review of the legislative background, the *Sony* majority also departed without explanation from general, well-established principles of statutory construction. In looking to other statutes for guidance in interpreting a later-enacted statute, the Court's usual inference is the opposite of the *Sony* majority's conclusion: because the prior enactment shows that Congress knew how to draft an exclusion, its absence in a later-enacted statute in the same or a related field tends to show that Congress did *not* intend to adopt such a provision.²⁶⁹ Although such evidence is not conclusive, the Supreme Court has long considered it to be of significant relevance for divining congressional intent, in addition to being a mark of respect for the legislature's primacy in the lawmaking arena.²⁷⁰

²⁶⁹ Where there is evidence that Congress "knew how to draft a[n] . . . exemption," one should not be read into a statute. See *Chicago v. Environmental Defense Fund*, 511 U.S. 328, 338 (1994) (concluding that an express, codified household waste exception showed that the statute did not "extend the waste-stream exemption to the product of such a combined household/nonhazardous-industrial treatment facility.").

²⁷⁰ See e.g., *St. Martin Evangelical Lutheran Church v. South Dakota*, 451 U.S. 772, 784 n.14 (1981) ("Congress knew how to limit expressly an exemption to the place of employment or the type of work performed") (statutory citations omitted); *Universities Research Ass'n, Inc. v. Coutu*, 450 U.S. 754, 773 (1981) (Section "3 of the Act demonstrates that in this context, as in others, 'when Congress wished to provide a private damages remedy, it knew how to do so and did so expressly.' *Touche Ross*, 442 U.S., at 572."); *Transamerica Mortg. Advisors, Inc. v. Lewis*, 444 U.S. 11, 20-21 (1979) ("Even settled rules of statutory construction could yield, of course, to persuasive evidence of a contrary legislative intent. But what evidence of intent exists in this case, circumstantial though it be, weighs against the implication of a private right of action for a monetary award in a case such as this. Under each of the securities laws that preceded the Act here in question, and under the Investment Company Act of 1940 which was enacted as companion legislation, Congress expressly authorized private suits for damages in prescribed circumstances. For example, Congress provided an express damages remedy for misrepresentations contained in an underwriter's registration statement in § 11(a) of the Securities Act of 1933, and for certain materially misleading statements in § 18(a) of the Securities Exchange Act of 1934. 'Obviously, then, when Congress wished to provide a private damages remedy, it knew how to do so and did so expressly.'" (citations omitted)). For example, Congress provided an express damages remedy for misrepresentations contained in an underwriter's registration statement in § 11(a) of the Securities Act of 1933, and for certain materially misleading statements in § 18(a) of the Securities Exchange Act of 1934. "Obviously, then, when Congress wished to provide a private damages remedy, it knew how to do so and did so expressly." *City of Lafayette, La. v. Louisiana Power & Light Co.*, 435 U.S. 389, 397 n.14 (1978) ("When Congress wished to exempt municipal service operations from the coverage of the antitrust laws, it has done so without ambiguity."); *Ohio Bureau of Employment Services v. Hodory*, 431 U.S. 471, 488 (1977) ("[W]hen Congress wished to impose or forbid a condition for compensation, it was able to do so in explicit terms. There are numerous examples . . . less related to labor disputes but showing congressional ability to deal with specific aspects of state plans." (footnotes omitted)); *Blue Chip Stamps v. Manor Drug Stores*, 421 U.S. 723, 734 (1975)

Other Supreme Court decisions rendered during *Sony*'s time-frame highlight the uncharacteristic nature of the *Sony* majority's approach to statutory construction. In a case heard just eight days after the final *Sony* argument and rendered about a month after the *Sony* ruling, the Supreme Court confronted whether a Bankruptcy Code exemption for executory contracts should be interpreted broadly to include collective-bargaining agreements.²⁷¹ In declining to expand the exemption, the Court observed that "[o]bviously, Congress knew how to draft an exclusion for collective-bargaining agreements when it wanted to; its failure to do so in this instance indicates that Congress intended that § 365(a) apply to all collective-bargaining agreements covered by the NLRA."²⁷² Similarly, in a case argued two days after *Sony* and decided two months earlier,²⁷³ the Court reasoned that "[h]ad Congress intended to restrict § 1963(a)(1) [of the Racketeer Influenced and Corrupt Organizations Act] to an interest in an enterprise, it presumably would have done so expressly as it did in the immediately following subsection (a)(2)."²⁷⁴ And in a decision from the prior term, the Court observed that "[w]hen Congress wished to limit an element of recovery in a patent infringement action, it said so explicitly."²⁷⁵ Although the inference that "Congress knew how to draft such a provision" is most clear when the provision appears in the same statute, as in these examples, the Supreme Court has not limited the inference so woodenly.²⁷⁶ Following this logic, the Court would have

("When Congress wished to provide a remedy to those who neither purchase nor sell securities, it had little trouble in doing so expressly."); *FTC v. Fred Meyer, Inc.* 390 U.S. 341, 356-57 (1968) ("We noted in *FTC v. Sun Oil Co.*, 371 U.S. 505 (1963), that when Congress wished to expand the meaning of competition to include more than resellers operating on the same functional level, it knew how to do so in unmistakable terms."); *Keifer & Keifer v. Reconstruction Finance Corp.*, 306 U.S. 381, 395 (1939) ("To assume that Congress in subjecting these recently created governmental corporations to suit meant to enmesh them in these procedural entanglements, would do violence to Congressional purpose. When it chose to do so, Congress knew well enough how to restrict its consent to suits sounding only in contract, even with all the controversies in recondite procedural learning that this might entail. It did so with increasing particularity in the successive Court of Claims Acts.").

²⁷¹ See *NLRB v. Bildisco & Bildisco*, 465 U.S. 513 (1984).

²⁷² *Id.* at 522-23. See also *Keene Corp. v. United States*, 508 U.S. 200, 208 (1993).

²⁷³ See *Rusello v. United States*, 464 U.S. 16 (1983).

²⁷⁴ *Id.* at 23.

²⁷⁵ *General Motors Corp. v. Devex Corp.*, 461 U.S. 648, 653 (1983).

²⁷⁶ See *Jackson v. Birmingham Bd. of Educ.*, 544 U.S. 167, 193 (2005) ("We surveyed other statutes and found that 'Congress knew how to impose aiding and abetting liability when it chose to do so.'"); *Department of Housing and Urban Development v. Rucker*, 535 U.S. 125, 132 (2002) ("It is entirely reasonable to think that the Government, when seeking to transfer private property to itself in a forfeiture proceeding, should be subject to an "innocent owner defense," while it should not be when acting as a landlord in a public housing project. The forfeiture provision [in 21 U.S.C. § 881(a)(7)] shows that Congress knew exactly how to provide an "innocent owner" defense. It did not provide one in § 1437d(1)(6)."); *West Virginia University Hospitals v. Casey*, 499 U.S. 83, 88 (1991) (comparing definition of "costs" across a

been on firm footing in inferring from the presence of the staple article of commerce safe harbor in the Patent Act of 1952 that Congress knew how to draft such a provision if it wished to do so in enacting the Copyright Act of 1976. By not doing so, the conventional inference would have been that Congress did *not* intend to adopt the staple article of commerce safe harbor in the copyright context—precisely the opposite conclusion from that drawn by the *Sony* majority.

The *Sony* majority sidestepped this conventional logic based on a purported “historic kinship” between copyright and patent law. But its failure to acknowledge the issue (and the traditional implication of silence in one statute contrasted with an explicit provision in another) astounds. The decision is also noteworthy for its failure to confront other well-known canons:

- the general canon that remedial statutes should be interpreted broadly,²⁷⁷ in light of the undisputed fact that the Copyright Act is a remedial statute;
- the principle that “questions of public policy cannot be determinative of the outcome [of statutory construction] unless specific policy choices fairly can be attributed to Congress,”²⁷⁸ given that the Court failed to find any legislative text or history to support its interpretation; and
- the “normal rule of statutory construction [] that if Congress intends for legislation to change the interpretation of a judicially created concept, it makes that intent specific.”²⁷⁹

Admittedly, such principles are subject to great latitude in practice.²⁸⁰ Nonetheless, it is striking nonetheless that the Court would make such an intrepid reading of a recently enacted,

wide range of statutes); *Transamerica Mortg. Advisors, Inc. v. Lewis*, 444 U.S. 11, 20-21 (1979); *Ohio Bureau of Employment Services v. Hodory*, 431 U.S. 471, 488 (1977).

²⁷⁷ “Remedial statutes are liberally construed to suppress the evil and advance the remedy. The policy that a remedial statute should be liberally construed in order to effectuate the remedial purpose for which it was enacted is firmly established. Expressions of that rule appear over and over in judicial opinions.” Norman J. Singer, 3 *Sutherland Statutory Construction* § 60:1 (6th ed.) (2005) (footnotes omitted). “Remedial statutes are those which provide a remedy, or improve or facilitate remedies already existing for the enforcement of rights and the redress of injuries.” *Id.* at § 60:2.

²⁷⁸ *Dawson Chemical Co. v. Rohm and Haas Co.*, 448 U.S. 176, 220-21 (1980).

²⁷⁹ *Midlantic Nat'l Bank v. New Jersey Dep't of Env'tl. Prot.*, 474 U.S. 494, 501 (1986); *Edmonds v. Compagnie Generale Transatlantique*, 443 U.S. 256, 266-267 (1979). As explained below, see *infra* TAN __-__, copyright law had long looked to tort law principles – as reflected in the common law – to determine the scope of indirect liability. The staple article of commerce doctrine overrides such development. Even before the Patent Act of 1952, courts had developed the staple article of commerce doctrine in patent cases in an effort to balance effective enforcement against monopolization of unpatented goods. See generally *Dawson Chemical Co. v. Rohm and Haas Co.*, 448 U.S. 176, 187-223 (1980) (tracing the history of the staple article of commerce doctrine in patent law). The *Sony* majority made no effort to explain that evolution, analyze its applicability in the copyright field, or justify reading such a liability exemption into the recently enacted Copyright Act.

²⁸⁰ See Karl N. Llewellyn, *Remarks on the Theory of Appellate Decision and the Rules of Canons About How Statutes Are to Be Construed*, 3 *Vand. L. Rev.* 395, 401 (1950); William

comprehensive statute without any effort to explain how this interpretation comported with its larger statutory construction jurisprudence. As explicated below,²⁸¹ engagement with this body of law would have produced a more cautious and, we believe, appropriate doctrinal framework for evolving indirect copyright liability.

iii. Applying the Staple Article of Commerce Doctrine.

With this new rule in place, the Court turned its attention to direct infringement. This task was vastly simplified inasmuch as the Court “need only consider whether on the basis of the facts as found by the District Court a significant number of [the uses of the Betamax] would be noninfringing.”²⁸² The Court had little difficulty holding that standard satisfied. The use of the Betamax to time-shift programming for which consent was found – such as sports and religious programming, as well as some public broadcasting – constituted noninfringing use. Furthermore, the Court determined that time-shifting of publicly broadcast copyrighted works for private, noncommercial viewing – which enlarged the total viewing audience – fell within the bounds of fair use. Together, such uses of the Betamax easily surpassed the threshold for substantial noninfringing use. Consequently, the Betamax qualified for the staple article of commerce safe harbor.²⁸³

iv. Concluding Remarks.

The majority ends its opinion by referring back to the division of authority between Congress and the courts, and invoking the Copyright Act. Justice Stevens returns to the theme that first captured his imagination at the initial conference – that an implied exemption for home copying should be read into the Act:

One may search the Copyright Act in vain for any sign that the elected representatives of the millions of people who watch television every day have made it unlawful to copy a program for later viewing at home, or have enacted a flat prohibition against the sale of machines that make such copying possible.

It may well be that Congress will take a fresh look at this new technology, just as it so often has examined other innovations in the past. But it is not our job to apply laws that have not yet been written. . . .²⁸⁴

N. Eskridge, Jr. and Philip P. Frickey, Foreword: Law as Equilibrium, 108 Harv. L. Rev. 26, 66 (1994) (characterizing canons of statutory interpretation as "interpretive regimes" which serve both "rule-of-law and coordination purposes"; "coordination functions" lower the cost of drafting statutes by reducing ambiguity as to how a statute will be interpreted).

²⁸¹ See part IV infra, TAN ___-___.

²⁸² 464 U.S. at 444.

²⁸³ Id. at 456.

²⁸⁴ Id.

Ironically, the Court apparently searched neither the Copyright Act nor its legislative history for what Congress did have to say about indirect copyright liability. The Court failed as well to apprehend the history of the judiciary's role in adapting copyright law in the face of new technologies. It also ignored the fundamental principle it invoked at the outset: that the Constitution assigned “the task of defining the scope of the limited monopoly” to Congress, implying a subsidiary role for the courts.²⁸⁵ The majority could hardly have been more legislative and less judicial – by transplanting a specific statutory safe harbor from Title 35 into the recently revised Title 17 and failing to resolve the particular case before it in an incremental manner.

2. Justice Blackmun’s Dissent

Justice Blackmun filed a lengthy dissent based on the draft opinion he had crafted during the prior term. He was joined by Justices Marshall, Powell, and Rehnquist. With Justice O’Connor’s departure from the fold, Justice Blackmun backed away from several of the compromises that he had been willing to make in the interests of attracting a majority of the Court.

At the outset, Justice Blackmun downplayed the extent to which the case was unprecedented and emphasized that the comprehensive reform of copyright law completed in 1976 was intended to provide a general framework for addressing old as well as new technologies.²⁸⁶ After summarizing the facts, the dissent began its legal analysis with the direct liability issue. Its Section III meticulously reviewed the text, structure, and legislative history of the 1976 Act to show that Congress did not intend to create a home copying exception by implication. Section IV then rejected the majority's conclusion that unauthorized home taping of copyrighted works constitutes fair use.²⁸⁷ Finally, in Section V, the dissent examined the Copyright Act:

Although the liability provision of the 1976 Act provides simply that ‘[a]nyone who violates any of the exclusive rights of the copyright owner . . . is an infringer of the copyright,’ 17 U.S.C. § 501(a) (1982 ed.), the House and Senate Reports demonstrate that Congress intended to retain judicial doctrines of contributory infringement. 1975 Senate Report 57; 1976 House Report 61.^{FN37}

^{FN37} This intent is manifested further by provisions of the 1976 Act that exempt from liability persons who, while not participating directly in any infringing activity,

²⁸⁵ *Id.* at 429.

²⁸⁶ *Id.* at 457 (Blackmun, J., dissenting).

²⁸⁷ It is not our purpose here to reignite the debate over fair use. Not only has *Sony's* vindication of that defense withstood the test of time, but the majority's conclusion strikes us as the correct application of law to the facts presented. The primary problem with fair use is its indeterminacy. See David Nimmer, "Fairest of Them All" and Other Fairy Tales of Fair Use, 66 *L. & Contemp. Probs.* 263, 281, 287 (2003) ("the four factors fail to drive the analysis, but rather serve as convenient pegs on which to hang antecedent conclusions").

could otherwise be charged with contributory infringement. See § 108(f)(1) (library not liable “for the unsupervised use of reproducing equipment located on its premises,” provided that certain warnings are posted); § 110(6) (“governmental body” or “nonprofit agricultural or horticultural organization” not liable for infringing performance by concessionaire “in the course of an annual agricultural or horticultural fair or exhibition”).²⁸⁸

Given the footnote's mustering of various provisions of the Copyright Act, it is surprising that Justice Blackmun did not call specific attention to the most obvious example, namely section 106's use of the phrase “to authorize” in order to bring the concept of contributory infringement directly into the Copyright Act. Further, although the dissent's citations to the Senate and House Reports invoke that intent, Justice Blackmun also failed to mention the specific legislative history indicating Congress' intention to perpetuate vicarious liability.²⁸⁹ Those missing ingredients evince much clearer congressional intent on indirect liability than do the material that he actually discussed in footnote 37. They also confirm that critical legislative material was never presented to the Court.

Justice Blackmun then discussed indirect copyright jurisprudence, drawing on the same leading indirect copyright liability cases cited by Judge Ferguson in the district court,²⁹⁰ *Gershwin Publishing Corp. v. Columbia Artists Management, Inc.*²⁹¹ and *Screen Gems-Columbia Music, Inc. v. Mark-Fi Records, Inc.*²⁹² Those authorities cast doubt on the majority's erection of formal control as a requirement for indirect copyright liability. They also debunk any categorical requirement that the defendant must be aware of the infringement in order to be held liable.²⁹³

Turning to the major innovation of the majority opinion,²⁹⁴ Justice Blackmun acknowledged that “many of the concerns underlying the ‘staple article of commerce’ doctrine are present in copyright law.”²⁹⁵ Nonetheless, he rejected the majority's “wholesale” importation of patent law's staple article of commerce doctrine, noting it was “based in part on considerations irrelevant to the field of copyright.”²⁹⁶ He embroidered that “[d]espite their common constitutional source, patent and copyright protections have not developed in parallel

²⁸⁸ 464 U.S. at 486

²⁸⁹ See H.R. Rep. No. 94-1476 at 159-60.

²⁹⁰ 464 U.S. at 487. See part__ *supra*.

²⁹¹ 443 F. 2d 1159 (2d Cir. 1971).

²⁹² 453 F. 2d 552 (2d Cir. 1972).

²⁹³ 464 U.S. at 487-90.

²⁹⁴ As explicated above, insofar as *Sony* adopts the staple article of commerce doctrine into copyright law, Justice Stevens followed the lead of Judge Ferguson in embracing Dean Dunlavey's proposal. See __ *supra*.

²⁹⁵ 464 U.S. at 491.

²⁹⁶ *Id.*

fashion, and this Court in copyright cases in the past has borrowed patent concepts only sparingly.”²⁹⁷

In keeping with the evolving doctrines of indirect copyright liability, Justice Blackmun proposed an alternative to the radical transplantation approach followed by the majority:

[I]f a *significant* portion of the product's use is *noninfringing*, the manufacturers and sellers cannot be held contributorily liable for the product's infringing uses. If virtually all of the product's use, however, is to infringe, contributory liability may be imposed; if no one would buy the product for noninfringing purposes alone, it is clear that the manufacturer is purposely profiting from the infringement, and that liability is appropriately imposed. In such a case, the copyright owner's monopoly would not be extended beyond its proper bounds; the manufacturer of such a product contributes to the infringing activities of others and profits directly thereby, while providing no benefit to the public sufficient to justify the infringement.²⁹⁸

If one accepts (as do we) the *Sony* majority's conclusion that time-shifting of over-the-air broadcasts constitutes fair use, then it follows that "a *significant* portion of the product's use is *noninfringing*," meaning that Sony Corporation and its co-defendants "cannot be held contributorily liable for the product's infringing uses." Nonetheless, Justice Blackmun would have calibrated the fair use defense differently.²⁹⁹ Because, to him, the proportion of infringing VCR usage remained open, Justice Blackmun would have remanded the case for additional fact

²⁹⁷ Id. (citing *Bobbs-Merrill Co. v. Straus*, 210 U.S. 339, 345-46 (1908)).

²⁹⁸ 464 U.S. at 491-92 (emphasis in original; internal citation omitted).

²⁹⁹

The making of a videotape recording for home viewing is an ordinary rather than a productive use of the Studios' copyrighted works. The District Court found that "Betamax owners use the copy for the same purpose as the original. They add nothing of their own." Although applying the fair use doctrine to home VTR recording, as Sony argues, may increase public access to material broadcast free over the public airwaves, I think Sony's argument misconceives the nature of copyright. Copyright gives the author a right to limit or even to cut off access to his work. A VTR recording creates no public benefit sufficient to justify limiting this right. Nor is this right extinguished by the copyright owner's choice to make the work available over the airwaves. Section 106 of the 1976 Act grants the copyright owner the exclusive right to control the performance and the reproduction of his work, and the fact that he has licensed a single television performance is really irrelevant to the existence of his right to control its reproduction. Although a television broadcast may be free to the viewer, this fact is equally irrelevant; a book borrowed from the public library may not be copied any more freely than a book that is purchased.

Id. at 480 (citations omitted).

finding.³⁰⁰ He then concluded with some remarks about the adaptation of copyright to new technologies:

Like so many other problems created by the interaction of copyright law with a new technology, “[t]here can be no really satisfactory solution to the problem presented here, until Congress acts.” *Twentieth Century Music Corp. v. Aiken*, 422 U.S., at 167 (dissenting opinion). But in the absence of a congressional solution, courts cannot avoid difficult problems by refusing to apply the law. We must “take the Copyright Act . . . as we find it,” *Fortnightly Corp. v. United Artists*, 392 U.S. 390, 401-402 (1968), and “do as little damage as possible to traditional copyright principles . . . until the Congress legislates.” *Id.*, at 404 (dissenting opinion).³⁰¹

Summary

The *Sony* case posed two issues: fair use and indirect liability. The majority disposed of both in favor of Sony Corporation, the dissent exactly the opposite. We agree with the majority that home taping for later viewing amounted to fair use. Accordingly, the Court appropriately resolved the case.

Taking as a given that fair use favored defendants, curious results follow. Starting with the standards articulated by the dissent, Sony Corporation should have prevailed. The logic of Justice Blackmun's position is that the admittedly significant usage of VCRs to engage in time-shifting (on the assumption, contrary to his own view, that such usage qualifies as fair use) precludes indirect liability of the VCR's manufacturer. Moving to the approach adopted by the majority, one would expect that, following its determination regarding fair use leading to the conclusion that there is no direct liability to use a VCR for time-shifting, there would have been no occasion to go further and consider indirect liability. Sony Corporation should have prevailed once it was determined that the home users that it aided and abetted were not themselves, by and large, culpable of copyright infringement. Yet because of the peculiar drafting circumstances resulting from the shifting coalitions of the justices canvassed above, the majority opinion leads off with a discussion of indirect liability.³⁰² It does so, moreover, by reference to another statute.

Over the intervening decades, *Sony's* fair use resolution has proven salutary and its indirect liability holding has been largely a sleeper.³⁰³ But that status changed dramatically in 2005, when a unanimous Supreme Court in *Grokster* used *Sony's* indirect liability ruling as the Rosetta Stone for the digital age. It therefore becomes essential to focus a laser beam back on the largely ignored aspect of *Sony's* majority ruling: Was it correct that an historic kinship between patent and copyright law warranted adoption of the former's "staple article of commerce" doctrine into the latter? Or should the *Sony* majority have proceeded differently in

³⁰⁰ *Id.* at 492-93.

³⁰¹ *Id.* at 500.

³⁰² See part __ *supra*.

³⁰³ See part __ *infra*.

resolving copyright law's indirect liability standards (assuming that it should have delved into this domain at all on the facts presented)?

II. Crossed Signals: The “Historic Kinship” Rationale³⁰⁴

As highlighted above, *Sony*'s importation of patent law's “staple article of commerce” doctrine rested on the critical inference that the “historic kinship between patent and copyright” justifies looking to patent law to address an analogous issue under copyright law. If that logical stepping-stone crumbles, then the basis for importing patent law into this copyright case collapses.

Sony's lead counsel planted the seed of importing patent law's staple article of commerce doctrine into copyright law in the district court. Sensing the unprecedented nature of the plaintiffs' assertion of liability, facing a complex, recently enacted statute and even more daunting jurisprudence stretching back into the 19th century, and lacking significant experience adjudicating copyright disputes, Judge Ferguson found the suggestion enticing. The plaintiffs provided little guidance in tracing the roots of indirect liability in copyright jurisprudence or understanding how indirect liability fit into the 1976 Act. Their self-styled efforts to root their assertions of liability squarely within precedent did not resonate with Judge Ferguson, leading him to reach out to the patent law handhold. Tellingly, he did not cite any legal support for borrowing from patent law. Rather, he acknowledged that “[w]hether or not patent law has precedential value for copyright law and [whether or not] the *Betamax* is capable of ‘substantial’ noninfringing use, the underlying rationale for the patent rule is significant.”³⁰⁵ The Ninth Circuit added no grist to this mill, rejecting the staple article of commerce doctrine on factual grounds and offering no insight into the statutory or jurisprudential basis for reading the staple article of commerce doctrine into copyright law.

As set forth at length above,³⁰⁶ the grand compromise that produced the Supreme Court majority did not turn on analytic review of the statute, its legislative history, or copyright jurisprudence. Rather, it reflected a policy determination pushed by Justice O'Connor that copyright law should follow the patent law model. The task was left to Justice Stevens, who had himself favored an alternative manner of resolving the case – finding an implied immunity for home taping – to come up with a rationale for importing patent law.

This section turns to whether Justice Stevens' inference of a “historic kinship” holds up to historical and jurisprudential scrutiny. It begins by assessing the authorities on which the Court relied. Although all three of the cases treat patent and copyright together, none involved interpretation of the Copyright Act. It then examines the statutory basis for the claim of “historic kinship” and finds it unavailing. The conclusion follows that the Court's invocation of an “historic kinship” misstates the historic relationship between copyright and patent law.

³⁰⁴ This section builds upon David Nimmer and Peter S. Menell, Copyright's "Staple Article of Commerce" Doctrine: Patently Misguided, 53 J. Copyright Society 365 (2006).

³⁰⁵ 480 F.Supp. at 460-61.

³⁰⁶ See part I *supra*.

A. Case Authority

Sony's majority provides this support for its critical “historic kinship” rationale:

E.g., *United States v. Paramount Pictures*, 334 U.S. 131, 158 (1948); *Fox Film Corp. v. Doyal*, 286 U.S. 123, 131 (1932); *Wheaton and Donaldson v. Peters and Grigg*, 33 U.S. (8 Pet.) 591, 657-658 (1834). The two areas of the law, naturally, are not identical twins, and we exercise the caution which we have expressed in the past in applying doctrine formulated in one area to the other. See generally, *Mazer v. Stein*, 347 U.S. 201, 217-218 (1954); *Bobbs-Merrill Co. v. Straus*, 210 U.S. 339, 345 (1908). . . .³⁰⁷

None of the three principal cases – *Paramount Pictures*, *Fox Film*, or *Wheaton* – involved interpretation of the Copyright Act. Nor do they shed light on the interpretation of copyright liability.

The first two cases deal with the “asset” nature of copyrights, not the contours of copyright protection whatsoever. Therefore, it not surprising that the Supreme Court would look to other analogous assets. *United States v. Paramount Pictures, Inc.* was an antitrust suit under the Sherman Act charging studios with monopolizing the production of motion pictures.³⁰⁸ Insofar as antitrust law is concerned with tying of one asset in order to extend control into other markets, copyrights and patents stand on the same footing.³⁰⁹ *Fox Film Corp. v. Doyal* was a tax case, testing whether copyrights, being instrumentalities of the United States, were subject to the power of state authorities to collect taxes on gross receipts of royalties.³¹⁰ The not surprising conclusion was that “royalties from copyrights stand in the same position as royalties from the use of patent rights.”³¹¹ The parallelism in those two cases for purposes of construing federal antitrust doctrine and state taxing authority scarcely shows that when, by contrast, the task at hand is to construe the internal provisions of the Copyright Act – the scope of liability – one should use as a primary tool of interpretation the different provisions of the Patent Act. Thus, these two cases fail to show that it is appropriate to build copyright conclusions on a patent foundation in the present circumstances.

Wheaton v. Peters is perhaps weaker still. In the cited portion of that case, the Court reasoned that a lack of common law perpetual patent protection militated towards the conclusion that the common law of copyright likewise lacked such perpetual protection.³¹² Even if that reasoning were correct, that is, comparing the common law of patents to the common law of

³⁰⁷ 464 U.S. at 439 n.19.

³⁰⁸ 334 U.S. 131, 140 (1948).

³⁰⁹ “The copyright law, like the patent statutes, makes reward to the owner a secondary consideration.” *Id.* at 158.

³¹⁰ 286 U.S. 123, 126 (1932).

³¹¹ *Id.* at 131.

³¹² 8 Pet. 591, 657-58 (1834).

copyright – the value of the comparison disappears when Congress affirmatively acts to displace the common law. Actually, counsel for both sides in *Wheaton v. Peters* spent a great deal of time comparing and contrasting patents and copyrights. The Court’s conclusion is noteworthy:

[Copyright], as has been shown, does not exist at common law—it originated, if at all, under the acts of congress. No one can deny that when the legislature are about to vest an exclusive right in an author or an inventor, they have the power to prescribe the conditions on which such right shall be enjoyed; and that no one can avail himself of such right who does not substantially comply with the requisitions of the law.

This principle is familiar, as it regards patent rights; and it is the same in relation to the copyright of a book. If any difference shall be made, as it respects a strict conformity to the law, it would seem to be more reasonable to make the requirement of the author, rather than the inventor.³¹³

That excerpt demonstrates that the Court treated patent and copyright law alike—but only in “a strict conformity to the law” by which Congress enacted them. Properly understood, that holding undercuts *Sony’s* later overlay of the patent statute on top of the copyright statute. The dissent in *Wheaton v. Peters* even more forcefully rejects the argued equation of the two bodies of law.

It has been argued at the bar, that as the promotion of the progress of science and the useful arts, is here united in the same clause in the constitution, the rights of authors and inventors were considered as standing on the same footing; but this, I think, is a non sequitur. This article is to be construed distributively, and must have been so understood; for when congress came to execute this power by legislation, the subjects are kept distinct, and very different provisions are made respecting them.³¹⁴

³¹³ 8 Pet. at 663-640. A recent case decided that there is no Seventh Amendment right to jury trial in a copyright case seeking only an injunction by invoking the historic kinship with patent law and looking to how the issue had been resolved in the patent context. See *Taylor Corp. v. Four Seasons Greetings, LLC*, 403 F.3d 958, 969 (8th Cir. 2005). That approach is congruent with *Wheaton v. Peters’* search for the common law roots of copyright by looking at their commonality with patent law roots. As in the “asset” cases noted above, the basis for analogizing is not similarity in the contours of liability but resemblance in exogenous characteristics: here, the nature of the judicial proceeding at common law. Yet in a related context, the Supreme Court saw no need to look to patent law. In *Feltner v. Columbia Pictures Television, Inc.*, the Supreme Court’s determined that the Seventh Amendment allowed for damages in copyright cases at common law to be determined by judges or juries; its searching investigation dug deeply into copyright roots, without the need to look at any parallel patent cases. See 523 U.S. 340, 353 (1998) (citing *Hudson & Goodwin v. Patten*, 1 Root at 134 (Conn. 1789) (copyright case); *Coryell v. Colbaugh*, 1 N.J.L. 77 (1791) (copyright case)).

³¹⁴ 8 Pet. at 684 (Thompson, J., dissenting).

The bottom line is that it scarcely follows from common law congruence that when such Congress departs from the common law by enacting a particular patent statute, that legislation furnishes the template for the wholly different enactment of a copyright statute.³¹⁵

Yet before rejecting the “historic kinship,” more deliberation is in order. Perhaps *Sony*’s inadequate citations are merely clumsy, inartfully standing for a well-entrenched phenomenon. In other words, maybe there are a wealth of cases “in which the Court borrowed patent concepts in copyright cases,”³¹⁶ but *Sony* neglected to cite them. Supporters of that viewpoint adduce three additional cases.³¹⁷ One such case arises under bankruptcy law’s treatment of executory contracts, equating for purposes of treatment under a particular section of the Bankruptcy Act³¹⁸ copyright licenses and patent licenses.³¹⁹ That case is of a piece with the cases previously encountered construing tax and antitrust law; it provides no support for the notion that internal provisions of copyright law may be deduced from their patent counterparts.

The other two cases that those supporters adduce each involve a citation in passing: One patent case contains a single sentence drawing on the logic of a previous copyright case,³²⁰ and one copyright case reasons by analogy to patent law that a misuse defense must be latent in the law of copyright.³²¹ But such cross-overs, being pandemic in the law do not support any

³¹⁵ In *Wheaton v. Peters*, the Court considered the relationship between common law patent and common law copyright. Though the state law copyright protection has almost disappeared in the interim, it remains in limited domains, such as sound recordings fixed before February 15, 1972. In that context, an analog to *Wheaton v. Peters* arose recently, examining as a matter of history the evolution of copyright and patent laws. See *Capitol Records, Inc. v. Naxos of America, Inc.*, 4 N.Y.3d 540, 547 (2005).

³¹⁶ Brief Of Amici Curiae Sixty Intellectual Property And Technology Law Professors And The United States Public Policy Committee Of The Association For Computing Machinery In Support Of Respondents, *MGM v. Grokster*, at 9 n.10.

³¹⁷ *Id.* (also citing *United States v. Paramount* and *Fox Film v. Doyal*).

³¹⁸ 11 U.S.C. § 365.

³¹⁹ *In re Patient Educ. Media, Inc.*, 210 B.R. 237, 241 n.7 (Bankr. S.D.N.Y. 1997). See 4 NIMMER ON COPYRIGHT § 19A.07[D][2][b].

³²⁰ “It may also be inferred where its most conspicuous use is one which will cooperate in an infringement when sale to such user is invoked by advertisement. *Kalem Co. v. Harper Brothers*, decided at this term, 222 U.S. 55.” *Henry v. A. B. Dick Co.*, 224 U.S. 1, 48-49 (1912).

³²¹

If, as it appears, the district court analogized from the “rule of reason” concept of antitrust law, we think its reliance on that principle was misplaced. Such reliance is, however, understandable. Both the presentation by appellants and the literature tend to intermingle antitrust and misuse defenses. A patent or copyright is often regarded as a limited monopoly – an exception to the general public policy against restraints of trade. Since antitrust law is the statutory embodiment of that public policy, there is an understandable association of antitrust law with the

“historic kinship.” For instance, *Bernstein v. U.S. Dept. of State*³²² resolves causes of action under the Arms Export Control Act³²³ and the International Traffic in Arms Regulations³²⁴ by construing the Copyright Act.³²⁵ It scarcely follows that a historic kinship exists between the Arms Export Control Act and copyright law such that all future constructions of the former should take place by reference to the latter. Rather, the particular facts posed made *Bernstein*’s reference sensible;³²⁶ but only subsequent cases arising under the Arms Export Control Act presenting a factual posture parallel to *Bernstein*’s should follow its example of referring to the Copyright Act.

This rule of construction, of course, must be broadened beyond simply the Arms Export Control Act. For instance, one could find copyright cases that invoke concerns drawn from domains as diverse as the Hatch-Waxman Amendments to the Federal Food, Drug, and Cosmetic Act³²⁷ to state worker’s compensation regulations³²⁸ to Fourth Amendment protection against intrusions in one’s own home.³²⁹ Inasmuch as the law is a seamless web, a given copyright case, under the right circumstances, could equally reason from any other legal doctrine—right up to state law regulating “the price of intoxicating liquors.”³³⁰ But it hardly follows that specific

misuse defense. Certainly, an entity which uses its patent as the means of violating antitrust law is subject to a misuse of patent defense.

Lasercomb Am., Inc. v. Reynolds, 911 F.2d 970, 978 (4th Cir. 1990) (citations and footnotes omitted).

³²² 922 F. Supp. 1426 (N.D.Cal. 1996).

³²³ 22 U.S.C. § 2778.

³²⁴ 22 C.F.R. §§ 120-30 (1994).

³²⁵ 922 F.Supp. at 1436.

³²⁶ The issue was whether *Bernstein* could publish an academic paper in English entitled “The Snuffle Encryption System,” and in source code written in “C.” *Id.* at 1429. In reaching its conclusion, the court discussed copyright law’s treatment of functional works expressed in computer code.

³²⁷ 1 U.S.C. § 355(j). See *SmithKline Beecham Consumer Healthcare, L.P. v. Watson Pharms., Inc.*, 211 F.3d 21, 24 (2d Cir. 2000).

³²⁸ See, e.g., *MacLean Assocs., Inc. v. Wm. M. Mercer-Meidinger-Hansen, Inc.*, 952 F.2d 769 (3d Cir. 1991); *Carter v. Helmsley-Spear, Inc.*, 71 F.3d 77 (2d Cir. 1995).

³²⁹ See the cases cited in fn. 48 *supra*.

³³⁰ The quotation emerges from an early Supreme Court copyright case:

It has been held that mere indifferent supposition or knowledge on the part of the seller that the buyer of spirituous liquor is contemplating such unlawful use is not enough to connect him with the possible unlawful consequences, but that if the sale was made with a view to the illegal resale the price could not be recovered.

statutes implementing Hatch-Waxman, worker's compensation, liquor prices, and the rest should be imported as the template for future constructions of the Copyright Act.

The foregoing investigation of the case law pre-dating adoption of the 1976 Act debunks the notion that any historic kinship warranted interpretation of copyright liability through the patent lens. But the possibility remains that, when Congress engaged in a full-scale overhaul of copyright law in 1976, it may have had patent law in mind as the default scheme in the background. The next section analyzes this possibility.

B. Historic Kinship in Crafting the 1976 Act?

An exhaustive review³³¹ shows that Congress explicitly modeled its handiwork with reference to patent law in several broad strokes: It explicitly drew on patent law to craft miscellaneous features of copyright law, which survived to enactment (catalogued below as Category 1). In addition, Congress explicitly drew on patent law in several other miscellaneous regards, which failed to survive to enactment (Category 2). Even more pointedly, it cited patent doctrine in several regards as the template that it did *not* wish to adopt (Category 3). Finally, Congress explicitly drew on non-patent bodies of law in other instances to craft other features of copyright law (Category 4). The taxonomy follows.

Kalem Co. v. Harper Bros., 222 U.S. 55, 62 (1911) (citations omitted). As support, Justice Holmes' opinion cites to two earlier cases that he wrote for the Supreme Judicial Court of Massachusetts under the law of that commonwealth regulating "the price of intoxicating liquors." *Id.*, citing *Graves v. Johnson*, 179 Mass. 53 (1901); *Graves v. Johnson*, 156 Mass. 211 (1892).

³³¹ In this instance, "exhaustive" refers to an examination of the primary documents issued by the House, Senate, and Copyright Office incident to the 1976 revision, consisting of:

- H.R. Rep. No. 94-1476 (1976) [hereafter: "H. Rep."];
- S. Rep. No. 94-473 (1975) [hereafter: "S. Rep."];
- H.R. Rep. No. 94-1733 (1976) [hereafter: "Conf. Rep."];
- Report of the Register of Copyrights on the General Revision of the U.S. Copyright Law, 87th Cong., 1st Sess. (House Comm. Print 1961) [hereafter: "Reg. Rep."];
- Supplementary Report of the Register of Copyrights on the General Revision of the U.S. Copyright Law: 1965 Revision Bill, 89th Cong., 1st Sess. (House Comm. Print 1965) [hereafter: "Reg. Supp. Rep."]; and
- U.S. Copyright Office, Second Supplementary Report of the Register of Copyrights on the General Revision of the U.S. Copyright Law: 1975 Revision Bill (1975) [hereafter: "Second Reg. Supp. Rep."].

Of course, the legislative history of the 1976 Act also consists of endless studies and testimony offered to Congress. See fn. __ *supra*. Those sources have not been exhaustively examined for current purposes.

Category 1—Explicitly Drawing on Patent Law

Congress drew explicitly on the patent law in several sections of the 1976 Copyright Act:

- Congress added a recordation provision for conflicting transfers, modeled on the three-month grace period contained in patent law;³³²
- With respect to acknowledgment abroad before an authorized consular officer, Congress adopted, as part of the copyright law, provisions similar to those found in patent law;³³³
- “Section 508 of the bill, which is patterned to some extent after a similar provision in the patent law, 35 U.S.C. § 290, provides generally for a procedure under which the clerks of the Federal courts are to notify the Copyright Office of the filing of actions under the bill and of their final disposition, and the Copyright Office would make these notifications a part of its public records.”³³⁴
- “The last sentence of section 602(b) authorizes the Secretary of the Treasury to establish a procedure for notifying copyright owners of importations that may be infringing. This provision, which is patterned after a recent Treasury Regulation dealing with patents (29 Fed. Reg. 4720), would enable copyright owners to obtain the information needed to institute court proceedings, whether the copies or phonorecords in question are excluded or allowed entry.”³³⁵

Category 2—Unenacted Features Drawing on Patent Law

Several draft provisions of the Copyright Act, which were never passed into law, had patent law origins:

- The bill passed by the Senate contained elaborate features protecting designs, thus drawing extensive commentary about the relationship between that feature of copyright law and the cognate field of design patent.³³⁶
- There was a suggestion, drawing on experience with Government-owned patents, to “permit the copyrighting of Government publications”³³⁷

Category 3—Differentiating From Patent Law

Congress specifically distinguished copyright law from patent in several respects:

- Congress continued the basic distinction between copyrights and patents that “a claim to copyright is not examined for basic validity before a certificate is issued”;³³⁸

³³² Reg. Rep. at 97.

³³³ Reg. Rep. at 95.

³³⁴ Reg. Supp. Rep. at 140; see S. Rep. at 146; H. Rep. at 164.

³³⁵ Reg. Supp. Rep. at 150.

³³⁶ S. Rep. at 53, 161; Second Reg. Supp. Rep. at 186-95.

³³⁷ Reg. Rep. at 132.

- Congress rejected a proposal, as part of the 1976 Act’s work-made-for-hire provision, “by screenwriters and composers for motion pictures . . . for the recognition of something similar to the ‘shop right’ doctrine of patent law.”³³⁹

Category 4—Explicitly Drawing on Sources Other than Patent Law³⁴⁰

Congress modeled several provisions of the Copyright Act after provisions of federal statutes other than patent law:

- The 1976 Act’s work-made-for-hire provision, as ultimately enacted,³⁴¹ draws from the common law of agency.³⁴²
- The provision allowing for the award of attorneys’ fees contains “virtually identical language” with the Civil Rights Act of 1964.³⁴³
- Congress intended to keep in place the common law of tenancy in common as to jointly owned copyrights.³⁴⁴

Category 5—Cross-Overs

Congress drew on multiple federal intellectual property statutes in at least one context:

- Reverting to the predecessor 1909 Copyright Act, Congress modeled its provision for the award of an infringer’s profits on both trademark and patent law.

With such a disparate history, courts must interpret the Copyright Act with a good deal of circumspection. Each doctrine must be evaluated against the backdrop against which it developed. Reference to patent law, therefore, will at times be apropos and at other times wholly inapposite.

³³⁸ S. Rep. at 139; H. Rep. at 157.

³³⁹ S. Rep. at 104; H. Rep. at 121.

³⁴⁰ Within this category, the examples are illustrative, not exhaustive.

³⁴¹ The distinction here is with the unenacted proposal to model the work-made-for-hire provision after patent law’s “shop rights” doctrine, discussed above in Category 3.

³⁴² “Congress’ intent to incorporate the agency law definition is suggested by § 101(1)’s use of the term, ‘scope of employment,’ a widely used term of art in agency law.” *Community for Creative Non-Violence v. Reid*, 490 U.S. 730, 740 (1989).

³⁴³ *Fogerty v. Fantasy, Inc.*, 510 U.S. 517, 522 (1994).

³⁴⁴ “The bill, like the present statute, is silent as to the rights of co-owners of a copyright to use and authorize the use of the copyrighted work, thus leaving in effect the court decisions which generally treat co-owners of copyright as tenants-in-common.” Reg. Supp. Rep. at xx, 66. See Second Reg. Supp. Rep. at 297.

For example, reference to both trademark and patent law is appropriate if the matter under investigation is the feature cited in Category 5. Indeed, precisely this realization undergirded a Supreme Court case posing the question how to measure the infringer's profits for purposes of the 1909 Act. The decision in question examined the legislative history of the precise provision of the 1909 Act under examination:

In passing the Copyright Act, the apparent intention of Congress was to assimilate the remedy with respect to the recovery of profits to that already recognized in patent cases. Not only is there no suggestion that Congress intended that the award of profits should be governed by a different principle in copyright cases but the contrary is clearly indicated by the committee reports on the bill. As to § 25 (b) the House Committee said:

Section 25 deals with the matter of civil remedies for infringement of a copyright.

. . . The provision that the copyright proprietor may have such damages as well as the profits which the infringer shall have made is substantially the same provision found in section 4921 of the Revised Statutes relating to remedies for the infringement of patents. The courts have usually construed that to mean that the owner of the patent might have one or the other, whichever was the greater. As such a provision was found both in the trade-mark and patent laws, the committee felt that it might be properly included in the copyright laws.³⁴⁵

That example also illustrates how to treat Category 1 noted above. It proves that construction by analogy to the patent law is exactly the right course—to the extent that the provision under examination is one that was drawn from patent law. For purposes of the 1976 Act, the possibilities include:

- the just-cited provision for award of profits, tracing back to the 1909 Act;
- the three-month grace period for conflicting transfers;
- acknowledgment abroad before an authorized consular officer;
- notification of the Copyright Office of the filing of infringement actions; and
- Treasury Department procedures for notifying copyright owners of infringing importations.

As to each of those enumerated matters, Congress derived the provision in question from cognate features of patent law. Accordingly, it would be appropriate to consult patent law in order to determine the scope of those exact provisions of copyright law.

By contrast, Category 3 deserves the opposite treatment. To the extent that Congress has differentiated between copyright and patent law, then far from any historic kinship mandating

³⁴⁵ *Sheldon v. Metro Goldwyn Pictures Corp.*, 309 U.S. 390, 400-01 (1940), quoting 1909 House Report cited in previous footnote.

their construction in *pari materia*, the opposite pertains. Past Supreme Court copyright cases manifest that methodology too, citing the fundamental distinction between patents established by examination in the Patent Office versus automatically registered copyrights³⁴⁶ and more fundamentally noting the need to keep the two doctrines distinct:

To give to the author of the book an exclusive property in the art described therein, when no examination of its novelty has ever been officially made, would be a surprise and a fraud upon the public. That is the province of letters-patent, not of copyright. The claim to an invention or discovery of an art or manufacture must be subjected to the examination of the Patent Office before an exclusive right therein can be obtained; and it can only be secured by a patent from the government.³⁴⁷

Indeed, *Sony* itself recognized that phenomenon by conceding that “the two areas of the law, naturally, are not identical twins.”³⁴⁸ In fact, one of the cases that it cites for that proposition goes quite a bit further than simply negating twinship:

If we were to follow the course taken in the argument, and discuss the rights of a patentee, under letters patent, and then, by analogy, apply the conclusions to copyrights, we might greatly embarrass the consideration of a case under letters patent, when one of that character shall be presented to this court.

We may say in passing, disclaiming any intention to indicate our views as to what would be the rights of parties in circumstances similar to the present case under the patent laws, that there are differences between the patent and copyright statutes in the extent of the protection granted by them.³⁴⁹

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Our copyright system has no such provision for previous examination by a proper tribunal as to the originality of the book, map, or other matter offered for copyright. A deposit of two copies of the article or work with the Librarian of Congress, with the name of the author and its title page, is all that is necessary to secure a copyright. It is, therefore, much more important that when the supposed author sues for a violation of his copyright, the existence of those facts of originality, of intellectual production, of thought, and conception on the part of the author should be proved, than in the case of a patent right.

Burrow-Giles Lithographic Co. v. Sarony, 111 U.S. 53, 59-60 (1884).

³⁴⁷ *Baker v. Selden*, 101 U.S. 99, 102 (1879) (“The copyright of a book on book-keeping cannot secure the exclusive right to make, sell, and use account-books prepared upon the plan set forth in such book. Whether the art might or might not have been patented, is a question which is not before us. It was not patented, and is open and free to the use of the public.”); *Mazer v. Stein*, 347 U.S. 201, 217-218 (1954) (amplifying *Baker v. Selden*).

³⁴⁸ 464 U.S. at 439 n.19, citing *Mazer v. Stein*, 347 U.S. 201, 217-218 (1954); *Bobbs-Merrill Co. v. Straus*, 210 U.S. 339, 345 (1908).

³⁴⁹ *Bobbs-Merrill Co. v. Straus*, 210 U.S. 339, 345 (1908).

That sentiment, recognizing the need to refrain from mapping one area of law onto the other, is more representative of the early patent and copyright jurisprudence than *Sony*'s later remarks to the contrary.³⁵⁰

So much for Category 3. Plainly, the same consideration applies to Category 2—that is, to the extent that an interpretation arises under a provision that Congress did *not* legislate, it must be rejected.

Moving finally to Category 4, the implicated body of law is the one that should be scrutinized. For example, as the Supreme Court has recognized in the context of copyright cases arising under the 1976 Act, the proper source for interpreting its work-for-hire provision is the *Restatement of Agency*.³⁵¹

In sum, therefore, the foregoing typology reveals that a Category 1 item in the copyright laws should be interpreted by analogy to patent law. All other items should not be so construed. Which brings us back to *Sony*. Did the matter there under examination fit into Category 1? By no means. The question of secondary liability fit into its own niche in the law, which the legislative history specifically declined to alter from established case law.³⁵² The following section traces those roots.

Summary

On investigation, the "historic kinship" between patent and copyright law evaporates. Accordingly, there was no basis for the *Sony* majority to import the former's "staple article of commerce" doctrine wholesale into the latter. Instead, the proper analytic tool would have been to revert to the common wellspring for both patent and copyright law. As shown below, tort law furnishes that basis.

³⁵⁰ The Court's conclusion in 1908 followed its traditional model of construing the Copyright Act on its own merits.

We therefore approach the consideration of this question as a new one in this court, and one that involves the extent of the protection which is given by the copyright statutes of the United States to the owner of a copyright under the facts disclosed in this record. Recent cases in this court have affirmed the proposition that copyright property under the Federal law is wholly statutory, and depends upon the right created under the acts of Congress passed in pursuance of the authority conferred under Article I, § 8, of the Federal Constitution: "To promote the progress of science and useful arts, by securing for limited times to authors and inventors the exclusive right to their respective writings and discoveries."

Id. at 346.

³⁵¹ *Community for Creative Non-Violence v. Reid*, 490 U.S. 730, 740 (1989).

³⁵² See H. Rep., pp. 61, 159-60.

III. Re-Recording *Sony*

As the foregoing has established, *Sony*'s treatment of indirect copyright liability rests on a faulty foundation. A deeply divided Supreme Court imported patent law's staple article of commerce doctrine into copyright law not on the basis of first principles – a careful reading of the statute, consideration of its legislative history, and systematic review of copyright jurisprudence – but rather through a process of *post hoc* rationalization and questionable interpretation of copyright history and doctrine. None of the justices possessed a significant background in copyright law. Neither the parties nor their amici provided the Court with a thorough review or systematic analysis of the 1976 Act or the jurisprudential background that it incorporated. Whether or not one believes that the *Sony* staple article of commerce doctrine represents the best policy solution for evaluating indirect copyright liability, it seems doubtful that any intent to adopt such a standard can be fairly ascribed to Congress. The Court substituted a legislative judgment for judicial reasoning.

This section examines how indirect copyright liability should have been applied to the *Sony* case on the basis of first principles – by examining the text and legislative history of the 1976 Act as well as copyright jurisprudence. Therefore, it begins with a review of the 1976 Act. As the statute and the legislative history make clear, Congress intended that courts would look to both established doctrines of indirect copyright liability that had evolved in the courts as well as the principles by which those doctrines developed. Therefore, the discussion turns to the history of copyright liability to discern the applicable doctrines and guiding principles. This review reveals a historic relationship driving the evolution of copyright liability. But it is not so much a kinship with patent law as a common wellspring that both copyright and patent law share, flowing from tort law.³⁵³ For nearly two centuries, courts have looked to tort principles in determining the contours of copyright liability. And in the area of indirect copyright liability, courts have adapted those doctrines to specific copyright concerns – most notably the problem of copyright enforcement. With those statutory and jurisprudential precepts in mind, as well as the bedrock principle of deciding only those questions that are presented, we suggest how *Sony*'s resolution of indirect liability should have been recorded, and, in this light, how it should be interpreted going forward.

A. Indirect Copyright Liability and the 1976 Act

The Copyright Act of 1976 was the culmination of nearly two decades of studies, hearings, and negotiations to update, harmonize, and rationalize copyright protection spurred by the recognition that “significant developments in technology and communications had rendered

³⁵³ See *Dawson Chemical Co. v. Rohm and Haas Co.*, 448 U.S. 176, 186 n.7 (1980) (recognizing that contributory patent infringement has long been governed by principles of tort law, citing *Thomson-Houston Electric Co. v. Ohio Brass Co.*, 80 F. 712, 721 (6th Cir. 1897) (“An infringement of a patent is a tort analogous to trespass or trespass on the case. From the earliest times, all who take part in a trespass, either by actual participation therein or by aiding and abetting it, have been held to be jointly and severally liable for the injury inflicted.”))

the 1909 Act obsolete.³⁵⁴ Several issues dominated (and delayed) the reform process – including the shift from a dual term structure (with renewal) to a unitary term, codification of fair use, the protection of sound recordings, and the treatment of juke boxes and cable television.³⁵⁵ The principal participants in the legislative process did not consider the contours of copyright liability, by contrast, to need reform; accordingly, liability standards attracted relatively little attention during the deliberations.

This is not to say that liability standards, or for our purposes, indirect liability doctrines, were ignored. The process leading up to the 1976 Act began in the late 1950s with the preparation of 34 studies under the auspices of the Library of Congress. One of the reports reviewed the history of indirect liability in the United States, evaluated the present law and underlying problems, discussed legislative proposals, surveyed foreign laws, and discussed legislative proposals.³⁵⁶ The expert commentators did not believe that the provisions were in need of significant reform³⁵⁷ and the resulting proposal on liability³⁵⁸ – which survived the legislative process without significant change – preserved existing liability standards.³⁵⁹ Congress specifically considered and rejected a proposal to immunize dance halls from indirect liability for infringements by those using their facilities.³⁶⁰ Intent on retaining the process and principles of infringement analysis developed over time by judicial decisions, Congress chose a terse formulation of the infringement standard: “Anyone who violates any of the exclusive rights of the copyright owner as provided by sections 106 through 118 or who imports copies or phonorecords into the United States in violation of section 602, is an infringer of the copyright or right of the author, as the case may be.”³⁶¹

³⁵⁴ See S.Rep. No. 94-473, p. 47 (1975); see H.R.Rep. No. 94-1476, p. 47 (1976), U.S.Code Cong. & Admin.News 1976, p. 5660.

³⁵⁵ See generally Grossman, *supra* n. __.

³⁵⁶ See Alan Latman and William S. Tager, Study No. 25: Liability of Innocent Infringers of Copyrights (January 1958) (hereinafter cited as “Study No. 25”). As previously noted, pre-*Sony* decisions routinely cited Study No. 25 in fixing the bounds of copyright's indirect liability. See fn. 128 *supra*.

³⁵⁷ See Comments and Views Submitted to the Copyright Office on Liability of Innocent Infringers of Copyrights, appended to “Study No. 25,” *supra* n. __.

³⁵⁸ See House Committee on the Judiciary, Copyright Law Revision, Report of the Register of Copyrights on the General Revision of the U.S. Copyright Law, 87th Cong., 1st Sess. (Comm.Print 1961) (Register's 1961 Report).

³⁵⁹ See 17 U.S.C. § 405(b); “Study No. 25,” *supra* n. __, at 158 (listing among the issues relating to copyright revision “should innocent infringement be related to formalities so that – 1. A copyright notice, or registration, will preclude the defense of innocence? 2. Reliance in good faith upon the absence of a copyright notice, or of registration, will constitute innocence?”).

³⁶⁰ H.R. Rep. No. 94-1476 at 61.

³⁶¹ 17 U.S.C. § 501 (as initially enacted).

The most notable change in the legislative framework relating to infringement law was the decision to codify the fair use doctrine.³⁶² But even here, Congress intended that courts would continue to evolve and apply this standard on a case-by-case basis drawing upon the accumulated case law from which the codification was drawn.³⁶³ Congress did, however, establish several immunities, compulsory licenses, and other categorical exceptions to liability.³⁶⁴

The extensive legislative history underlying the 1976 Act refers specifically to the law of torts in clarifying that “where the work was infringed by two or more joint tort feasons, the bill would make them jointly and severally liable.”³⁶⁵ More references to tort law undergird the 1976 Act’s remedial provisions.³⁶⁶ These references cement the proposition that tort doctrine furnishes the background law for determining what circumstances render someone liable for infringement committed by another and, if liable, the scope of remedies.

The legislative history makes two direct references to indirect liability standards, both of which support the continuation of then-existing doctrines (and their further refinement through judicial decisions). In explaining the general scope of copyright, the House Report recognizes contributory liability:

The exclusive rights accorded to a copyright owner under section 106 are ‘to do and to authorize’ any of the activities specified in the five numbered clauses. *Use of the phrase ‘to authorize’ is intended to avoid any questions as to the liability of contributory infringers.* For example, a person who lawfully acquires an authorized copy of a motion picture would be an infringer if he or she engages in the business of renting it to others for purposes of unauthorized public performance.³⁶⁷

In discussing infringement (section 501), the House Report explains:

³⁶² 17 U.S.C. § 107.

³⁶³ H.R. Rep. No. 1476, 94th Cong., 2d Sess. 66 (1976) (“[t]he bill endorses the purpose and general scope of the judicial doctrine of fair use. . . . the courts must be free to adapt the doctrine to particular situations on a case-by-case basis.”); see Justin Hughes, *Fair Use Across Time*, 50 *UCLA L. Rev.* 775, 793, n.59 (2003).

³⁶⁴ See, e.g., 17 U.S.C. § 108 (categorical exception for libraries and archives under certain conditions); 17 U.S.C. § 118 (public broadcasting compulsory license); see generally Robert P. Merges, Peter S. Menell, and Mark A. Lemley, *Intellectual Property in the New Technological Age* 483-84, 501-02 (4th ed. 2006).

³⁶⁵ S. Rep. at 144; H. Rep. at 162 (same; but spelling “tortfeasors” as one word); see Reg. Supp. Rep. at 136.

³⁶⁶ “The remedies available against copyright infringers include those comparable to the remedies usually accorded for torts in general” Reg. Rep. at 73 (citation omitted).

³⁶⁷ H.R. Rep. No. 94-1476 at 61 (emphasis added).

Vicarious Liability for Infringing Performances

The committee has considered and rejected an amendment to this section intended to exempt the proprietors of an establishment, such as a ballroom or night club, from liability for copyright infringement committed by an independent contractor, such as an orchestra leader. A well-established principle of copyright law is that a person who violates any of the exclusive rights of the copyright owner is an infringer, including persons who can be considered related or vicarious infringers. To be held a related or vicarious infringer in the case of performing rights, a defendant must either actively operate or supervise the operation of the place wherein the performances occur, or control the content of the infringing program, and expect commercial gain from the operation and either direct or indirect benefit from the infringing performance. The committee has decided that no justification exists for changing existing law, and causing a significant erosion of the public performance right.³⁶⁸

That excerpt shows legislative intent to preserve the principles of vicarious liability that had been developed through the courts under prior law under the 1976 Act. The next section examines these principles.

B. The Origins and Traditions of Indirect Copyright Liability

This statutory and legislative background points to the jurisprudence of indirect copyright liability. It is to that history that the focus now turns.

1. History of Copyright Liability

The invention of the printing press in the West provided the impetus for the establishment of copyright protection. The first protections for literary works in the West came in the forms of exclusive grants to publish books from the Venetian Cabinet³⁶⁹ and later royal decrees in England.³⁷⁰ In 1710, the British Parliament passed the first copyright statute. The Statute of Anne vested in authors of books a monopoly over their works, no doubt to the disappointment of the publishers.³⁷¹ Unlike the potentially perpetual rights granted to publishers by decree, the statutory right was limited to only 14 years, renewable for an additional 14 years by the author. The statute contained a complex system of registration, notice, and deposit requirements.

³⁶⁸ Id. at 159-60.

³⁶⁹ See Christopher May, *The Venetian Moment: New Technologies, Legal Innovation and the Institutional Origins of Intellectual Property*, 20 *Prometheus* 159, 172 (2002).

³⁷⁰ See Elizabeth L. Eisenstein, *The Printing Revolution in Early Modern Europe* (Cambridge 1993).

³⁷¹ 8 Ann., c. 19, 1 (1710) (Eng.)

Following the Revolutionary War, the Articles of Confederation, which went into effect on March 1, 1781 and governed until the ratification of the U.S. Constitution in 1789. During this interim period, various efforts were undertaken to protect the rights of authors and publishers and their assigns. James Madison and Ralph Izard persuaded the Congress of the Confederation to adopt a resolution recommending that the states adopt copyright laws modeled roughly on the Statute of Anne.³⁷² Massachusetts, Connecticut, and Maryland acted before the resolution was adopted, and all of the other states (with the exception of Delaware) followed suit by 1786.³⁷³ These statutes differed in various respects – works covered, duration, remedies, reciprocity, and enforcement procedures.³⁷⁴ Possibly for this reason, James Madison complained at the Constitutional Convention that there was “want of uniformity in the laws concerning . . . literary property.”³⁷⁵ With relatively little discussion,³⁷⁶ the Framers granted Congress authority to protect copyrights and patents, moving those bodies of law to the federal level. One of the first acts of the new Congress was to pass the Copyright Act of 1790.³⁷⁷

Drawing liberally from the Statute of Anne and the state enactments,³⁷⁸ the 1790 Act granted authors protection for books, maps, and charts to authors for 14 years, and allowed renewal for a second 14 year term.³⁷⁹ The Act allowed copyrights to be registered with the local

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Resolved, that it be recommended to the several States to secure to the authors or publishers of any new books not hitherto printed, being citizens of the United States, and to their executors, administrators, and assigns, the copy right of such books for a certain time not less than fourteen years from the first publication . . . such copy or exclusive rights of printing, publishing and vending the same, to be secured by the original authors, or publishers, their executors, administrators, and assigns, by such laws and under such restrictions as to the several States may seem proper.

Journal of the United States in Congress Assembled, Containing the Proceedings from No. 1782, to Nov. 1783, 256-57 (adopted May 2, 1783).

³⁷³ Francine Crawford, Pre-Constitutional Copyright Statutes, 23 Bull. Copyright Soc’y 11 (1975).

³⁷⁴ See *id.*; Howard B. Abrams, The Historic Foundation of American Copyright Law: Exploding the Myth of Common Law Copyright, 29 Wayne L. Rev. 1119, 1173-74 (1983).

³⁷⁵ See JAMES MADISON, VICES OF THE POLITICAL SYSTEM OF THE UNITED STATES, reprinted in 1 THE FOUNDERS’ CONSTITUTION 167 (Philip B. Kurland & Ralph Lerner eds., 1987) (1787).

³⁷⁶ See Edward C. Walterscheid, The Nature of the Intellectual Property Clause: A Study in Historical Perspective 83-110 (2002); Thomas B. Nachbar, Intellectual Property and Constitutional Norms, 104 Colum. L. Rev. 272, 338 (2004).

³⁷⁷ Act of May 31, 1790, Ch. 15, 1 Stat. 124.

³⁷⁸ See Dotan Oliar, The Origins and Meaning of the Intellectual Property Clause 17 (2004), available at http://cyber.law.harvard.edu/ip/liar_ipclause.pdf.

³⁷⁹ See *id.*

district court and notice to be published in local newspapers. Because the Copyright Act of 1790, like other legislative enactments of the early American Republic, was rather terse, explication of the contours of copyright liability fell to the courts. Accordingly, the explication of the contours of copyright liability fell to the courts.

Technology for reproducing works of authorship was limited during this early era of copyright law. Copyright was confined to the publishing industry and combating piracy of protected works was relatively straightforward. The only way in which one could infringe a book, map, or chart was to reproduce it mechanically, which was time consuming and expensive. Therefore, the early copyright cases focused on such issues as the legal basis for copyright protection,³⁸⁰ protectability,³⁸¹ and what constituted direct infringement.³⁸² As the technology for making and reproducing works of authorship expanded and the arts flourished, Congress amended the Copyright Act to reach new media and means of exploitation. Over the course of the nineteenth century, Congress extended copyright protection to other works of authorship, including prints,³⁸³ musical compositions,³⁸⁴ dramatic works,³⁸⁵ photographs,³⁸⁶ graphic works,³⁸⁷ and sculpture.³⁸⁸

The courts have long looked to principles of tort law in delineating the contours of copyright liability. As stated in an 1869 case, "Rights secured by copyright are property within the meaning of the law of copyright, and whoever invades that property beyond the privilege conceded to subsequent authors commits a tort . . ."³⁸⁹ Later cases continued to reflect this understanding. In 1923, the Second Circuit Court of Appeals observed that "[c]opyright infringement is a tort."³⁹⁰ Then-Judge Benjamin Cardozo remarked a year later, "The author who suffers infringement of his copyright . . . may count upon the infringement as a tort, and

³⁸⁰ See *Wheaton v. Peters*, 33 U.S. (8 Peters) 591 (1834) (upholding common law copyright).

³⁸¹ See *Folsom v. Marsh*, 9 F. Cas. 342, No. 4901 (C.C. Mass. 1841) (Story, J.) (fair use); *Baker v. Selden*, 101 U.S. 99 (1879) (no protection for ideas)..

³⁸² See *Emerson v. Davies*, 8 F. Cas. 615, 622-24, No. 4436 (C.C.D.Mass. 1845) (Story, J.) (using the concept of "substantial identity" of "important and valuable portion"); *Falk v. Donaldson*, 57 F. 32, 35 (C.C.S.D.N.Y. 1893) ("illegal appropriation of the substantial parts"); *Dam v. Kirke La Shelle Co.*, 166 F. 589 (C.C.N.Y. 1908) ("substantial similarity").

³⁸³ 2 Stat. 171 (April 29, 1802).

³⁸⁴ 4 Stat. 36 (Feb. 3, 1831).

³⁸⁵ 11 Stat. 138 (Aug. 18, 1856) (performance rights in dramatic compositions).

³⁸⁶ 13 Stat. 540 (March 3, 1865).

³⁸⁷ 16 Stat. 212 (July 8, 1870).

³⁸⁸ *Id.*

³⁸⁹ *Lawrence v. Dana*, 2 Am. Law T. Rep. (N.S.) 402 (C.C.Mass. 1869).

³⁹⁰ *Ted Brown Music Co. v. Fowler*, 290 F. 751, 754 (2d Cir. 1923).

seek redress under the statute by action in the federal courts."³⁹¹ Thus, the notion that courts would look to the law of torts as the wellspring for determining the boundaries of copyright liability was well-accepted.³⁹²

2. Origins and Development of Indirect Copyright Liability Standards

Building upon the tort foundation of direct copyright liability, early copyright cases naturally looked to tort principles in recognizing and delineating third party liability. Tort law has long imposed liability upon some persons in particular relations with the direct tortfeasor.³⁹³ The doctrine of *respondeat superior* – “let the master answer” for the torts of servants and slaves – has ancient roots in the law³⁹⁴ and was well developed in Anglo-American by the 19th century: “It is universally conceded that the principal is liable for all torts which he commands or ratifies.”³⁹⁵ Furthermore,

It is almost universally conceded that the principal is liable for all torts committed by an agent in the course of the employment and for the principal’s benefit, although the principal neither commanded nor ratified the tort. This rests on the principle . . . that where one chooses to manage his affairs through an agent he is bound to see that the affairs are managed with due regard to the safety of others.³⁹⁶

³⁹¹ *Underhill v. Schenck*, 238 N.Y. 7, 14, 143 N.E. 773 (1924). Benjamin Cardozo would come to be viewed as one of the great expositors of tort law, authoring *MacPherson v. Buick Motor Co.*, 111 N.E. 1050 (N.Y. 1916) (holding a car manufacturer for defects even though the victim purchased the car not from the manufacturer, but from a dealer, based on the foreseeability of harm) and *Palsgraf v. Long Island Railroad Co.*, 162 N.E. 99 (N.Y. 1928) (elucidating the doctrine of proximate causation). See Andrew L. Kaufman, Benjamin Cardozo as Paradigmatic Tort Lawmaker, 49 *DePaul L. Rev.* 281 (1999-2000).

³⁹² Early tort treatises featured a separate chapter on copyright protection. See, e.g., J. F. Clerk & W. H. B. Lindell, *The Law of Torts*, 587 (2d ed. 1896). Although that typology no longer typically pertains due to the flourishing of copyright as a broad field of study unto itself, it remains true today that “infringement of copyright is a tort.” Wendy J. Gordon, *Copyright As Tort Law's Mirror Image: "Harms," "Benefits," and the Uses and Limits of Analogy*, 34 *McGeorge L. Rev.* 533, 533 n.2 (2003).

³⁹³ See generally, W. Page Keeton, Dan B. Dobbs, Robert E. Keeton & David G. Owen, *Prosser and Keeton on Torts* 499-501 (5th ed. 1984); Dan B. Dobbs, *The Law of Torts* Vol. 2, ch. 22 (2001).

³⁹⁴ See John Henry Wigmore, *Responsibility for Tortious Acts: Its History*, 7 *Harv. L. Rev.* 317, 383, 441 (1894); Oliver Wendell Holmes, Jr., *Agency*, 4 *Harv. L. Rev.* 345 (1891).

³⁹⁵ See, e.g., Ernest W. Huffcut, *Elements of the Law of Agency* § 149(1) (1895) (citation omitted).

³⁹⁶ *Id.* § 149(2).

Various justifications for such “vicarious liability” have been put forward over the years. As recognized in the early 20th century, the master has “control” over the actions of its servant, “has set the whole thing in motion,” and has selected and entrusted responsibility in the servant.³⁹⁷ Commentators came to see vicarious and enterprise liability as a vehicle for more efficient and equitable risk sharing.³⁹⁸ In addition to employer liability for the acts of employees, tort law has long imposed joint and several liability on those who act in concert to commit tortious harm³⁹⁹ and those who aid, abet, or encourage such harm.⁴⁰⁰

To the extent that parallel issues arose in early copyright cases, courts imposed liability by analogy to tort principles. In *Fishel v. Luekel*,⁴⁰¹ an owner of copyrights in graphical works brought suit against a purchaser of such works who sought to have them reproduced by a photogravure company.⁴⁰² The defendants sought to defeat liability on the ground that they did

³⁹⁷ See Baty, *Vicarious Liability* (1916) Baty, *The Basis of Responsibility*, 32 *Jurid. Rev.* 159 (1920); Laski, *The Basis of Vicarious Liability*, 26 *Yale L.J.* 105 (1916).

³⁹⁸ See Seavey, *Speculations as to “Respondeat Superior,”* *Harvard Legal Essays* 433, 451 (1934); Guido Calabresi, *The Costs of Accidents: A Legal and Economic Analysis* (1970); Alan O. Sykes, *The Economics of Vicarious Liability*, 93 *Yale L.J.* 1231 (1984).

³⁹⁹

The original meaning of ‘joint tort’ was that of vicarious liability for concerted action. All persons who acted in concert to commit a trespass, in pursuance of a common design, were held liable for the entire result. . . .

Express agreement is not necessary, and all that is required is that there be a tacit understanding . . .

Prosser and Keeton on Torts, *supra* n. ___, at § 46.

⁴⁰⁰ See *Restatement Torts (Second)* § 876(b); Dobbs, *supra* n. ___, at 934 (“One who aids, abets or encourages a tort need not participate in it to be liable, but the aid or encouragement must be substantial.”).

⁴⁰¹ 53 F. 499 (S.D.N.Y. 1892).

⁴⁰² Although no longer in use today due to its high cost and the availability of more efficient alternatives, photogravure can be characterized as the photocopying technology of its day – from the 1850s through the early part of the 20th century. Photogravure consists of several steps:

After taking a picture, a glass transparency is made from the negative. Next, a copper engraving plate is dusted with grains of bitumen and heated so that the bitumen becomes attached to the plate. A carbon print which has been exposed beneath the transparency is then transferred to the plate. The plate is then bathed in warm water which causes the unexposed gelatin of the carbon print to be washed away, leaving the image in relief. Ferric chloride is then applied to the plate and eats into the copper in proportion to the highlights and shadows of the gelatin relief. The result is an etched copper plate of the original photographic image.

not “print or publish” the copyrighted works themselves and therefore could not be held liable under the terms of the Copyright Act. Invoking tort principles, that 1892 court had little difficulty extending liability to those who authorize copyright violations:

The evidence shows that the defendants bought the pictures from the complainants, furnished them to the photogravure company, ordered the copies made, and gave general directions as to how the work should be done. They are therefore liable as joint tortfeasors.⁴⁰³

In a case brought against the photographer, photogravure company, and distributor of unauthorized reproductions of a copyrighted work, the Second Circuit extended liability to everyone in the causal chain, in the process applying well-established tort principles: “This action [under the Copyright Act] is to recover damages for infringement against the appellant and the other defendant as joint and several tort-feasors.”⁴⁰⁴ All three sets of actors were “united in infringing.”⁴⁰⁵ Another Second Circuit case explained that “[t]he joinder of these parties [publisher, binder, and seller of book] as defendants proceeds upon the theory that infringement of a copyright is a tort, and that all persons concerned therein are jointly and severally liable.”⁴⁰⁶

Notwithstanding the fact that neither the Copyright Act of 1909 nor its predecessor acts expressly imposed indirect liability,⁴⁰⁷ treatise writers recognized that copyright liability extended well beyond direct infringers under general tort principles:

The final step, printing, involves spreading ink evenly across the plate and then pressing the plate onto the paper. The combination of the chemical and mechanical process produces an image both warm and precise. A photogravure looks like a photograph but is a series of connected lines, rather than unconnected dots as in a photograph.

See “The Photogravure Printing Process” <<http://www.curtis-collection.com/process.html>>; see also Photogravure <http://en.wikipedia.org/wiki/Photogravure>.

⁴⁰³ 53 F. at 500.

⁴⁰⁴ Gross v. Van Dyke Gravure Co., 230 Fed. 412, 414 (2d Cir. 1916).

⁴⁰⁵ Id.

⁴⁰⁶ American Code Co. v. Bensigner, 282 F. 829, 834 (2d Cir. 1922).

⁴⁰⁷ The first federal copyright act, passed in 1790, provided simply that “any person or persons who shall print or publish any manuscript, without the consent and approbation of the author or proprietor thereof . . . shall be liable to suffer and pay to the said author or proprietor all damages occasioned by such injury.” Act of May 31, 1790, ch. 15, sec. 6. The Act did not provide a formal definition of infringement. General revisions in 1831 and 1870, while expanding the range of works of authorship eligible for statutory protection, did not elaborate on the infringement standard. Nor did the 1909 Copyright Act, which stated simply that any person who “shall infringe the copyright in any work protected under the copyright laws of the United States . . . shall be liable” for various remedies. See 17 U.S.C. § 25 (1909 Act), recodified § 101 (1912 Act); see also H. Committee Print, 89th Cong., 1st Sess., Copyright Law Revision Part 6, Supplementary Report of the Register of Copyrights on the General Revision of the U.S.

What persons are liable for infringement? Generally speaking, all those who have participated in it, whether they knew of the copyright or not. The printer, the publisher, the distributor of the infringing work all are liable, not only jointly, but severally, since copyright infringement is a tort and each person who has a share in it is liable to the full extent of the damages suffered by the copyright proprietor.⁴⁰⁸

From the late 19th century through the passage of the 1976 Act, courts developed the law of indirect copyright liability based upon general tort principles. During this time period, distinct copyright doctrines of *respondeat superior*, vicarious liability, and contributory liability (including inducement) emerged. In several contexts, the courts expanded indirect copyright liability beyond the limits of tort law to address distinctive challenges of copyright enforcement.

i. *Respondeat Superior*

By the late 19th century, courts readily applied the doctrine of *respondeat superior*⁴⁰⁹ in copyright cases. In *McDonald v. Hearst*,⁴¹⁰ the owner of a copyright in a map sued a daily newspaper in San Francisco for publishing the protected work in a particular edition of the newspaper. The newspaper publisher defended on the ground that the infringing material was inserted without his knowledge or consent. The nineteenth century court had no difficulty overruling the demurer:

The argument to the contrary is rested mainly upon the general principle that the master is civilly liable to respond in damages for the wrongful act of his servant committed in the transaction of the business which he was employed by the master to do, although the particular act complained of may have been done without express authority from him, or even against his orders. This principle of law is so well settled that no authorities need be cited in its support.⁴¹¹

Copyright Law; 1965 Revision Bill (May 1965), chapter 7 (Copyright Infringement and Remedies) at p. 131 (“It seems strange, though not very serious, that the present law lacks any statement or definition of what constitutes an infringement.”).

⁴⁰⁸ Richard C. De Wolf, *An Outline of Copyright Law* 161 (1925). There is a single sentence on the matter in ARTHUR W. WEIL, *AMERICAN COPYRIGHT LAW* 455 (1917): “Anyone who participates in an infringement is liable to the copyright proprietor of such infringement.” As authority, that work cites *Baschet v. London Illustrated Standard Co.*, 1 Ch. 63 (1900); *Belford v. Scribner*, 144 U.S. 488 (1882); *Greene v. Bishop*, 1 Cliff. 186 (C.C.D. Mass. 1858); *Stevens v. Gladding* 1 Curtis (U.S.) 608 (1854).

⁴⁰⁹ See ___ *supra*.

⁴¹⁰ 95 F. 656 (D.C. Cal. 1899).

⁴¹¹ *Id.* at 657. The court noted, however, that the master could not be held liable for punitive damages for acts of its servant “in the absence of gross negligence in the employment, or in the retention of the servant after knowledge of his unfitness or incompetency; that is, under

A related fact pattern in the early cases involved infringement in entries to compilations – such as directories and law digests.⁴¹² The courts held that parties other than the human agent who physically committed copyright infringement could nonetheless be held liable, even if the employer had instructed the compilers not to infringe copyrights.⁴¹³

Later copyright cases applied the doctrine of *respondeat superior* to theater owners who employ others to perform music.⁴¹⁴ In *Witmark & Sons v. Calloway*,⁴¹⁵ a music publisher brought suit against a theater owner who employed a person to select copyrighted music to be publicly performed on a player piano. The court held the owner liable, even though the employee’s acts may have been done against the orders of the employer:

Neither does the fact . . . the operator of the player piano, borrowed this music without the direction, knowledge, or consent of the owner or manager of the theater affect the question. The rule of the common law applies, to wit, that the master is civilly liable in damages for the wrongful act of his servant in the transaction of the business which he was employed to do, although the particular act may have been done without express authority from the master, or even against his orders.⁴¹⁶

ii. Vicarious Liability

The tort doctrine of vicarious liability arose to deal with the situation in which third parties exercise control over or motivate the actions of others or motivate particular activities and stand to benefit from such activities.⁴¹⁷ This tort doctrine imposed various limits on such

such circumstances there can be no recovery against the master of damages which the law visits upon the wrongdoer by way of punishment only, and not for the purpose of compensating the injured party for the damage in fact sustained by him.” *Id.* (citing tort cases).

⁴¹² See *West Pub. Co. v. Lawyers' Co-operative Pub. Co.*, 79 Fed. 756 (2d Cir. 1897); *Trow v. Boyd* 97 F. 586 (C.C. S.D.N.Y. 1899); *Leon et al. v. Pacific Telephone & Telegraph Co.*, 9 Cir., 91 F.2d 484, 487 (9th Cir. 1937).

⁴¹³ See *Trow v. Boyd*, 97 F. 586 (C.C. S.D.N.Y. 1899) (“several of the canvassers employed by the defendant disobeyed the instructions given to them, and made up their returns largely from the complainant's publication, instead of from their own investigations. Of course, for their acts the defendant is responsible, whatever instructions he may have given”).

⁴¹⁴ See *Harms v. Cohen*, 279 F. 276 (E.D.Pa.1922); *M. Witmark & Sons v. Pastime Amusement Co.*, 298 F. 470, 475 (E.D.S.C.), *aff'd mem.*, 2 F.2d 1020 (4th Cir. 1924); *M. Witmark & Sons v. Calloway*, 22 F.2d 412, 414 (E.D.Tenn. 1927); *Shapiro, Bernstein & Co. v. Veltin*, 47 F.Supp. 648, 649 (W.D.La. 1942); *Bourne v. Fouche*, 238 F.Supp. 745, 747 (E.D.S.C. 1965).

⁴¹⁵ 22 F.2d 412 (E.D. Tenn. 1927).

⁴¹⁶ *Id.* at 414.

⁴¹⁷ See *Prosser and Keeton on Torts*, *supra* n. ___, at § 69; *Restatement (Second) of Agency* § 2 (1958)..

liability, such as the general rule that immunized principals from liability for the acts of independent contractors.⁴¹⁸ Over time, however, courts carved significant exceptions into these limits,⁴¹⁹ refusing to confer immunity on employers of independent contractors where the employer can be shown to have acted negligently or sought to delegate duties that the law imposes on him or her.⁴²⁰

Dance halls created one of the first common scenario in which third party benefits arose in the copyright field. Such halls were often leased out for events – such as weddings – at which independent bands and orchestras performed copyrighted musical compositions. Detecting and suing the direct infringers presented significant logistical problems. As a result, music publishers set their sights on the dance hall owners. Notwithstanding the independent contractor status of the direct infringers, courts held the dance halls liable for the infringing acts.

[T]he owner of a dance hall at whose place copyrighted musical compositions are played in violation of the rights of the copyright holder is liable, if the playing be for the profit of the proprietor of the dance hall. And this is so even though the orchestra be employed under a contract that would ordinarily make it an independent contractor.⁴²¹

Over the course of the next five decades, many courts followed this holding and expanded it.⁴²²

The Supreme Court gave its imprimatur to such indirect liability in *Buck v. Jewell-La Salle Realty Co.*⁴²³ During the early days of the commercial radio industry, ASCAP and one of

⁴¹⁸ See Restatement (Second) of Agency § 219 (1958); Restatement (Second) of Torts 409 (1965) (“Except as stated in §§ 410-429, the employer of an independent contractor is not liable for physical harm caused to another by an act or omission of the contractor or his servants.”).

⁴¹⁹ See Prosser and Keeton on Torts, *supra* n. ___, at § 71 (noting various exceptions to the general rule of immunity for the acts of independent contractors); Restatement (Second) of Torts §§ 410-29 (1965); Restatement (Second) of Agency § 2 (1958).

⁴²⁰ See Restatement (Second) of Torts §§ 410-29 (1965), discussed *infra*, TAN __.

⁴²¹ *Dreamland Ball Room v. Shapiro, Bernstein & Co.*, 36 F.2d 354 (7th Cir. 1929). See also *Irving Berlin, Inc., v. Daigle*, 26 F.2d 149, 149-50 (D.C.La. 1928), *rev’d on other grounds*, 31 F.2d 832 (5th Cir. 1929).

⁴²² See *Buck v. Newsreel, Inc.*, 25 F.Supp. 787 (D.C. Mass. 1938); *Buck v. Crescent Gardens Operating Co.*, 28 F.Supp. 576, 578 (D. Mass. 1939) (manager of ballroom liable for infringement committed by orchestra he engaged); *Remick Music Corp. v. Interstate Hotel Co.*, 58 F.Supp. 523 (D.Neb. 1944), *aff’d*, 157 F.2d 744 (8th Cir. 1946), *cert. denied*, 329 U.S. 809 (1947); *Famous Music Corp. v. Bay State Harness Horse Racing & Breeding Assn., Inc.*, 554 F.2d 1213 (1st Cir. 1977); *KECA Music, Inc. v. Dingus McGee’s Co.*, 432 F.Supp. 72 (W.D. Mo. 1977); cf. *Irving Berlin, Inc. v. Daigle*, 26 F.2d 149 (ED La 1928), *rev’d on other grounds*, 31 F.2d 832 (5th Cir. 1929) (orchestra).

⁴²³ 283 U.S. 191 (1931).

its members brought suit against both a radio broadcaster and the company that operated the La Salle Hotel in Kansas City, which maintained a master radio receiving set wired to each of the public and private rooms. This radio apparatus received publicly broadcast radio programs. Neither the broadcaster nor the hotel had acquired a public performance license for musical compositions that were broadcast. The radio broadcaster failed to answer and a default judgment was entered against him.⁴²⁴ Recognizing the liability of the hotel owner to be an issue of first impression, the district court held that reception of a radio broadcast was not a “performance” under the 1909 Act and therefore the hotel had committed no infringement.⁴²⁵

On appeal to the Supreme Court, the hotel defended this interpretation on the ground that since the transmitting of a musical composition by a commercial broadcasting station is a public performance for profit, control of the initial radio rendition exhausts the monopolies conferred, both that of making copies (including records) and that of giving public performances for profit (including mechanical performances from a record); and that a monopoly of the reception, for commercial purposes, of this same rendition, is not warranted by the act. The analogy is invoked of the rule under which an author who permits copies of his writings to be made cannot, by virtue of his copyright, prevent or restrict the transfer of such copies. Compare *Bobbs-Merrill Co. v. Straus*, 210 U. S. 339.⁴²⁶

Writing for the unanimous Court, Justice Brandeis rejected the analogy to the first sale doctrine on the ground that, although “control of the sale of copies is not permitted by the act, [] a monopoly is expressly granted of all public performances for profit.”⁴²⁷ To the argument that “there can be but one actual performance each time a copyrighted selection” is broadcast,⁴²⁸ Justice Brandeis turned to the statute:

[N]othing in the act circumscribes the meaning to be attributed to the term ‘performance,’ or prevents a single rendition of a copyrighted selection from resulting in more than one public performance for profit. While this may not have been possible before the development of radio broadcasting, the novelty of the means used does not lessen the duty of the courts to give full protection to the monopoly of public performance for profit which Congress has secured to the composer.⁴²⁹

The defendant further contended that the acts of the hotel company were not a performance because “the operator of a radio receiving set cannot render at will a performance of any composition, but must accept whatever program is transmitted during the broadcasting

⁴²⁴ *Id.* at 195, n.1.

⁴²⁵ See *Buck v. Duncan*, 32 F.2d 366 (D.C. Mo. 1929).

⁴²⁶ 283 U.S. at 197.

⁴²⁷ 283 U.S. at 197 (footnote omitted). In the accompanying footnote, the Court observed that “even if the broadcasting constituted an infringement, there would be no question of contributory infringement.” *Id.* at n.4.

⁴²⁸ *Id.* at 197-98.

⁴²⁹ *Id.* at 198 (citations omitted).

period.”⁴³⁰ Justice Brandeis responded that intent is not an element of copyright infringement, citing with approval the dance hall cases:

One who hires an orchestra for a public performance for profit is not relieved from a charge of infringement merely because he does not select the particular program to be played. Similarly, when he tunes in on a broadcasting station, for his own commercial purposes, he necessarily assumes the risk that in so doing he may infringe the performing rights of another. It may be that proper control over broadcasting programs would automatically secure to the copyright owner sufficient protection from unauthorized public performances by use of a radio receiving set, and that this might justify legislation denying relief against those who in using the receiving set innocently invade the copyright, but the existing statute makes no such exception.⁴³¹

Still, the expansion of copyright liability to ensnare those who merely profit indirectly was far from unbounded. A Second Circuit panel with two Hands ruled that a landlord and leasing agent did not participate in the copyright infringement that took place without their knowledge at a leased booth on Coney Island.⁴³² But when the leased premises consisted of an entertainment hall, or one where “music was furnished and used by the orchestra for the purpose of inducing the public to patronize the establishment and pay for the entertainment in the purchase of food and drink,”⁴³³ liability attached.⁴³⁴

Later cases established that landlords could not escape indirect copyright liability merely by turning a blind eye to infringing activity. More recent cases impose a duty on landlords to supervise the activities of their lessees. In *Shapiro, Bernstein & Co. v. H.L. Green Co.*,⁴³⁵ the

⁴³⁰ *Id.* at 198.

⁴³¹ 283 U.S. at 198-99 (footnotes and citations omitted).

⁴³² *Deutsch v. Arnold*, 98 F.2d 686 (2d Cir. 1938). To the same effect is *Fromont v. Aeolian Co.*, 254 F. 592, 594 (S.D.N.Y. 1918) (“a defendant cannot be called a coinfringer who is in no sense an inducing party to the infringement, who derives no profit from the infringement, excepting in the very remote way in which it is urged that this defendant landlord derived profit here”). Similarly, merely paying for a radio advertisement on a program creates no liability for the infringing performance of copyrighted material on that program, without the knowledge or control of the advertiser. See *National Ass'n of Performing Artists v. Wm. Penn Broadcasting Co.*, 38 F. Supp. 531 (E.D. Pa. 1941). But advertisers (and advertising agencies) that approve programming can be held indirectly liable. See *Davis v. E. I. DuPont de Nemours & Co.*, 240 F.Supp. 612 (S.D.N.Y. 1965).

⁴³³ *Buck v. Russo*, 25 F.Supp. 317, 319 (D.Mass.1938).

⁴³⁴ “One who hires an orchestra for a public performance for profit is not relieved from a charge of infringement merely because he does not select the particular program to be played.” *Buck et al. v. Jewell-La Salle Realty Co.*, 283 U.S. 191, 198 (1931); see also *Buck v. Pettijohn*, 34 F.Supp. 968 (E.D.Tenn.1940) (“The defendant is liable in damages for the wrongful act of the orchestra, although he may not have authorized or knew that this composition was played, for the reason that he received benefits to his business by this orchestral performance.”)

⁴³⁵ 316 F.2d 304 (2d Cir. 1963).

owner of a chain of 23 department stores leased a record concession to the direct infringer, who manufactured and sold bootleg recordings of copyrighted musical compositions. The concessionaire lease based the rental charge on the lessee's gross revenues. Notwithstanding the lease context and the direct infringer's independent contractor status, the court expanded indirect copyright liability to reach the profit participant:

Many of the elements which have given rise to the doctrine of *respondeat superior* may also be evident in factual settings other than that of a technical employer-employee relationship. When the right and ability to supervise coalesce with an obvious and direct financial interest in the exploitation of copyrighted materials – even in the absence of actual knowledge that the copyright monopoly is being impaired – the purposes of copyright law may be best effectuated by the imposition of liability upon the beneficiary of that exploitation.⁴³⁶

As explained in a subsequent Second Circuit opinion, the “policies of the copyright law would be best effectuated if [lessee] Green were held liable, even in the absence of actual knowledge that the copyright monopoly was being impaired, for its failure to police the conduct of the primary infringer.”⁴³⁷

iii. Contributory Liability

The application of contributory liability in copyright cases can be traced back to *Harper v. Shoppell*.⁴³⁸ Harper's Weekly, a popular illustrated newspaper of the late nineteenth century, acquired the rights to a “cut” for use in illustrating one of its March 1873 editions. The defendant Shoppell purchased a copy of the cut from a third party and made an electrotype plate, which he then sold to the New York Illustrated Times. The New York Illustrated Times used the electrotype for an image in its September 1882 edition. Under then-applicable principles of copyright law, making a single copy of the illustration did not clearly constitute infringement.⁴³⁹ Therefore, the court considered the circumstances under which Shoppell's activities would constitute contributory infringement.

[T]he defendant has made an electrotype copy of ‘an important, substantial, and material part’ of the plaintiffs' copyrighted illustrated newspaper, and sold the plate to the proprietor of another illustrated newspaper published in the same city where the plaintiffs' newspaper is published, the defendant knowing at the time of selling the plate that it would be used by the purchaser for printing and publishing in such newspaper the matter copied by defendant. Under such circumstances the defendant is in no better position than he would be if he had himself printed and

⁴³⁶ 316 F.2d at 307.

⁴³⁷ *Gershwin Publ'g Corp. v. Columbia Artists Mgt*, 443 F.2d 1159, 1162 (2d Cir. 1971).

⁴³⁸ 28 F. 613 (C.C. S.D.N.Y. Sept. 8, 1886); 26 F. 519 (C.C. S.D.N.Y. Feb. 6, 1886).

⁴³⁹ Harper's Weekly had registered copyright in the entire newspaper and not each individual contribution to the collective work. As such, the threshold for infringement of an individual element of the newspaper was higher. 26 F. 519.

published the copyrighted matter in the purchaser's newspaper, because, as was stated in *Harper v. Shoppell*, 26 Fed. Rep. 519, 521, he is to be regarded as having sanctioned the appropriation of the plaintiffs' copyrighted matter, and occupies the position of a party acting in concert with the purchaser who printed and published it, and is responsible with him as a joint tort-feasor.⁴⁴⁰

The U.S. Supreme Court first recognized contributory copyright infringement in 1908.⁴⁴¹ The publisher Charles Scribner & Sons brought suit against the retail merchant R. H. Macy & Company to enjoin the selling of Scribner's copyrighted books below the resale prices specified by the American Publishers' Association. The Supreme Court considered whether Macy's "had induced and persuaded sundry jobbers and dealers who had obtained copyrighted books from the complainants to deliver the same to the defendant for sale at retail at less than the prices fixed by the complainants, and in violation of the agreement upon which the books were obtained." Although ultimately upholding the determinations of the lower courts that the plaintiffs had failed to adduce satisfactory proof of inducement, the Supreme Court's consideration of the matter reveals its acceptance of contributory liability as a part of copyright's liability regime.

The Supreme Court again recognized the applicability of contributory liability in copyright law three years later in *Kalem Co. v. Harper Brothers*.⁴⁴² The defendant had prepared a motion picture based upon the plaintiff's copyrighted novel, *Ben Hur*, without authorization. Because then-applicable copyright law barred only the dramatization of the copyrighted work,⁴⁴³ direct copyright liability could only be asserted against those who publicly performed the work. Therefore, the copyright owner proceeded against the makers of the unauthorized film under a contributory infringement theory:

The defendant not only expected but invoked by advertisement the use of its films for dramatic reproduction of the story. That was the most conspicuous purpose for which they could be used and the one for which especially they were made. If the defendant did not contribute to the infringement it is impossible to do so except by taking part in the final act. It is liable on principles recognized in every part of the law.⁴⁴⁴

After that ruling, the law of contributory copyright liability did not develop to any significant extent until the 1960s. In *Screen Gems-Columbia v. Mark-Fi Records*,⁴⁴⁵ music publishers sued both the direct infringer, a counterfeit record manufacturer (a fly-by-night outfit called Mark-Fi Records). They also targeted several other entities that contributed to the infringement: Mark-Fi's advertising agency, the radio stations that broadcast advertisements for

⁴⁴⁰ 28 F. 613 (1886).

⁴⁴¹ See *Scribner v. Straus*, 210 U. S. 352 (1908).

⁴⁴² 222 U.S. 55, 62-63 (1911).

⁴⁴³ See Rev. Stat., § 4952, as amended by the act of March 3, 1891, c. 565, 26 Stat 1106.

⁴⁴⁴ 222 U.S. at 62-63.

⁴⁴⁵ 256 F.Supp. 399 (S.D.N.Y. 1966).

the counterfeit records, and the company that packaged and mailed the illegal goods. The case focused on the latter defendants because the plaintiffs were unable to serve process on the elusive Mark-Fi. Judge Weinfeld looked to tort law to delineate the contours of indirect copyright liability:

Since infringement constitutes a tort, common law concepts of tort liability are relevant in fixing the scope of the statutory copyright remedy, and the basic common law doctrine that one who knowingly participates in or furthers a tortious act is jointly and severally liable with the prime tortfeasor is applicable in suits arising under the Copyright Act.⁴⁴⁶

In rendering the various indirect actors liable, Judge Weinfeld took note of the economic realities of enforcing copyright law:

Record piracy is not of recent origin. Since the early 1950's it has been a recognized and well publicized evil in the industry. Its existence was noted by our own Court of Appeals almost ten years ago. Plaintiffs point out that the practice has taken on a particular form- that usually it is carried on by small unreliable operators of dubious financial background who stay in business only long enough to reap their ill-gotten gains and disappear when legal action against them appears imminent.⁴⁴⁷

The Second Circuit further delineated the standards for contributory copyright liability five years later in *Gershwin Publ'g Corp. v. Columbia Artists Mgt.*⁴⁴⁸ ASCAP brought a copyright infringement action against Columbia Artists Management, Inc., (CAMI), a large management company that represented and booked shows for performing artists and organized a network of local community organizations to sponsor shows featuring its artists. At the time of the litigation, CAMI was booking approximately 3,000 events per year. It earned a percentage of its artists' revenues, as well as an additional percentage for performances at concerts hosted by CAMI-affiliated community organizations. The court succinctly captured the elements of contributory copyright liability: "one who, with knowledge of the infringing activity, induces, causes or materially contributes to the infringing conduct of another, may be held liable as a 'contributory' infringer."⁴⁴⁹ In view of CAMI's knowledge of infringing activity – performance of copyrighted musical compositions by its artists at events that it sponsored – the Second Circuit had little difficulty affirming the district court's liability judgment. In so doing, it reinforced and broadened the copyright policy, recognized in *Shapiro, Bernstein & Co. v. H.L. Green Co.*,⁴⁵⁰ of

⁴⁴⁶ Id. at 403.

⁴⁴⁷ Id. at 404 (citation omitted).

⁴⁴⁸ 443 F.2d 1159 (2d Cir. 1971).

⁴⁴⁹ Id. at 1162.

⁴⁵⁰ 316 F.2d 304 (2d Cir. 1963).

imposing liability on actors who profit from infringing activity and are well placed to police such activities.⁴⁵¹

Thus, the law of indirect copyright liability was relatively well developed and firmly established by the 1970s, just as Congress was finally completing its comprehensive reform of copyright law. Over the course of nearly a century, courts had drawn on the principles of tort liability and the policies of the copyright system to weave a sophisticated web of indirect liability doctrines to address the distinctive challenges of enforcing copyright law. In calibrating indirect liability to new contexts, the 1976 Act perpetuated both the previous doctrines that had developed as well as the general approach of incremental application of general tort principles tempered by particular concerns geared toward copyright enforcement.

C. Applying Tort Law Principles to Sony’s Betamax Technology

Sony was a difficult case inasmuch as it raised questions that went beyond existing precedents. Because the Betamax was a general purpose device, it could be used for a variety of functions, some infringing and others not. As the studios optimistically hoped, a mechanical application of the contributory liability standard – “one who, with knowledge of the infringing activity, induces, causes, or materially contributes to the infringing conduct of another”⁴⁵² – could ensnare the Betamax. But to do so would have required exegesis of the “nice questions” left unresolved in *Kalem*.⁴⁵³ It would also have jeopardized the Xerox machine, as Stephen Kroft was forced to acknowledge during oral argument.⁴⁵⁴ Manufacturers of cameras and typewriters would not have been far behind. Such a result would have crafted new precedent with startling implications.

The Supreme Court solved the problem by importing into copyright law a broad safe harbor from patent law. Yet had the Supreme Court appreciated the text and legislative history of the 1976 Act as well as the rich copyright jurisprudence that it perpetuated, it would have recognized instead the need to look to tort principles and copyright policies in developing a more analytical, robust, and prudent approach.

1. Tort Law – General Principles

Recognition that indirect copyright liability derives from tort law principles does not so much provide a single mandated solution to the problem of indirect copyright liability as a framework for adapting the law of copyright liability to new technologies and other challenges. Tort law is hardly monolithic. As noted in the classic treatise, “[i]n so broad a field, where so many different types of individual interests are involved, and they may be invaded by so many kinds of conduct, it is not easy to find any single guiding principle which determines when such

⁴⁵¹ See 443 F.2d at 1162.

⁴⁵² *Id.*

⁴⁵³ 222 U.S. at 62.

⁴⁵⁴ 1983 U.S. TRANS LEXIS 10 at 22-23.

compensation is to be paid . . .”⁴⁵⁵ At its core, tort law seeks to impose liability on conduct that is “socially unreasonable.”⁴⁵⁶

The common thread woven into all torts is the idea of unreasonable interference with the interests of others. In many cases, of course, what is socially unreasonable will depend upon what is unreasonable from the point of view of the individual. The tort-feasor usually is held liable for acting with an intention that the law treats as unjustified, or acting in a way that departs from a reasonable standard of care. The endeavor is to find some standard of intentional interference that others may reasonably be required to endure, of unintentional interference that is reasonable under the circumstances, of the reasonable use of one’s own land, . . . – in short, to strike some reasonable balance between the plaintiff’s claim to protection against damage and the defendant’s claim to freedom of action for defendant’s own ends, and those of society, occupies a very large part of the tort opinions.⁴⁵⁷

More recent treatments talk in terms of least cost avoiders, efficient risk bearing, and optimal deterrence,⁴⁵⁸ but the basic logic remains the same.⁴⁵⁹ Drawing upon centuries of experience, tort law serves as the default framework to balance conflicting social interactions. Its doctrines reflect a dynamism driven by changes in social conditions, technology, and institutions.⁴⁶⁰

⁴⁵⁵ Prosser and Keeton on Torts, supra n. ___, at 6.

⁴⁵⁶ Id.

⁴⁵⁷ Id.

⁴⁵⁸ See Guido Calabresi, Some Thoughts on Risk Distribution and the Law of Torts, 70 Yale L.J. 499 (1961); Lewis A. Kornhauser, An Economic Analysis of the Choice Between Enterprise and Personal Liability for Accidents, 70 Cal. L. Rev. 1345 (1982); William M. Landes & Richard A. Posner, The Economic Structure of Tort Law (1987); Steven Shavell, Economic Analysis of Accident Law (1987); Henderson & Twerski, Closing the American Products Liability Frontier: The Rejection of Liability Without Defect, 66 N.Y.U. L. Rev. 1263 (1991) (characterizing products liability law as imposing liability “whenever the designer or marketer of a product is in a relatively better position than are users and consumers to minimize product-related risks”).

⁴⁵⁹ Judge Learned Hand’s framework for determining negligence in *United States v. Carroll Towing*, 159 F.2d 169 (2d Cir. 1947), which imposes liability where the burden of preventing injury is less than the expected injury (magnitude multiplied by probability of occurrence), has been recognized as an application of optimal deterrence principles in the law of torts. See Landes and Posner, supra n. ___, at ____.

⁴⁶⁰ See Robert L. Rabin, Enabling Torts, 49 DePaul L. Rev. 435 (1999-2000); Anita Bernstein, How to Make a New Tort: Three Paradoxes, 75 Tex. L. Rev. 1539 (1997); cf. Michael L. Rustad and Thomas H. Koenig, The Tort of Negligent Enablement of Cybercrime, 20 Berkeley Tech. L.J. 1553 (2005) (proposing a new tort).

This notion of unreasonableness – the balancing of claims where multiple legitimate interests collide – provides the key to resolving the questions raised by the *Sony* case. But before reaching specifics, it is useful to trace the general contours of tort law.

Figure 1 represents tort law principles along three principal dimensions: (1) the intention and knowledge of the alleged tortfeasor; (2) the net balance of utility and harm, broadly defined; and (3) the extent to which the alleged tortfeasor can control the harmful activity, whether through direct supervision of direct tortfeasors, design of contributory technology, or other means. At the intersection of all three axes, the putative tortfeasor has acted with the specific intention of causing harm (y axis) by engaging in an activity that causes substantial harm with no redeeming value (x axis) which could have been easily prevented through supervision or precautions by others (z axis). In this circumstance, the direct tortfeasor would be liable, as would those in a position to supervise, control, or prevent the tortious activity. Moving out from the origin, the shaded area indicates where tort principles still continue to dictate liability. But as one radiates progressively outward from the origin, the case for liability weakens against both the direct actor, and, along the z-axis, those in a position to control or prevent harm. Of course, this representation is intended to be illustrative, as tort doctrine is substantially more complicated than any three dimensional graph can distill.

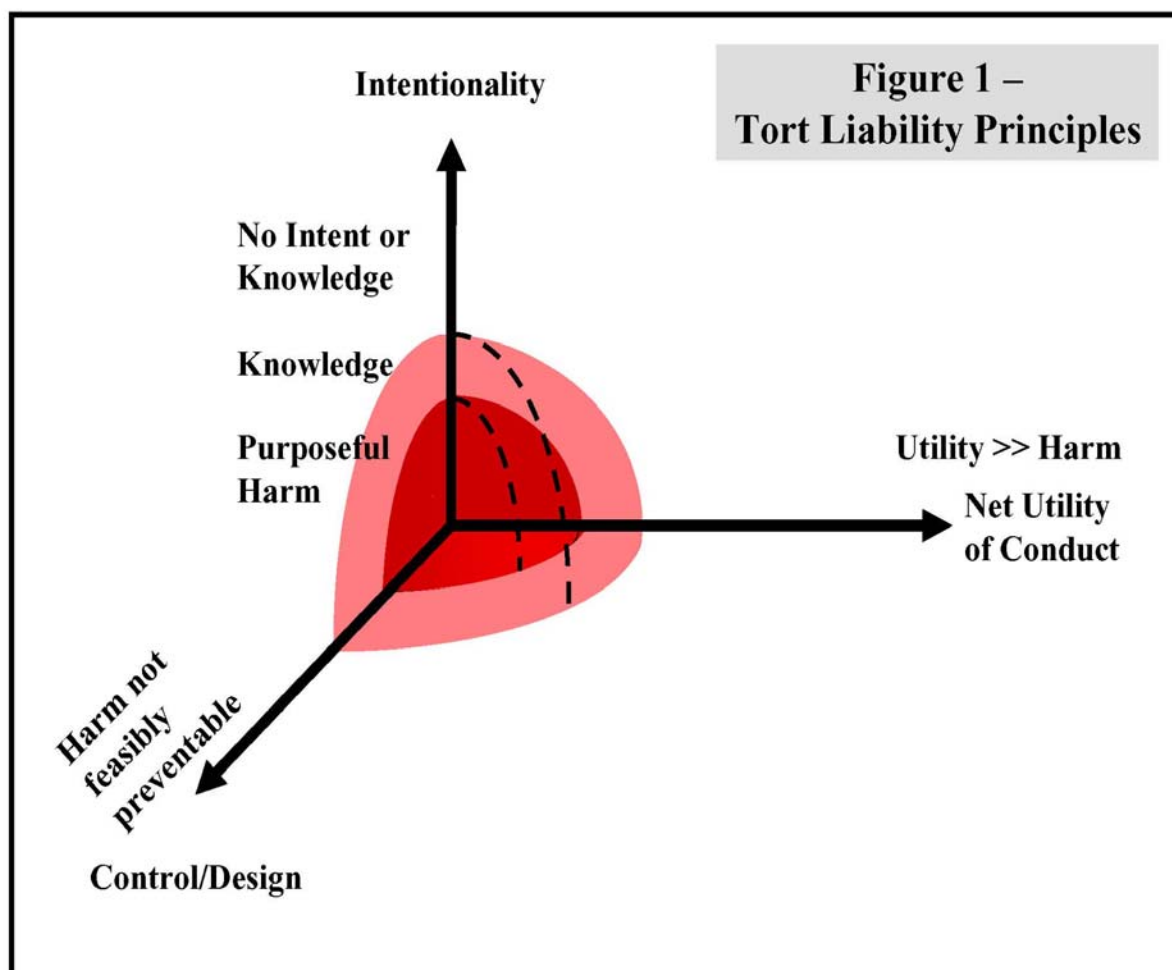
i. Intention/Knowledge

With regard to the intention/knowledge vertical (y) axis, tort law generally distinguishes between those actors who intend to cause harm⁴⁶¹ and those who engage in activities for purposes other than to cause harm, but who cause harm nonetheless.⁴⁶² The law of intentional torts imposes strict liability on those who act for the purpose of causing harm (or who intentionally assist those seeking to cause harm). Thus, the liability zone would extend in all directions at or below the “intent” boundary. The definition of intent is broad enough to encompass those who know with substantial certainty that their conduct will cause specific harm to an identifiable person or class of people.⁴⁶³

⁴⁶¹ See Restatement (Second) of Torts § 13 (1965) (battery).

⁴⁶² See Restatement (Second) of Torts § 281 (1965) (negligence).

⁴⁶³ See Restatement (Second) of Torts § 8A (1965) (definition of intent).



As we move up the intentionality axis toward generalized knowledge that some harm might result, tort law shifts from strict liability to a negligence standard – did the defendant take reasonable precautions under the circumstances to prevent an unreasonable risk of harm?⁴⁶⁴ Tort doctrine incorporates various limitations: a legal duty, breach of that duty, and a reasonably close causal relationship between the actions and the harm (“proximate cause”).⁴⁶⁵

ii. Utility/Harm Balance

The horizontal (x) axis relates to the net balance of utility and harm. Many social activities inevitably cause harm, but simultaneously yield substantial utility. The balancing of interests has been most fully developed in the context of the tort of nuisance, in which a wide range of effects and interests can be implicated. Neighboring land owners each have rights to use

⁴⁶⁴ See Restatement (Second) of Torts § 282 (1965) (definition of negligence).

⁴⁶⁵ See Restatement (Second) of Torts § 281 (1965) (elements of cause of action).

and enjoy their land. When their land uses conflict, tort law's nuisance standards provide a default regime in the absence of specific zoning or other governmental restrictions, such as environmental regulation. The *Restatement (Second) of Torts* defines a private nuisance as a substantial invasion of another's use and enjoyment of land that is either (1) "intentional and unreasonable" or (2) "unintentional and otherwise actionable under the rules controlling liability for negligent or reckless conduct, or for abnormally dangerous conditions or activities."⁴⁶⁶ Intentional conduct is unreasonable if the "gravity of the harm" outweighs the "utility of the actor's conduct."⁴⁶⁷ Courts consider the following factors in assessing the "gravity of harm":

- (a) the extent of the harm involved;
- (b) the character of the harm involved;
- (c) the social value which the law attaches to the type of use or enjoyment invaded;
- (d) the suitability of the particular use or enjoyment invaded to the character of the locality;
- (e) the burden on the person harmed of avoiding the harm.⁴⁶⁸

The utility of the conduct is based upon:

- (a) the social value which the law attaches to the primary purpose of the conduct;
- (b) the suitability of the conduct to the character of the locality;
- (c) whether it is impracticable to prevent or avoid the invasion, if the activity is maintained;
- (d) whether it is impracticable to maintain the activity if it is required to bear the cost of compensating for the invasion.⁴⁶⁹

Unintentional conduct is actionable if it is negligent or reckless, or involves abnormally dangerous conditions or activities."⁴⁷⁰ As noted above, a defendant is negligent if it does not conform to a standard of conduct that protects others from unreasonable risks; reasonableness turns on a balancing of the probability and gravity of the risk against the social utility of the

⁴⁶⁶ See Restatement (Second) of Torts § 822 (1965).

⁴⁶⁷ See Restatement (Second) of Torts § 826(a) (1965).

⁴⁶⁸ See Restatement (Second) of Torts § 827 (1965).

⁴⁶⁹ See Restatement (Second) of Torts § 828 (1965). Even if the utility of the defendant's conduct outweighs the gravity of the harm, the conduct is "unreasonable" if the harm "is serious and the financial burden of compensating for this and similar harm to others would not make the continuation of the conduct not feasible." Restatement (Second) of Torts § 826(b) (1965). Thus, in an action for damages, activities that are socially beneficial (under § 826(a)), but that nevertheless cause serious harm, are "unreasonable" unless compensation makes continuation of the activity infeasible.

⁴⁷⁰ See Restatement (Second) of Torts § 530 (1965).

conduct generating it. A defendant is strictly liable for harm resulting from abnormally dangerous activities.⁴⁷¹

In this way, nuisance law provides a sophisticated balancing framework that considers both social costs and benefits as well as the range of alternatives for avoiding harm and achieving the benefits of the disputed conduct. Tort law's treatment of the automobile provides another useful illustration of the balancing of utility and harm. Automobile transportation produces substantial social utility while causing various types of harm – ranging from accidents to air pollution. Apart from automotive safety and environmental regulation, automobile manufacturers do not generally bear responsibility for the accidental and more generalized harm inevitably caused by their products. The general benefits of automobile transportation are believed to outweigh these harms, such that car manufacturers are responsible only for product defects that unreasonably result in accidents. That brings us to the third principal dimension of tort liability.

iii. Control/Design

The orthogonal z axis in Figure 1 – labeled “control/design” – comes most significantly into play when a person or enterprise that profits from an activity can affect the likelihood and degree of harm indirectly. Thus, someone who profits from activities that cause harm and is also in a good position to supervise those activities is held responsible for them in various circumstances. The doctrine of *respondeat superior* reflects this principle. Employers bear responsibility for the actions of their employees to the extent that they cause harm within the scope of their employment. As discussed earlier, courts have expanded this doctrine to impose liability on those who employ independent contractors where the hiring party engages in negligent choices in selecting, instructing, and supervising; where the hiring party delegates duties for which it must retain legal responsibility; and in various circumstances involving the hiring party's control of the premises on which the contractor conducts its activities.⁴⁷²

Products liability law addresses another aspect of the control/design continuum. Product manufacturers can reduce harm through better design, quality control in manufacturing and testing, and the instructions that they provide for use of products. Legal sanction for defective products can be traced back many centuries to the imposition of criminal liability for those who supplied contaminated food and drink as early as the thirteenth century.⁴⁷³ With the industrial revolution of the nineteenth century, courts in many states began subjecting sellers of defective products to liability under negligence and implied warranty principles.⁴⁷⁴ Early twentieth century courts extended this liability upstream to hold product manufacturers liable for

⁴⁷¹ This doctrine traces its origin to *Rylands v. Fletcher*, 3 H.L. 330 (1868), where the court imposed strict liability for the escape of large quantities of water stored in a reservoir on defendant's land.

⁴⁷² See Restatement (Second) of Torts §§ 410-429 (1965).

⁴⁷³ See Restatement (Third) Torts: Products Liability § 1 comment a (1998).

⁴⁷⁴ See Lawrence Friedman, *A History of American Law* (1973).

foreseeable consequences of defective products.⁴⁷⁵ By the early 1960s, courts had greatly expanded and refined the reach of products liability,

recogniz[ing] that a commercial seller of any product having a manufacturing defect should be liable in tort for harm caused by the defect regardless of the plaintiff's ability to maintain a traditional negligence or warranty action. Liability attached even if the manufacturer's quality control in producing the defective product was reasonable. A plaintiff was not required to be in direct privity with the defendant seller to bring an action. Strict liability in tort for defectively manufactured products merges the concept of implied warranty, in which negligence is not required, with the tort concept of negligence, in which contractual privity is not required.⁴⁷⁶

Section 402A of the *Restatement (Second) of Torts*, adopted in 1965, was the first systematic attempt to organize this developing area of law. Its growth and overlap with warranty law led to the development of a specific *Restatement* focused on products liability in 1998, which supersedes section 402A.⁴⁷⁷ Under this codification,

A product is defective when, at the time of sale or distribution, it contains a manufacturing defect, is defective in design, or is defective because of inadequate instructions or warnings. A product:

(a) contains a manufacturing defect when the product departs from its intended design even though all possible care was exercised in the preparation and marketing of the product;

(b) is defective in design when the foreseeable risks of harm posed by the product could have been reduced or avoided by the adoption of a reasonable alternative design by the seller or other distributor, or a predecessor in the commercial chain of distribution, and the omission of the alternative design renders the product not reasonably safe;

(c) is defective because of inadequate instructions or warnings when the foreseeable risks of harm posed by the product could have been reduced or avoided by the provision of reasonable instructions or warnings by the seller or other distributor, or a predecessor in the commercial chain of distribution, and the omission of the instructions or warnings renders the product not reasonably safe.⁴⁷⁸

Imposing upstream liability for such effects creates valuable incentives to prevent and reduce harm. The risk of downstream liability encourages manufacturers to take appropriate precautions. In addition, such liability spreads the costs of accidents among the owners of the enterprise, more equitably allocating the benefits and costs of its activities and affecting their

⁴⁷⁵ See *MacPherson v. Buick Motor Co.*, 111 N.E. 1050 (N.Y. 1916).

⁴⁷⁶ *Restatement (Third) Torts: Products Liability* § 1 comment a (1998).

⁴⁷⁷ See *Restatement of the Law Third, Torts: Products Liability*.

⁴⁷⁸ *Restatement (Third) of Torts: Prod. Liab.* § 2 (1998).

investment choices in a manner that more fully reflects the full social effects. It also reduces the consumption of unreasonably risky products by increasing their cost, making them less competitive in the marketplace.⁴⁷⁹

2. Tort Law – Indirect Liability

From these general principles and doctrines of tort law, three bases of indirect liability emerge: (i) joint liability; (ii) agency/enterprise liability; and (iii) defect/design/failure to warn liability (products liability).

i. Joint Liability

Tort law imposes contributory liability under the following circumstances:

For harm resulting to a third person from the tortious conduct of another, one is subject to liability if he (a) does a tortious act in concert with the other or pursuant to a common design with him, or (b) knows that the other's conduct constitutes a breach of duty and gives substantial assistance or encouragement to the other so to conduct himself, or (c) gives substantial assistance to the other in accomplishing a tortious result and his own conduct, separately considered, constitutes a breach of duty to the third person.⁴⁸⁰

The first two prongs of this test provide the basis for indirect tort liability. Clause (a) relates to concerted action, which the *Restatement* defines as acting “in accordance with an agreement to cooperate in a particular line of conduct or to accomplish a particular result. The agreement need not be expressed in words and may be implied and understood to exist from the conduct itself.”⁴⁸¹ Clause (b) expands upon the circumstances in which the law will imply complicity to include mere knowledge of tortious activity by another in combination with “substantial assistance or encouragement.” As explained in the commentary:

Advice or encouragement to act operates as a moral support to a tortfeasor and if the act encouraged is known to be tortious it has the same effect upon the liability of the adviser as participation or physical assistance. If the encouragement or assistance is a substantial factor in causing the resulting tort, the one giving it is himself a tortfeasor and is responsible for the consequences of the other's act. This is true both when the act done is an intended trespass and when it is merely a negligent act. The rule applies whether or not the other knows his act is tortious. It

⁴⁷⁹ See Guido Calabresi, *The Cost of Accidents* 68-75 (1970); McKean, *Products Liability: Trends and Implications*, 38 U. Chi. L. Rev. 3, 41-42 (1970); Cowan, *Some Policy Bases of Products Liability*, 17 Stan. L. Rev. 1077, 1087-92 (1965).

⁴⁸⁰ Restatement (Second) Torts § 876 (1979).

⁴⁸¹ *Id.* Comment a.

likewise applies to a person who knowingly gives substantial aid to another who, as he knows, intends to do a tortious act.⁴⁸²

Tort law also imposes liability upon those who order or induce commission of a tort under circumstances in which the inducing party knows or should know that the acts encouraged would be tortious if committed by themselves.⁴⁸³ Indirect liability also extends to those who permit such acts on their premises or with their instrumentalities.⁴⁸⁴ The *Restatement* makes clear that these rules apply independent of whether the party ordering, inducing, or permitting the activity in question would be liable under an agency theory.⁴⁸⁵

Thus, these bases for liability are not so much a theory of indirect liability as a theory of joinder of all parties who contribute to the harm-producing activity. As such, they can be understood with reference to the vertical axis of Figure 1. This theory of indirect liability is based on both intent to cause harm (or knowledge that it is likely to result) and some direct contribution to or participation in the harm-producing activity.

ii. Agency/Enterprise Liability

Wholly apart from theories of concerted action and direct inducement, tort law extends liability on the basis of the enterprise in which activity occurs. Such liability derives from the ability to control tortious activity and the profit earned by the enterprise from the activity. Thus, employers bear strict liability for the tortious acts of their employees conducted within the scope of their employment.⁴⁸⁶ Tort law also extends liability to those who hire independent contractors under a wide range of circumstances in which the employer has not exercised reasonable care and/or has non-delegable duties of care:⁴⁸⁷ (1) negligence of the employer – where the employer fails to exercise due care in the hiring of the contractor, providing appropriate instructions, furnishing the contractor with appropriate equipment, or appropriately supervising the activities giving rise to foreseeable harm;⁴⁸⁸ (2) non-delegable duty – where statute, contract, or the common law impose a legal duty, a person subject to that duty may not evade liability through delegating responsibility to an independent contractor;⁴⁸⁹ and (3) control of premises – where the possessor of land fails to exercise reasonable care to prevent harm to those outside the land⁴⁹⁰ or

⁴⁸² Id. Comment d (references to illustrations omitted).

⁴⁸³ See Restatement (Second) Torts § 877(a) (1979).

⁴⁸⁴ See Restatement (Second) Torts § 877(b) (1979).

⁴⁸⁵ See Restatement (Second) Torts § 877 comments a, d (1979).

⁴⁸⁶ See Restatement (Second) Agency § 219 (1959).

⁴⁸⁷ See Prosser and Keeton on Torts, *supra* n. __, at § 71 (noting various exceptions to the general rule of immunity for the acts of independent contractors); Restatement (Second) of Torts §§ 410-29 (1965); Restatement (Second) of Agency § 2 (1958).

⁴⁸⁸ See Restatement (Second) of Torts §§ 410-15 (1965).

⁴⁸⁹ See generally Restatement (Second) Torts §§ 416-29 (1965).

⁴⁹⁰ See Restatement (Second of Agency) § 414A (1965).

where the employer knows or has reason to know that the work conducted by the independent contractor is likely to involve a trespass upon the land of another or the creation of a nuisance.⁴⁹¹ These various exceptions operate to allocate the risk of harmful activities on the party or parties best situated to avoid the harm and to spread the costs more equitably and efficiently.⁴⁹²

Unlike the joint liability theory, agency/enterprise liability is typically not premised on intent or knowledge, but rather on the goals of spreading social costs and encouraging efficient levels of supervision. Thus, it reflects the control over the tortious activity represented along the orthogonal (z) axis of Figure 1. An employer ultimately has the ability to control the activity – through hiring, training, provision of tools and equipment, and supervision. As between the employer/owner who gains financially from the profits of an enterprise, and an innocent third party who suffers from the actions of an employee, tort law imposes responsibility on the employer/enterprise for the tortious acts of the employee (and, in many circumstances, independent contractors).

iii. Products Liability

The products liability branch of indirect tort liability also relates to the orthogonal (z) axis – the ability to prevent harm through upstream choices. Tort law has long recognized that the cause of harm can be remote to its locus. A defective bolt in an automobile braking system can cause harm long after it is made and many miles down the road. By imposing liability on the manufacturer, the law forces automobile equipment manufacturers, as well as those who inspect the product along the stream of commerce, to internalize the harm at the most efficacious point in time: when the product is manufactured.

Products liability doctrine pushes further upstream than quality control in the manufacturing process. Courts also impose liability for defects in the *design* of products. Even if the bolt was properly manufactured, it might have been better for the manufacturer to have used an alternative design. Such judgments, however, are inherently speculative – What is the appropriate baseline for determining what design should have been chosen? To what extent should the additional costs of improved designed be factored into the choice? How about different performance characteristics along other safety and non-safety dimensions? How should technological feasibility be assessed?

Over the years, courts recognized that the standard had to balance a range of factors. For that reason, liability for defective design interacts with the utility-harm continuum (the x axis in

⁴⁹¹ See Restatement (Second of Agency) § 427B (1965).

⁴⁹² See Prosser and Keeton on Torts, supra n. __, at § 69; see generally Alan O. Sykes, The Boundaries of Vicarious Liability: An Economic Analysis of the Scope of Employment Rule and Related Legal Doctrines, 101 Harv. L. Rev. 563 (1988); Alan O. Sykes, The Economics of Vicarious Liability, 93 Yale L.J. 1231 (1984); Lewis A. Kornhauser, An Economic Analysis of the Choice Between Enterprise and Personal Liability for Accidents, 70 Cal. L. Rev. 1345 (1982); Guido Calabresi, Some Thoughts on Risk Distribution and the Law of Torts, 70 Yale L.J. 499 (1961).

Figure 1). Products are not defective merely because they are dangerous.⁴⁹³ Automobiles that could travel no more than 20 miles per hour would undoubtedly reduce the number and severity of accidents, but not without substantial social cost. Design defectiveness entails a multi-faceted balancing of risk and utility.⁴⁹⁴ This task entails examination of the magnitude and probability of the foreseeable risks of harm, the instructions and warnings accompanying the product, the nature and strength of consumer expectations regarding the product, production costs of alternative designs, and attributes of the alternative design (product longevity, maintenance, repair, and aesthetics).⁴⁹⁵

Furthermore, it would be unduly burdensome to require product manufacturers to prove that their products embody the most appropriate design. Rather, courts require *plaintiffs* to establish the feasibility, as of the time of manufacture, of a reasonable alternative design that would have reduced the foreseeable risks of harm.⁴⁹⁶ In essence, plaintiffs must show that the reasonable alternative design was reasonably foreseeable to product manufacturers. In this way, the legal standard has a dynamic quality, with the threshold for precaution rising with technological advance.⁴⁹⁷

3. The Role of Tort Law Principles in Shaping Indirect Copyright Liability

With that capsule exposition of tort doctrine in mind, it is possible to appreciate the richness of copyright doctrine. Over the decades before *Sony* was decided, courts looked to general tort principles to develop the law of indirect copyright liability. The various copyright doctrines fall into the first two branches of indirect tort liability jurisprudence.

i. Joint Liability

The nineteenth century case of *Fishel v. Luekel*,⁴⁹⁸ in which the defendants ordered the making of reproductions of copyrighted prints, fits squarely into the general tort category of joint

⁴⁹³ The Restatement recognizes, however, the “possibility that product sellers may be subject to liability even absent a reasonable alternative design when the product design is manifestly unreasonable.” See Restatement (Third) of Torts: Prod. Liab. § 2 comments b, c (1998).

⁴⁹⁴ See David Owen, Toward a Proper Test for Design Defectiveness: “Micro-Balancing” Costs and Benefits, 75 Tex. L. Rev. 1661 (1997); David Owen, Defectiveness Restated: Exploding the “Strict” Products Liability Myth, 1996 U. Ill. L. Rev. 743, 754-755.

⁴⁹⁵ See Restatement (Third) of Torts: Prod. Liab. § 2 comment f (1998).

⁴⁹⁶ See Madden, Products Liability vol. 1 at 299 (2d ed. 1988) (“[T]he majority rule posits that plaintiff cannot establish a prima facie case of defective design without evidence of a technologically feasible, and practicable, alternative to defendant’s product that was available at the time of manufacture.”).

⁴⁹⁷ See Restatement (Third) of Torts: Prod. Liab. § 2 comment a (1998) (rationale).

⁴⁹⁸ 53 F. 499 (S.D.N.Y. 1892).

tortfeasor.⁴⁹⁹ Although the defendants did not themselves “print or publish” the protected works, they directly participated in the illegal activity with intent and knowledge. Thus, they were liable as direct participants. Similarly, in *Gross v. Van Dyke Gravure Co.*,⁵⁰⁰ the Second Circuit extended liability to everyone in the causal chain of infringing activity. Another Second Circuit case explained that “[t]he joinder of these parties [publisher, binder, and seller of book] as defendants proceeds upon the theory that infringement of a copyright is a tort, and that all persons concerned therein are jointly and severally liable.”⁵⁰¹ Using the framework of Figure 1, these cases all fit near the bottom of the vertical (intentionality) axis. The defendants in each knowingly and directly participated in the tortious activity and thus are subject to strict liability.

The contributory copyright liability cases also fit into this category. Although involving participation less direct than that of the defendants in *Fishel v. Luekel*, these cases reflect the principle of activities conducted with a high likelihood of knowledge that others would commit copyright infringement, even in the absence of affirmative intent regarding that infringement. Thus, the making of the electrotype plate and sale to a publishing company in *Harper v. Shoppell*⁵⁰² falls within the ambit of joint tort liability. As the court noted, “the defendant *knowing* at the time of selling the plate that it would be used by the purchaser for printing and publishing in such newspaper the matter copied by defendant. Under such circumstances the defendant is in no better position than he would be if he had himself printed and published the copyrighted matter in the purchaser's newspaper . . . because . . . he is to be regarded as having sanctioned the appropriation of the plaintiffs' copyrighted matter, and occupies the position of a party acting in concert with the purchaser who printed and published it, and is responsible with him as a joint tort-feasor.”⁵⁰³

The various other cases of contributory copyright liability feature an intent/knowledge element as well as some form of concerted participation, even if only in aiding, abetting, or encouraging the infringing act. Thus, acts of inducement, reflecting intentionality although possibly more attenuated concert of action, fall within the joint liability theory.⁵⁰⁴ In *Kalem Co. v. Harper Brothers*,⁵⁰⁵ the defendants knowingly encouraged dramatization of the copyrighted work through public display of the film. The Supreme Court noted that one need not “tak[e] part in the final act” of infringement in order to be held liable.⁵⁰⁶

⁴⁹⁹ See Restatement (Second) Torts § 877(a) (1979) (imposing liability on those who order or induce another to engage in conduct that they “know[] or should know . . . would make the conduct tortious if it were [their] own”).

⁵⁰⁰ 230 Fed. 412, 414 (2d Cir. 1916).

⁵⁰¹ *American Code Co. v. Bensinger*, 282 F. 829, 834 (2d Cir. 1922).

⁵⁰² 28 F. 613 (C.C. S.D.N.Y. Sept. 8, 1886); 26 F. 519 (C.C. S.D.N.Y. Feb. 6, 1886).

⁵⁰³ 28 F. 613 (emphasis added).

⁵⁰⁴ See *Scribner v. Straus*, 210 U. S. 352 (1908).

⁵⁰⁵ 222 U.S. 55, 62-63 (1911).

⁵⁰⁶ *Id.* at 62-63.

The more recent contributory cases spell out these elements directly: “one who, with knowledge of the infringing activity, induces, causes or materially contributes to the infringing conduct of another, may be held liable as a 'contributory' infringer.”⁵⁰⁷ Contribution without concerted activity of some kind is not enough. The plaintiff studios in the *Sony* case sought to press this doctrine beyond its inherent boundaries by suggesting that contribution without intent is enough to infringe copyright indirectly.⁵⁰⁸ This fallacy was exposed by the defendants,⁵⁰⁹ and Justice Stevens,⁵¹⁰ observation that mere contribution would mean that suppliers of typewriters, photocopying machines, and cameras would be liable absent any evidence of intent.

ii. Agency/Enterprise Liability

The remaining categories of indirect copyright liability case law – *respondeat superior* and vicarious liability – fit comfortably into the agency/enterprise branch of indirect tort liability. The *respondeat superior* copyright cases apply the well-settled principle that the employer shall be responsible for the tortious acts of its employees that occur within the scope of employment. Such liability encourages the employer to take proper care in the selection, training, instruction, and supervision of employees. It also spreads the losses of infringing activity more equitably and efficiently, imposing the costs on a party who stands to benefit from the illegal activity and ameliorating the problems that can arise when the direct actor is judgment-proof.

The dance hall and hotel cases fall within this branch of tort law as well. Although the courts did not specifically apply tort law directly, the imposition of liability upon the owner of the dance hall reflected the same considerations as the exceptions that courts carved into the employer/independent contractor immunity rule. The dance hall owner exercised discretion in the choice of contractors and their instructions. They controlled the premises in which the infringing acts occurred. And the activity in question – performing dance music to audiences – involved a substantial risk of infringement of the public performance right in copyright-protected musical compositions. Audiences preferred to dance to music with which they were familiar, and much of the most popular dance music was protected by copyright law. Dance hall owners profited from use of their facilities and faced a potential drop in demand or lower willingness to pay if they scrupulously enforced compliance with copyright law. Thus, imposing liability served the functions of the agency/enterprise branch of indirect tort liability.⁵¹¹

⁵⁰⁷ *Gershwin Publishing Corp. v. Columbia Artists Management*, 443 F.2d 1159, 1162 (2d Cir. 1971); see *Gems-Columbia v. Mark-Fi Records*, 256 F.Supp. 399 (S.D.N.Y. 1966); *Shapiro, Bernstein & Co. v. H.L. Green Co.*, 316 F.2d 304 (2d Cir. 1963).

⁵⁰⁸ To be fair, the studios and *amici* did assert that Sony had engaged in acts of inducement. See, *supra*, n. ___. Yet fearing that Judge Ferguson’s rejection of the inducement theory might be upheld, they pushed a “mere contribution” theory as an alternative.

⁵⁰⁹ See, *supra*, n. ___.

⁵¹⁰ See, *supra*, n. ___.

⁵¹¹ The dance hall cases also can be characterized under tort law’s contributory liability jurisprudence. Tort law imposes liability on those who “permit” another to “to act upon [their] premises or with [their] instrumentalities, knowing or having reason to know that the other is acting or will act tortiously.” See Restatement (Second) Torts § 877(a) (1979).

Such cases can be understood to take into consideration the distinctive challenges of the copyright system more generally, most notably enforcement costs. Without the ability to pursue dance halls and hotels as third party infringers, copyright owners would encounter great difficulty enforcing their rights. The only recourse would be to proceed against individual performers. An early British case,⁵¹² referenced by an American case,⁵¹³ addressed this issue directly in a lawsuit against the proprietor of a dance hall who had hired an independent contractor to “to sing whatever songs he liked.”⁵¹⁴ In court, Lord Coleridge asked, “Why not sue the man who gives the representation and sings the song?” Counsel answered, “He may not be worth suing.”⁵¹⁵ The British court held the proprietor of the music hall liable. American courts adopted this same approach, even in cases in which there was much less evidence of tacit inducement. As the cases recognized, dance halls are well placed to supervise such activities. They were, in the rubric of later tort scholarship, the least cost avoiders.⁵¹⁶ The effect of this expansion of indirect copyright liability was not the end of dance halls or of public radio broadcasts in hotels. Rather, it fostered a market for blanket licensing of musical compositions to dance halls and other establishments.⁵¹⁷

As reflected in the traditional landlord cases, the scope of vicarious copyright liability was not unbounded. When the costs of supervision were disproportionate to the benefits of enforcement, the usual independent contractor rule applied. Monitoring individual general rental units for compliance with copyright law might not make much sense, whereas supervising dance halls and public hotel spaces does. Figure 2 illustrates how the dance hall and traditional landlord scenarios fall within the overall tort principle framework. The ability to control the activity might well be the same, but the intentionality in the landlord case is lower and the balance of utility and harm (without supervision) seems higher, pushing the traditional landlord scenario outside of the liability zone.

⁵¹² See *Monohan v. Taylor* (1886) 2 Law Times Rep. 685 (L.B. Div.).

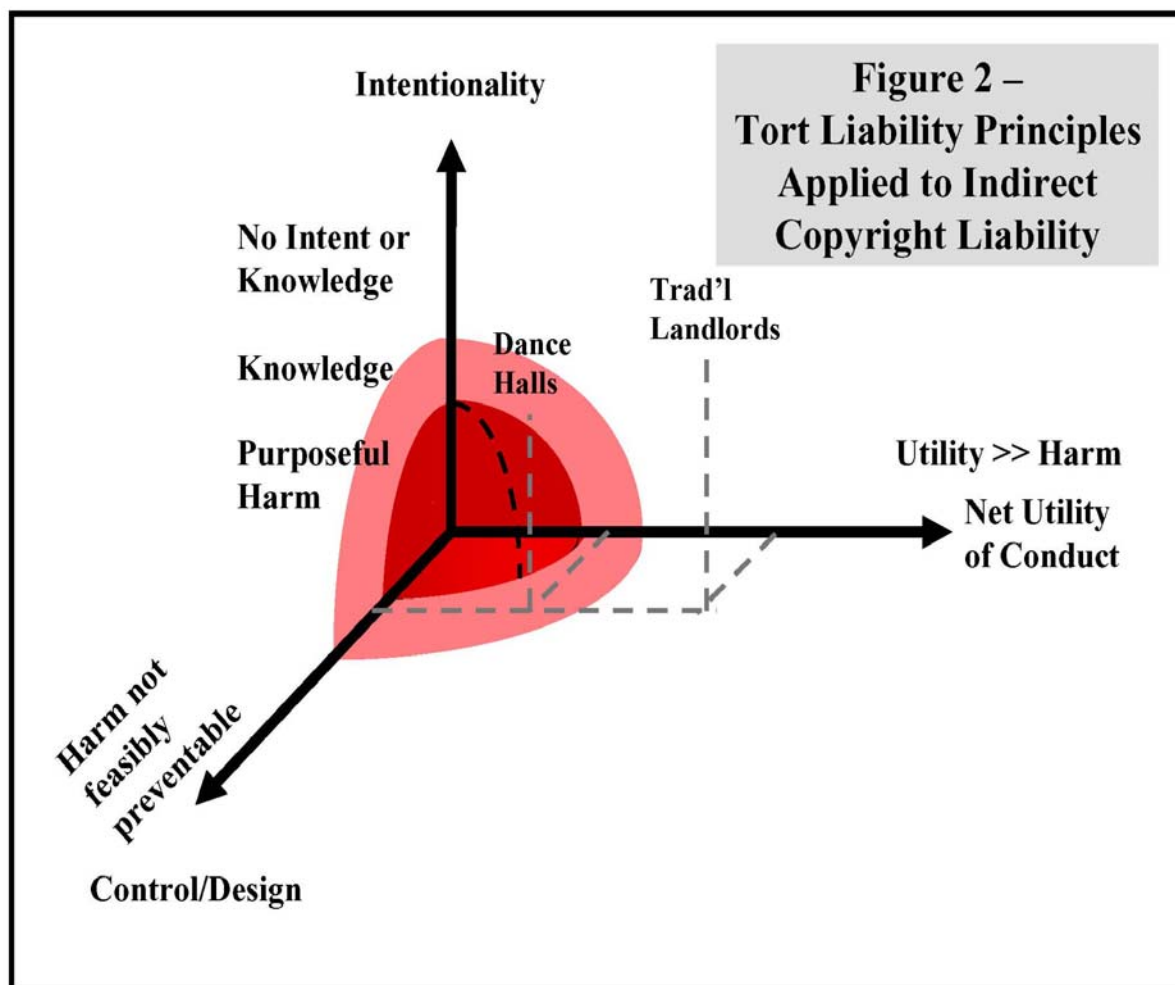
⁵¹³ See *Irving Berlin, Inc., v. Daigle*, 26 F.2d 149, 150 (D.C.La. 1928).

⁵¹⁴ *Id.*

⁵¹⁵ *Id.* at 685.

⁵¹⁶ See Guido Calabresi, *The Costs of Accidents: A Legal and Economic Analysis* (1970).

⁵¹⁷ See generally Russell Sanjek, *Pennies from Heaven: The American Popular Music Business in the Twentieth Century* (1996).



More recent cases have expanded the doctrine further, expressly bringing in concepts of extended liability from modern tort scholarship:

The enterprise and the person profiting from it are better able than either the innocent injured plaintiff or the person whose act caused the loss to distribute the costs and to shift them to others who have profited from the enterprise. In addition, placing responsibility for the loss on the enterprise has the added benefit of creating a greater incentive for the enterprise to police its operations carefully to avoid unnecessary losses.⁵¹⁸

⁵¹⁸ Polygram International Publishing, Inc. v. Nevada/TIG, Inc., 855 F.Supp. 1314, 1325 (D.Mass. 1994).

The Ninth Circuit endorsed this expansive approach to vicarious copyright liability in *Fonovisa v. Cherry Auction*,⁵¹⁹ reversing dismissal of suit against a swap meet operator alleging indirect liability for an independent vendor's sale of bootleg recordings.⁵²⁰

iii. Products Liability

Historically, the products liability branch of tort law has not played a role in the copyright cases. But *Sony* furnishes the vehicle to consider the counterfactual: how would those concepts map onto sale of a VCR? The exercise unfolds below, in the context of imagining what would have happened had the studios been allowed to pursue theories that Sony should have redesigned its product to include features along the lines of commercial squelchers or broadcast flags.⁵²¹

4. Applying Tort Law Principles to the *Sony* Case

By overlooking the text and legislative background of the Copyright Act of 1976 and setting forth a flawed theory of copyright (and patent) history, the Supreme Court invoked patent law to sidestep exploring the implications of tort law principles in the *Sony* case. Yet tort principles would have provided a rich body of logic for developing a sound default structure for addressing the issues presented.⁵²² Based on the foregoing, the plaintiff studios had two potential theories of indirect copyright liability: (1) that Sony had induced infringement through affirmative acts (such as advertising how the Betamax could be used to commit infringement) in combination with the provision of the means for committing such acts); and (2) that a reasonable alternative design for the VCR was available that could have afforded much of the utility of the Sony Betamax with substantially lower risk of infringement.

i. Contributory Liability (Inducement) Theory

As alluded to above, the plaintiffs tried to fit the *Sony* case into the joint liability category. But the argument that Sony acted “in concert” with home tapers was too far a stretch. The next best hope was an encouragement or inducement theory. Both theories, however, required Sony to know or have reason to know that home taping was illegal. Given the uncertainty, and the ultimate fair use determination, this prong was complicated and not assured.

⁵¹⁹ 76 F.3d 259 (9th Cir. 1996).

⁵²⁰ See also *Hard Rock Cafe Licensing Corp. v. Concession Services, Inc.*, 955 F.2d 1143 (7th Cir. 1992).

⁵²¹ See part __ part __ *infra*.

⁵²² We previewed this analysis in Brief of Professors Peter S. Menell, David Nimmer, Robert P. Merges, and Justin Hughes, as Amici Curiae in Support of Petitioners, *MGM Inc. v. Grokster, Ltd.*, reprinted in 20 *Berkeley Tech. L.J.* 511 (2005). Professor Alfred Yen has also explored the role of tort law in addressing indirect copyright liability. See Alfred C. Yen, *Sony, Tort Doctrines, and the Puzzle of Peer-to-Peer*, 55 *Case Western Reserve L. Rev.* 815 (2005).

Even if the knowledge element could have been established, there needed to be substantial encouragement of tortious activity. In order to make that theory work, however, the plaintiffs would have needed to focus more directly on evidence showing that Sony had substantially encouraged or induced infringement,⁵²³ not merely that Sony had supplied a device that could be used illegally. Judge Ferguson found that Sony's allegedly inducing acts – advertisements playing up the Betamax's abilities to record classic films and to create libraries⁵²⁴ -- did not induce material reliance.

Even if the plaintiffs had prevailed on such a theory, that victory would have been pyrrhic. All newcomers would act free of exposure under this infringement theory, so long as they refrained from engaging in the type of advertising campaign that ensnared Sony.

ii. Reasonable Alternative Design Theory

A design defect theory could have yielded a more meaningful remedy. This theory, however, would not have likely succeeded under the facts posed in the *Sony* case. Nonetheless, recognition and explication of this theory would have provided a more sound framework for future applications of indirect copyright liability.

The *Sony* plaintiffs were clearly aware of the design defect theory – witness their efforts to offer the testimony of an engineer to show that Sony could have designed its VCR device in such a way as to record only those programs broadcast with authorization to make copies.⁵²⁵ Putting aside the technical details – as well as the need to coordinate among many industry players and problems of circumvention – such evidence would have been relevant to proving the availability of an alternate design. The questions would remain:

⁵²³ See Restatement (Second) Torts § 876 comment d (1979) (“The assistance of or participation by the defendant may be so slight that he is not liable for the act of the other. In determining this, the nature of the act encouraged, the amount of assistance given by the defendant, his presence or absence at the time of the tort, his relation to the other and his state of mind are all considered.”).

As we explore in *Direct Analysis of Indirect Liability*, *supra*, n. ___, the studios' lawyers might well have prevailed on the expansive inducement theory under the Supreme Court's *Grokster* decision. See *Metro-Goldwyn-Mayer Studios Inc. v. Grokster, Ltd.*, 545 U.S. 913 (2005). See also, *infra* <Part IV – discussing the way the *Grokster* Court worked around the *Sony* decision.> We do not believe, however, that the analysis in that case is any more sound than the analysis in the *Sony* case. This may well be an example of bad law breeding more bad law. Had the *Sony* case provided a better elucidation of indirect copyright law, we believe that the *Grokster* case could have provided a more coherent resolution of the issues presented there.

⁵²⁴ See 480 F.Supp. at 460 (noting that although “Sony . . . did advertise the use of Betamax for recording favorite shows and compiling a library . . . there was no evidence that any of the copies made by Griffiths or the other individual witnesses in this suit were influenced or encouraged by these advertisements”)

⁵²⁵ See *Fast Forward*, *supra* n. ___, at 105.

- Was the design “available”?
- Did the reduction in risk of harm outweigh the loss in utility?

To explore these questions, Table 1 sketches a range of possible design changes that would alter the risk-utility balance: (1) disable the record function entirely; (2) disable the fast forward function; (3) ban the use of remote control devices to activate the VCR (or, at least, the fast forward function); (4) prevent a taper from “squenching” commercials; and (5) implement technology that would allow copying of only those broadcasts for which copying is authorized by the copyright owner(s).

Table 1: Hypothetical VCR Design Changes			
Design Change	Feasible?	Effect on Copyright Owners	Effect on Legitimate Interests of Users
Disable recording Function	Yes	Eliminates infringing uses	Eliminates noninfringing uses
Disable fast forward function	Yes	Eliminates skipping of commercials, which largely eliminates lost advertising revenue ⁵²⁶	Diminishes convenience; prevents users from customizing their viewing experience, particularly with regard to uses that do not infringe copyright (e.g., by skipping ahead in their home video of last summer’s vacation to emphasize highlights)
Ban remote control devices	Yes	Reduces skipping of commercials, which diminishes loss of potential advertising revenue	Diminishes convenience; prevents users from customizing their viewing experience, particularly with regard to uses that do not infringe copyright

⁵²⁶ This benefit to copyright owners might not have been significant at the time *Sony* arose. When the Betamax was first introduced, the only effective way to see the entirety of a television show while fast-forwarding through commercials was to focus intently on the screen to avoid overshooting the mark. At the time, advertisers accommodated themselves to this practice, ensuring that the fast flicker of images would convey to the viewers the appeal of their products. See *Fast Forward*, supra n. __, at 304-05.

Disable commercial squelching	No	Eliminates wholesale deletion of commercials, thereby reducing potential loss of advertising revenue ⁵²⁷	If keyed to a vertical blanking interval that is used only to distinguish commercials from the rest of a broadcast signal, then no loss.
Implement technology that would allow copying of only those broadcasts for which home recording is authorized	Doubtful; and likely to be prone to circumvention	Eliminates infringing uses if successful	Limits some fair uses of unauthorized content; could raise costs of devices

Feasibility. The first three design alternatives all appear to have been feasible at the time the Betamax was manufactured. They each involve disabling functions that are separate or at least separable from the other functions of the device. Still, it is possible that other vendors could supply add-on devices to enable the disabled or banned functions. But those third party activities would lie beyond Sony’s responsibility; it would be liable therefor only if it manufactured its VCR in a “manifestly unreasonable” manner,⁵²⁸ a prospect very difficult to imagine. The fourth design alternative invokes a technology that did not ripen until years after VCRs became a fixture in U.S. homes. Sony scarcely can be criticized, when first manufacturing its Betamax, for failing to anticipate subsequent generations of technology to which future innovators might migrate its advancement.

Turning to the fifth design alternative – what is now referred to as the broadcast flag⁵²⁹ – it does not appear to have been reasonably available or feasible at the time that the Sony Betamax was manufactured or, for that matter, at the time of trial or subsequent appeals. Even today, questions remain about the availability and implementation of such a system and whether it could be easily circumvented.⁵³⁰ Nonetheless, given proper recognition of tort law principles, Judge Ferguson should have allowed testimony by a qualified expert as to the feasibility of such a design alternative. From today’s vantage point, his off-the-cuff conclusion – that “some bright young engineer, unconnected with Sony, is going to come up with a device to unjam the jam”⁵³¹ – appears to be exactly correct. Still, given the tort principles in play, the studios should have

⁵²⁷ In the evolutionary arms race implicated here, advertisers could choose to forgo traditional 30- or 60-second spots in favor of product placement.

⁵²⁸ See Restatement (Third) of Torts: Prod. Liab. § 2 comments b, c (1998).

⁵²⁹ Thomas S. Fletcher, *American Library Ass’n v. FCC: Charting the Future of Content Protection for Digital Television*, 21 Berkeley Tech. L.J. 613, 617 (2006).

⁵³⁰ See *id.* at 618 (discussing the “analog hole”).

⁵³¹ See *Fast Forward*, *supra* n. ___, at 105.

been afforded a reasonable opportunity to develop competent evidence on the issue, as unlikely as it seems that they could have successfully done so.

Risk-Utility Balance: Only the first three alternatives were technologically feasible as of the time that Sony designed and manufactured Betamax machines. Accordingly, only those three survive the first stage of analysis.

Turning to the second stage, the studios would have been hard pressed to establish that the risk-utility trade-off supported any of those three potential alternative designs. This balance, in turn, depended on the extent to which VCR users engaged in infringing uses. Under the Supreme Court's ultimate finding that time shifting – the principal use of the VCR – was not infringing, disabling the recording function would have had substantial adverse impact on the legitimate interests of VCR users, with concomitantly little reduction in cognizable harm to copyright owners. Less drastic measures – such as disabling the fast forward function or banning remote devices – might have had some salutary effect on copyright owners, but would have exerted significant adverse effects on the legitimate interests of users.⁵³² The net social effects of such restrictions would have been less than compelling.⁵³³ Had it been feasible, the “broadcast flag” option might well have offered a potentially better net social balance. Given the findings on harm and the Supreme Court's ultimate ruling on fair use, however, requiring the adoption of such an alternative design would have offered relatively modest net benefits.

In sum, the Court might have determined, on the basis of the trial record, that the plaintiffs' hypothetical “reasonable alternative design” theory was incapable of being sustained and dismissed the case accordingly. Alternatively, the Court could have remanded the case for a new trial under the proper legal test, i.e., applying the appropriate tort principles. For the reasons

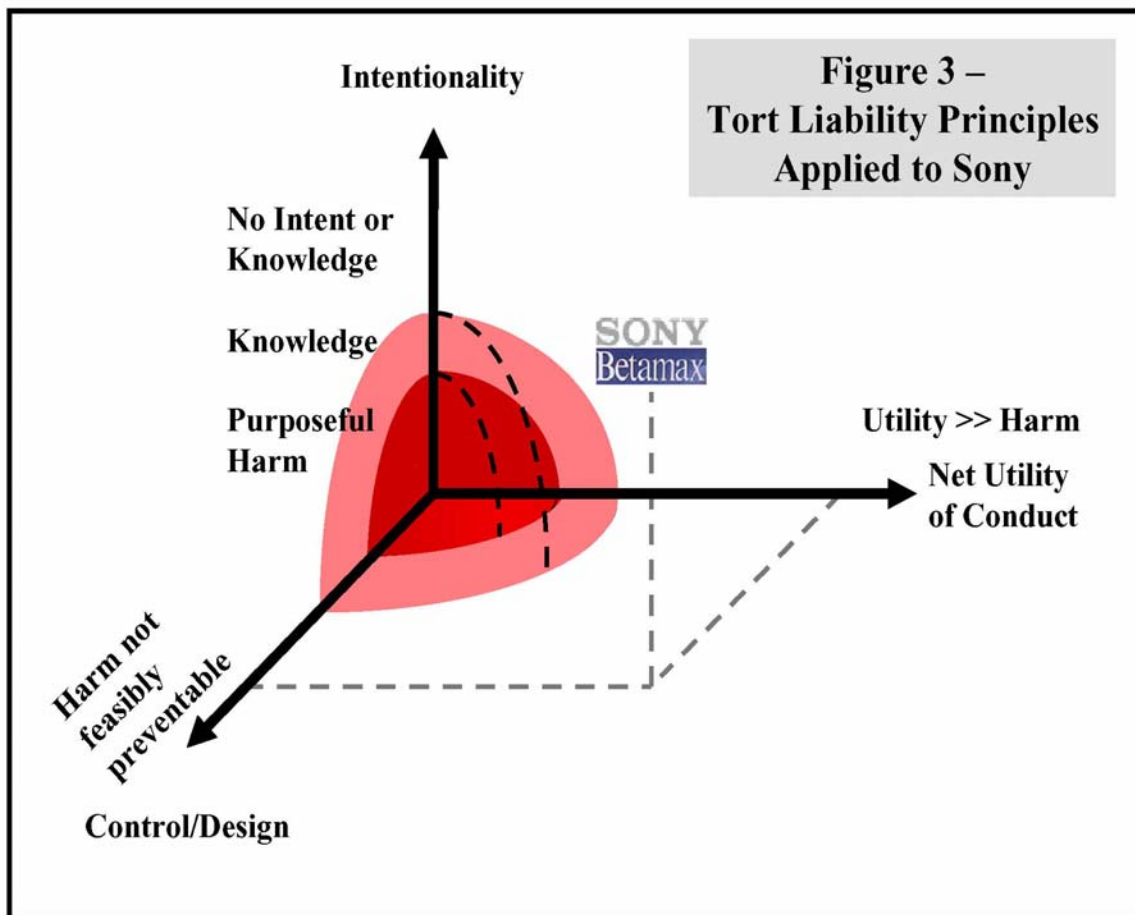
⁵³² Note that Justice O'Connor seemed concerned about the commercial skipping effect during the deliberations. In her comments to Justice Blackmun on June 21, 1983, she objected to language in his draft that would effectively exclude non-productive uses from the domain of fair use. In particular, she wanted to “open up the possibility that certain VTR use, e.g., *timeshifting with all advertisements preserved*, may be fair use because it generates de minimis harm.” See Letter from Associate Justice Sandra Day O'Connor to Associate Justice Harry A. Blackmun at 1 (Jun. 21, 1983) (emphasis added). She noted that this seemed to be Justice Brennan's concern as well. *Id.*

⁵³³ The litigation over ReplayTV's digital video recorder device – which included automatic commercial squeulching (“commercial advance”) and a 30 second skip feature – would have raised such issues had it proceeded to trial. See *MPAA v. ReplayTV*, Civ. No. 01-09801 (C.D. Cal. Filed Nov. 14, 2001). The studios ultimately dismissed their lawsuit after ReplayTV agreed to discontinue selling devices with commercial skipping features (as well the ability to distribute recorded shows over the Internet). See *ReplayTV Sez You Must Watch Ads*, *Wired* (Jun. 11, 2003) <<http://www.wired.com/news/business/1,59198-0.html>>.

The issue continues to reverberate. See *Twentieth Century Fox, et al. v. Cablevision Systems Holding System*, Civil Action No. 06 CV 3990 (S.D.N.Y. 2006) (filed May 24, 2006) (centralized recording of programming for video-on-demand access) (available at <http://www.ipcentral.info/blogstuff/062906.pdf>); *Cablevision Sued Over On-Demand Plans*, *ZDNet News* (Reuters) (May 25, 2006) <http://news.zdnet.com/2100-9584_22-6076828.html>

canvassed above, it seems highly unlikely that the plaintiffs could have met their burden under the pertinent tort principles.

Either way, accordingly, the Sony Betamax would have remained available in the marketplace. As reflected in Figure 3, the *Sony* facts fell outside the range of tort-based liability. Sony did not engage in concerted conduct with direct infringers. There were no reasonable alternative designs for its device that offered sufficient reductions in risk of (and harm from) infringement to counterbalance the demonstrable and significant loss in legitimate uses of the Betamax device.



Summary

It follows that the *Sony* case would not have come out differently had the Supreme Court applied tort principles instead of advertent to patent law. So why all the fuss—in other words, why rehash an old case, if the end result would be that the studios would have ultimately lost their case under proper tort principles, no less than they actually did under supposedly inapplicable patent doctrine? Because the *Sony* case has led the law of indirect copyright liability astray. The Court's failure to apply tort principles has unnecessarily distorted the

incentives of technology developers by holding out a broad safe harbor not based on sound reasoning. In fact, careful application of the principles explored herein would have provided a limited immunity to technology companies while creating ongoing incentives to develop products that balance the fuller range of consequences. By applying tort law standards, the Court would have been faithful to congressional intent and would have created a more flexible framework for addressing the challenges of new technology.⁵³⁴ It would have fostered dynamic incentives for technology and content industries.⁵³⁵

The possibility of such upstream liability creates worthwhile incentives for reducing infringement. As in product liability law, product manufacturers will have to give some thought to the larger social and economic effects of their products. At the same time, such liability could have chilling effects on the development of new technology that could be of great social utility.⁵³⁶ But here again, tort law's thresholds for liability (concerning remoteness of harm) and its reasonableness standards provide a balancing framework for determining the scope of liability – both the extent of direct liability as well as the exposure for upstream product suppliers.⁵³⁷ Courts could cabin this liability by imposing upon copyright owners the burden to prove the availability of feasible technologies and that such technologies would not reduce net social utility.

Tort law principles could also have been read to allow the studios to argue that they should be entitled to compensation even if the utility of VCR products, however designed, outweighed their harm. As noted above, nuisance law provides for compensation if the harm “is serious and the financial burden of compensating for this and similar harm to others would not make the continuation of the conduct not feasible.”⁵³⁸ It seems unlikely that the studios could have met this burden. At trial, they adduced little credible evidence of harm. Furthermore, the costs of putting in place a fair compensatory mechanism would have been great and might have jeopardized the VCR business.

⁵³⁴ See Yen, *supra* n. ___, at 844 (observing that “[t]he conflicts between *Aimster* and *Sony* exemplify the problems that arise because the law of third party copyright liability is too clumsy to support a sophisticated analysis of the peer-to-peer puzzle”).

⁵³⁵ See Picker, *supra* n. ___.

⁵³⁶ See R. Anthony Reese, *The Problems of Judging Young Technologies: A Comment on Sony, Tort Doctrines, and the Puzzle of Peer-to-Peer*, 55 *Case Western Reserve L. Rev.* 877 (2005).

⁵³⁷ See Randall C. Picker, *Rewinding Sony: The Evolving Product, Phoning Home and the Duty of Ongoing Design*, 55 *Case Western Reserve L. Rev.* 749 (2005); Brief of Professors Peter S. Menell, David Nimmer, Robert P. Merges, and Justin Hughes, *supra* n. ___; cf. Douglas Lichtman & William Landes, *Indirect Liability for Copyright Infringement: An Economic Perspective*, 16 *Harv. J. Law & Tech.* 395 (2003); *In re Aimster Copyright Litigation*, 334 F.3d 643 (7th Cir. 2003).

⁵³⁸ Restatement (Second) of Torts § 826(b).

The concern should not be underestimated that application of harsh liability standards could discourage nascent technologies. Certainly, the specter of large statutory damage awards exists⁵³⁹ and would be exacerbated by a broader scope of copyright liability. The solution for this problem, however, is for Congress to revisit the damage provisions of the Copyright Act and possibly other issues for the digital age.⁵⁴⁰ Congress needs to take up such questions and consider the full range of institutional regimes available to guide copyright as technology advances.⁵⁴¹

In fact, that process has already begun. Congress has altered the Copyright Act in numerous particulars since *Sony* was handed down. Although those amendments do not directly address *Sony*, they undermine many of its assumptions. The next section turns to the details.

IV. *Sony's* Reception: 1984-2004

The foregoing raises the question of how the *Sony* Court's "staple article of commerce" doctrine should be understood. At one extreme, the Supreme Court's decision could be read as literally splicing section 271(c) of the Patent Act directly into the Copyright Act for all future cases. At the other, the decision could be understood solely as resolving the Sony Corporation's indirect liability as of 1984, leaving future courts free to interpret the Copyright Act as needed to resolve the issues posed by later technologies. If the rule were limited to the specific facts of the *Sony* case, the concerns raised herein would be of only historical significance. But notwithstanding the majority's professed caution in drawing upon a provision of another statute in interpreting silence in a later enactment, the "staple article of commerce" rule that the Court adopted holds broad ramifications for the dawning digital age. Digital technology industries have contended that this was all for the good, applauding the "freedom to invent" that the "staple article of commerce" principle promotes.⁵⁴² Content industries have worried that such immunity for foreseeable, potentially rampant harms threatens to disrupt important markets and hamper artists' and producers' ability to distribute their works through the most effective channels.

Subsequent history supports the wisdom of the *Sony* **outcome** at the same time that it vindicates both the hopes of the technology industries and the fears of the content industries.

⁵³⁹ See *UMG Recordings, Inc. v. MP3.com, Inc.*, 92 F.Supp.2d 359 (S.D.N.Y. 2000) (awarding \$53.4 million in copyright damages against company that developed a questionable on-line music locker service).

⁵⁴⁰ See Peter S. Menell and David Nimmer, *Direct Analysis of Indirect Copyright Liability* (in process).

⁵⁴¹ See *id.*

⁵⁴² See John Borland, *File Swapping vs. Hollywood*, C|Net News.com (Jan. 25, 2005) ("Consumer electronics and computer makers see th[e] *Sony* ruling as having protected the development and sale of everything from Apple Computer's iPod to an ordinary PC.") http://news.com.com/File+swapping+vs.+Hollywood/2100-1032_3-5548781.html

Rather than destroy the film industry – as Jack Valenti infamously predicted⁵⁴³ – the VCR proved a great boon to motion picture studios, consumer electronics makers, and consumers alike. In little more than a decade after the *Sony* decision, revenue from the sale and rental of videotapes eclipsed box office revenues.⁵⁴⁴ Although a contrary result in *Sony* might well have led to the development of a market for playback-only video devices or a licensing framework, it is unlikely that consumers would have adopted the technology nearly as fast as they purchased VCRs, fueling the rapid expansion of the video sale and rental marketplace in the mid to late 1980s. Contrary to the studios' dire predictions and consistent with Judge Ferguson's fair use finding, the VCR did not harm the motion picture industry. Yet at the same time, new forms of digital technology – such as largely anonymous peer-to-peer distribution systems – have disrupted content markets and complicated the roll-out of vast libraries of content. The *Sony* safe harbor has spawned an environment in which some technologists design software and products based not on what is socially optimal – in terms of balancing functionality against adverse impacts – but rather on how to avoid liability for clearly foreseeable and manageable harms.⁵⁴⁵

⁵⁴³ See Home Recording of Copyrighted Works: Hearings on H.R. 4783, H.R. 4794, H.R. 4808, H.R. 5250, H.R. 5488, and H.R. 5705 Before the H. Subcomm. on Courts, Civil Liberties, and the Admin. of Justice of the Comm. on the Judiciary, 97th Cong. 8 (1982) (statement of Jack Valenti) (suggesting that "the VCR is to the American film producer and the American public as the Boston strangler is to the woman home alone.").

⁵⁴⁴ See Harold L. Vogel, *Entertainment Industry Economics: A Guide for Financial Analyses*, Book 62 (5th ed. 2001); see also Lauren Lipton, VCR (Very Cool Revolt); Home-Taping Habits Are Lagging Behind Original Predictions, *L.A. Times*, *TV Times* p.2 (Aug. 4, 1991) (reporting that use of VCRs to record television programming had dropped significantly and just 11% of households with VCR are responsible for more than half of all the taping that occurs).

⁵⁴⁵ Using the *Sony* decision as a guide, counsel to one of the defendants in the *Grokster* case offered the following checklist for designing peer-to-peer software enterprises that will avoid copyright liability:

Can you plausibly deny what your users are up to? . . .

Have you built a level of 'plausible deniability' into your product architecture? If you promote, endorse, or facilitate the use of your product for infringing activity, you're asking for trouble. . . . Software that sends back user reports may lead to more knowledge than you want. Customer support channels can also create bad "knowledge" evidence. Instead, talk up your great legitimate capabilities, sell it (or give it away), and then leave the users alone.

Disaggregate functions . . . In order to be successful, peer-to-peer networks will require products to address numerous functional needs — search, namespace management, security, dynamic file redistribution, to take a few examples. There's no reason why one entity should try to do all of these things. . . .

This article is agnostic regarding which advocates are closer to the truth. For the reasons set forth above, we endorse the outcome of the *Sony* case at the same time that we question the jurisprudential basis for the Supreme Court's importation of a broad safe harbor from patent law.⁵⁴⁶ Although Congress' intention on the issue of indirect copyright liability as of adoption of the 1976 Act was inchoate with regard to the challenges of the digital age, we maintain that the tort principles that have guided copyright law since its development should continue to guide copyright's further evolution. Until Congress is prepared to surmount the challenges of the digital age by legislating direct solutions geared to its challenges, we believe that the tort framework offers a balanced and dynamic mechanism for addressing the many challenges of adapting copyright law to new technology. Although certainly possible, it would be purely adventitious for the Supreme Court's unsystematic analysis in the *Sony* case to have determined the optimal public policy for dramatic new technologies that might come along.

We now turn to what has come of *Sony*'s "staple article of commerce" doctrine in the two decades after the decision was rendered.⁵⁴⁷ Has Congress corrected the error? Have the courts interpreted *Sony*'s "staple article of commerce" doctrine to create broad immunity for developers of new technologies? Or have they tacitly recognized the flaws in the Supreme Court's decision and corrected them *sub silentio*? Has the marketplace perceived broad immunity for technology developers? The answers to these questions are surprisingly complex.

This approach may also have legal advantages. If Sony had not only manufactured VCRs, but also sold all the blank video tape, distributed all the TV Guides, and sponsored clubs and swap meets for VCR users, the Betamax case might have turned out differently. ... A disaggregated model, moreover, may limit what a court can order you to do to stop infringing activity by your users.

. . . Give up the EULA. . . . Although end-user license agreements ("EULAs") are ubiquitous in the software world, copyright owners have attempted to use them in P2P cases to establish "control" for vicarious liability purposes. . . .

No direct customer support. Any evidence that you have knowingly assisted an end-user in committing copyright infringement will be used against you. . . .

So let the user community support themselves in whatever forums they like. . . . Your staff can monitor forums and create FAQs that assist users with common problems, but avoid engaging in one-on-one customer support.

Fred von Lohmann, Electronic Frontier Foundation, "IAAL [I am a Lawyer]: What Peer-to-Peer Developers Need to Know about Copyright Law", § V.7 (December 2003) (http://www.eff.org/IP/P2P/p2p_copyright_wp.php).

⁵⁴⁶ See Part II *supra*.

⁵⁴⁷ For the crucial developments that occurred in 2005, see Menell & Nimmer, *supra* N.

Turning first to the legislative response to the *Sony* decision, Congress did not rush in to “save” the motion picture industry or “correct” the Supreme Court’s errors. The reasons are not hard to discern. Congress is a complex, political, over-extended, agenda-driven institution. Although it engages at times in deliberative efforts to update and systematically revise laws, as was the case with the Copyright Act of 1976, more often it deals with the most salient matters of the day. It has many more urgent things to do than to fix problems that may never manifest.⁵⁴⁸ Therefore, it is not surprising that Congress did not directly reconsider whether the *Sony* “staple article of commerce” rule comported with the 1976 Act and revise it accordingly. The motion picture industry could not point to any demonstrable harm from the proliferation of VCRs. Moreover, the outcome of the *Sony* case seems to have been consistent with a proper interpretation of the Copyright Act of 1976 and the views of a significant majority of Americans and legislators. During the pendency of and following the *Sony* decision, movie studios lobbied Congress for imposition of a levy on VCRs and tapes and a video rental right to no avail. As the digital age dawned in the late 1980s and 1990s, however, Congress enacted two pieces of legislation that contradict and at least partially overrule the broad safe harbor that *Sony* read into the Copyright Act of 1976.⁵⁴⁹ Anachronistically viewed, these enactments cast doubt on the *Sony* majority’s bold assertion that Congress intended blanket immunity for those who manufacture and distribute products that are merely capable of substantial non-infringing use. Yet they do not address the more general question of whether Congress (whether as of 1976 or as of those later amendments) supports the “staple article of commerce” safe harbor under copyright law in a direct or resounding manner. Although some floor statements of legislators sought to dispel any suggestion that *Sony*’s “staple article of commerce” rule was overturned,⁵⁵⁰ it is questionable whether those views found ultimate expression in the actual legislation.⁵⁵¹ So the legislative response failed to definitively resolve *Sony*’s status.

The further question remains how post-*Sony* cases treated the staple article of commerce doctrine. From 1984 until 2000, the Supreme Court’s “staple article of commerce” holding received little court attention. That changed dramatically in 2000, in the aftermath of Napster

⁵⁴⁸ Nonetheless, political clout has at times induced Congress to adopt amendments to the Copyright Act regarding problems that never manifested. The results have been most unfortunate. See David Nimmer, *Codifying Copyright Comprehensibly*, 51 *UCLA L. Rev.* 1233, 1327-44 (2004).

⁵⁴⁹ See part IV.A *infra*.

⁵⁵⁰ For example, one Congressman remarked, “The original version of the [DMCA] threatened this standard, imposing liability on device manufacturers if the product is of limited commercial value. * * * I’m very pleased that the conferees have meaningfully clarified that the *Sony* decision remains valid law.” 144 *Cong. Rec.* H10618 (daily ed. Oct. 12, 1998) (remarks of Rep. Klug). Others expressed similar views on the House floor. See 144 *Cong. Rec.* E2136 (Oct. 12, 1998) (remarks of Rep. Bliley). Bruce Lehman, Commissioner of Patents and Trademarks, had previously testified to Congress along the same lines. See *The WIPO Copyright Treaties Implementation Act on Online Copyright Liability Limitations Act*, Hearings Before the Subcommittee on Courts and Intellectual Property, Serial No. 33 (Sept., 16-17, 1997), at 62.

⁵⁵¹ See 3 NIMMER ON COPYRIGHT § 12A.19[B].

and the peer-to-peer revolution. The discussion below examines the trio of digital age peer-to-peer technology cases – *Napster*, *Aimster*, and *Grokster* (that last in its pre-Supreme Court instantiation) – to glean the vitality of copyright law’s “staple article of commerce” doctrine. Although none directly countermands the “staple article of commerce” rule, they each impose liability upon parasitic business models that can plausibly assert noninfringing use. In varying degrees, these decisions avoid the broad implications of *Sony* in order to restore some of the balance and dynamism that Congress intended in the liability provisions of the 1976 Act. Nonetheless, the manner in which the courts have achieved this equipoise was neither direct nor candid, resulting in an undesirable muddling of the law. Courts have distorted other doctrines in order to work around the *Sony* safe harbor. For this reason, directly confronting and correcting the *Sony* Court’s interpretive errors would more fully and transparently implement legislative intent and more effectively address the challenges of promoting the arts and technological innovation in the digital age.

The final portion of this section examines the larger effects of the *Sony* rule in the marketplace. It surveys the market, business, and strategy decisions in consumer electronics and computer marketplace over the two decades following the *Sony* decision. Although there is reason to believe that the *Sony* rule exerted some restraining influence on content industries, it would be an exaggeration to conclude that technology companies have enjoyed broad immunity from litigation or that other approaches to indirect liability – whether the dissent’s “primary use” test or the tort-based RAD framework – would have resulted in substantially different market outcomes. In fact, the pattern since the *Sony* decision shows greater resemblance to a RAD-based regime than a broad “staple article of commerce” safe harbor.

A. Legislative Activity Relating to Indirect Copyright Liability

1. Royalty and Rental Legislative Initiatives

The legislative wheels went into motion even before the *Sony* case reached the Supreme Court. A day after the Ninth Circuit’s October 19, 1981, decision declaring the Betamax in violation of copyright law, Representative Stanford Parris introduced an amendment to the Copyright Act declaring that noncommercial home use of a video recorder falls within the fair use defense.⁵⁵² Within the next month, consumer electronic manufacturers formed the Home Recording Rights Coalition (HRRC), a new lobbying organization focused on the issues surrounding home taping.⁵⁵³ By the end of that month, Sony and HRRC members had persuaded a bi-partisan group of five senators to introduce similar legislation to the Parris bill and the Senate had convened a hearing to explore the issue.⁵⁵⁴

⁵⁵² See Andrew Pollack, Video Recorder Sales Go on N.Y. Times D5 (Oct. 21, 1981); H.R. 4408, 97th Cong., 1st. Sess. (1981).

⁵⁵³ See Home Recording Rights Coalition, History - Chronology 1980's <http://www.hrrc.org/history/1980.html>

⁵⁵⁴ See PR Newswire (Nov. 30, 1981); S. 1758, 97th Cong., 1st. Sess. (1981).

Sensing the public outcry over the Ninth Circuit's decision and seeing the momentum building to undo its victory, the MPAA quickly mobilized to get its justification out to the public and its legislative proposals before Congress. In addition, the recording industry threw its hat into the legislative arena. Citing rising rates of unauthorized copying through the use of cassette tape recorders, the record companies joined forces with the MPAA. By spring 1982, Senator Charles McC. Mathias Jr. and Representative Don Edwards introduced amendments to fair use bills that would impose a royalty fee on sales of recording equipment and blank video and audio tapes.⁵⁵⁵ In addition, this legislation included a provision stating no one could rent, lease, or lend a video recording without permission of the copyright owner.

This latter provision portended significant economic consequences for the burgeoning retail video marketplace. By the early 1980s, the studios were selling a growing segment of their catalog into the video stream of commerce. Several million U.S. households owned VCRs and the video rental business had become an established part of the urban and suburban landscape. The studios were, however, disappointed by the relatively small share of the revenue that they were earning from the video marketplace. They identified the first sale doctrine⁵⁵⁶ – which allows the purchasers of copyrighted works to rent, sell, or otherwise transfer the purchased copy – as the culprit.⁵⁵⁷ If they charged a high price for videos, the market was confined largely to video rental stores, resulting in relatively low sales volume. If they moderated their price, sales increased but much of the value flowed to video retailers who benefited from the lower prices while continuing to earn the same rental fees. Efforts to restrict the retailers' activities through contract proved unworkable as retailers resold the tapes free and clear of the restrictions to other video rental stores, which could then rent them out. Thus, the film industry sought to address this problem through an amendment to exclude videos from the first sale provision.⁵⁵⁸

By mid June, the Supreme Court had granted certiorari in the *Sony* case, relieving some of the pressure on members of Congress to confront such a divisive issue. The battle, however, continued to rage, with each camp hiring powerful lobbyists to press their cause on both sides of the legislative aisle.⁵⁵⁹ The net result was stalemate, with no legislation emerging from the respective committees during the 97th Congress.

⁵⁵⁵ See Michael Wines, Entertainment Industry Wants Congress To Make a Federal Case of Home Taping, 14 National J. 813 (May 8, 1982); H.R. 5707, 97th Cong., 2d Sess. (1982).

⁵⁵⁶ 17 U.S.C. § 109.

⁵⁵⁷ See Home Truths for Hollywood, *The Economist* 78 (U.S. Edition p. 72) (Jul. 30, 1983).

⁵⁵⁸ See Copyright Draft Faces Major Problems, 106 Broadcasting 64 (May 28, 1984).

⁵⁵⁹ See Howie Kurtz, Chariots for Hire;The Full-Blown! Multimillion Dollar! Lobbying War! For the Affections of Congress! In Search of Videoland Gold!, *Wash. Post* B1 (Jul. 4, 1982).

Versions of both bills reemerged at the beginning of the 98th Congress.⁵⁶⁰ Competing studies and intensive lobbying again produced stalemate on the royalty proposals. But by the end of 1984, however, the recording industry had achieved partial success, persuading Congress to exclude sound recordings from the first sale doctrine. By that time, it became apparent that the rental of phonorecords by record stores posed a threat to the viability of the record industry. By that time, many households owned cassette players that could be patched directly into a phonograph. A growing number of record stores were renting phonorecords for 24 to 72 hour periods for fees of \$.99 to \$2.50 per disc, often at the same time selling blank audio cassette tapes.⁵⁶¹ It was obvious that most people obtaining phonorecords by rental did so for the sole purpose of making audio tape reproductions of the rented material. As this practice became more prevalent, sales of phonorecords by the record companies would be impaired. Indeed, one record store audaciously advertised: “Never, ever buy another record.”⁵⁶² In order to meet this threat to the record industry, Congress adopted the Record Rental Amendment of 1984,⁵⁶³ amending the first sale doctrine to bar rental of sound recordings except for nonprofit purposes by nonprofit libraries and educational institutions.⁵⁶⁴

The film industry’s parallel legislative initiative failed for political and substantive reasons. As part of its broader campaign opposing restrictions on the use of home recording equipment, the HRRC mobilized the growing number of retail rental establishments.⁵⁶⁵ They marshaled evidence that consumers rarely made copies of the videos they rented, instead typically watching them once. They also blunted the argument that rentals displaced sales, which had led to the Record Rental Amendment of 1984; relatively few consumers would pay \$30 or \$40 to own a video which they watched only once, whereas the record industry was built on consumers owning a phonorecord.

After the Supreme Court’s *Sony* decision, it became increasingly apparent that, rather than being harmed, the film industry was deriving a sizable and growing portion of their revenues from the sale of prerecorded videotapes. Thus, the royalty-based bailout strategy was not going to fly. But the industry still held out hope of capturing a greater share of the revenue flowing into the marketplace by obtaining greater leverage over the retail rental business. A

⁵⁶⁰ See *The Bills Are Back*, 104 *Broadcasting* 33 (Jan. 31, 1983).

⁵⁶¹ See H.R. Rep. No. 98-987, 98th Cong., 2d Sess. 2 (1984).

⁵⁶² See *id.*

⁵⁶³ Act of Oct. 4, 1984, Pub. L. No. 98-450, 98 Stat. 1727.

⁵⁶⁴ A half-dozen years later, Congress extended the rental ban to computer software. See *Computer Software Rental Amendments of 1990*, Pub. L. No. 101-650, 101st Cong., 2d Sess., 104 Stat. 5089, 5134-37 (1990) (codified at 17 U.S.C. §109(b)). As compared to the phonorecord situation in 1984, “the evidence is even more compelling in the case of software.” H.R. Rep. No. 101-735, 101st Cong., 2d Sess. 8 (1990) (\$495 software rented for \$35).

⁵⁶⁵ See *Fast Forward*, *supra* n. ___, at 222-27.

limitation on the first sale doctrine for prerecorded videos would serve that goal. By this time, though, the HRRC was well-positioned to counter this initiative through a true grassroots campaign. Their efforts over the previous two years had mobilized the Video Software Dealers Association, a large and growing nationwide organization, to resist any effort to subject video rentals to the control of copyright owners.⁵⁶⁶ By the end of the 1984, the film industry abandoned its legislative effort in this area as well.

The recording industry continued to press for the imposition of a royalty on recording equipment and blank tapes. By 1985, the compact disc format (CD), offering unprecedented sound quality, was gaining momentum in the marketplace. With many households owning cassette recorders, the recording industry urged the adoption of legislation to stem the losses from home taping.⁵⁶⁷ This strategy formed part of a global campaign that ultimately achieved imposition of levies in much of Europe and Australia.⁵⁶⁸ But with record labels earning healthy returns, Senator Howard Metzenbaum challenged the industry at a 1985 hearing to substantiate its claims of economic threat.⁵⁶⁹ Congress ultimately deferred the issue while asking its Office of Technology Assessment to compile a comprehensive study on the effects of home copying on the record industry.⁵⁷⁰ Record industry profits soared in the next few years as CD technology took off,⁵⁷¹ weakening the case for imposing levies. The legislative momentum stalled and the proposal died in the legislative committees.

2. The Audio Home Recording Act

A little more than a year later, the cycle of history started anew.⁵⁷² The sound recording industry again knocked on Congress' door, following announcements that digital audio tape (DAT) technology would soon be available enabling home users to make flawless copies of

⁵⁶⁶ See *id.* at 267-88.

⁵⁶⁷ See Record Industry Seeks Surcharges on Taping, *N.Y. Times*, C21 (Oct. 31, 1985).

⁵⁶⁸ See U.S. Congress, Office of Technology Assessment, *Copyright and Home Copying: Technology Challenges Law*, 120-35 OTA-CIT-422 (Washington, DC: U.S. Government Printing Office, October 1989) (hereinafter cited as *OTA Home Copying Study*).

⁵⁶⁹ See Michael Isikoff, *Metzenbaum Warns Record Industry*, *Wash. Post* E3 (Oct. 31, 1985).

⁵⁷⁰ See *OTA Home Copying Study*, *supra* n. __.

⁵⁷¹ See William K. Knoedelseder Jr., *Record Industry Is Suddenly a Smash Hit; Fueled by Boom in Compact Discs, Firms' Fortunes Have Soared*, *L.A. Times Business* p.1 (Oct. 15, 1987).

⁵⁷² The parallels extend to Sony Corporation being the target defendant giving rise to the legislative push, as set forth below. See Nimmer, *supra* N. 31, at 207.

digitally encoded CD sound recordings.⁵⁷³ The argument for protective legislation was stronger than with cassette tape recordings because DAT technology allowed for perfect copies (i.e., no degradation in sound quality across multiple generations of copies). The RIAA played up the specter of rampant piracy bringing the industry to its knees. It contended that it should not have to prove actual losses because common sense dictated that such losses would befall the industry if urgent action were not taken.

The record industry first sought to block entry of such devices into the United States through a one year moratorium on importation of DAT devices unless they included a computer chip that would block the recording of copyrighted music.⁵⁷⁴ Although this legislation ultimately stalled, threats of litigation forestalled importation of DAT machines, notwithstanding the apparent immunity offered by the *Sony* decision. But when the inevitable importation occurred, the rightsholders designated veteran songwriter Sammy Cahn as plaintiff, and once again targeted Sony as the defendant.⁵⁷⁵

The case shaped up along similar lines as the Betamax case. Sony argued that DAT technology, like VCRs and Xerox machines, had substantial non-infringing uses – such as the recording of non-copyrighted works or works with permission of the creators and home copying of CDs owned by the consumer to play on other devices (space-shifting). In fact, given the high cost and quality of these machines, their principal use was likely to be in professional recording studios. The music copyright proprietors sought to distinguish the Betamax ruling by arguing that, unlike the VCR users who were predominantly engaged in legal time-shifting (under the fair use doctrine) and not building archives of programs for repeat viewing, the primary use for DAT recorders was to build a library of music for repeated listening. Whereas videotaping did not supplant the demand for “factory TV shows” (i.e., home receptors of broadcasts), DAT taping threatened to decimate factory sales of record products.

Although Sony appeared to have the better of the argument inasmuch as under *Sony* it needed only show that DAT technology was “capable of substantial non-infringing use,” the parties settled about a year into the litigation.⁵⁷⁶ During the pendency of this litigation, the

⁵⁷³ See Mark Potts, Music Industry Girds for War Over New Tapes; Digital 'Cloning' Technology Seen as Threat to Record Sales, Wash. Post H1 (Jul. 5, 1987).

⁵⁷⁴ See Janet Clayton, U.S. Music Industry, Japanese at Odds; Bill to Limit Sale of Digital Tape Recorders Faces Test, L.A. Times Business Part 4, p. 1 (Mar. 25, 1987).

⁵⁷⁵ See *Cahn v. Sony Corp.*, 90 Civ. 4537 (S.D.N.Y. filed July 9, 1990); John Burgess, Sony Sued Over Digital Recorders; Songwriter, Publishers Seek to Block Sales, Wash. Post B8 (Jul. 11, 1990).

⁵⁷⁶ See Stephen Levine, The Digital Duel Could Be Ending; Manufacturers, Music Industry Reach Pact, Wash. Post B8 (Jul. 11, 1991). Sony's willingness to settle may have been influenced by the fact it had acquired CBS Records a few years earlier and straddled the technology and content sectors. See William K. Knoedelseder Jr. and Paul Richter, A New Spin; Sale of CBS Records Gives Tisch \$2 Billion to Spend, Sony a Chance to Start Digital Tape, L.A. Times Business Part 4, p.1 (Nov. 20, 1987); see also David E. Sanger, Sony Has High Hopes For

various interest groups hammered out a settlement that became the framework for the Audio Home Recording Act of 1992.⁵⁷⁷ The agreement also reflected a worldwide accord reached on July 28, 1989, in Athens, Greece, between record companies and hardware manufacturers.⁵⁷⁸ Other factions of the music industry nonetheless remained dissatisfied with that bilateral solution. Accordingly, further negotiations ensued among music publishers, songwriters, performing rights societies, and the groups that had previously reached agreement. By June 1991, all parties had signed onto a basic methodology⁵⁷⁹ – “an equitable solution that promises everyone a share in the benefits of the digital audio revolution”⁵⁸⁰ – which addressed all species of digital recording technologies with respect to music.⁵⁸¹ After numerous hearings and revisions,⁵⁸² Congress ultimately enacted the agreement of the affected parties into law.⁵⁸³

The AHRA prohibits the importation, manufacture, and distribution of any digital audio recording device that does not incorporate technological controls to block second-generation

Columbia Pictures, N.Y. Times (Sept. 28, 1989) Section D, p.1, col. 4 (describing Sony’s acquisition of Columbia Pictures). Sony and its fellow manufacturers, for their part, also had the incentive to offer concessions in order to free their marketing plans from the specter of injunctions and damages.

⁵⁷⁷ See S. Rep. (AHRA), p. 33 (“historic compromise” led to dropping of lawsuit and fashioning of legislative proposal).

⁵⁷⁸ See H. Rep. (AHRA), p. 9.

⁵⁷⁹ See H. Rep. (AHRA), p. 10. See S. Rep. (AHRA), pp. 32-33. “This is landmark legislation which clears the way for the next generation of home audio recording equipment and it was only worked out after years of negotiation.” 138 Cong. Rec. H9036 (daily ed. Sept. 22, 1992) (statement of Rep. McMillan).

⁵⁸⁰ See S. Rep. (AHRA), p. 40 (quoting president of Tandy Corp.). See 138 Cong. Rec. H9036 (daily ed. Sept. 22, 1992) (statement of Rep. Lent) (“This compromise bill benefits everyone concerned – the manufacturers, the recording companies and artists, and, most importantly, the consumers.”).

⁵⁸¹ “The legislation is the result of concerns over the fidelity of digital to digital copying.” 138 Cong. Rec. H9034 (daily ed. Sept. 22, 1992) (statement of Rep. Hughes). It applies to all technologies, such as Digital Audio Tape, Digital Compact Cassettes, and Mini-Discs. H. Rep. (AHRA), p. 12.

⁵⁸² In the House of Representatives alone, the bill was subject to consideration by three separate committees: Energy and Commerce, Ways and Means, and Judiciary. 138 Cong. Rec. H9035 (daily ed. Sept. 22, 1992) (statement of Rep. Collins).

⁵⁸³ Fast-forwarding, what is the upshot of this legislation? It has proven largely a dead letter. See Nimmer, *supra* N. 240, at ___.

digital copies.⁵⁸⁴ Thus, this technology regulation allows users to make digital copies from a compact disc, but not from digital copies made using this technology. In so doing, the AHRA limits the viral spread of copies. Consumers are allowed to make “one-off” copies, but prohibited from making copies from copies. In addition, the AHRA imposes levies on the sale of digital audio recording devices and blank media, the proceeds of which are divided among copyright owners. Third, it affords immunity to home tapers who make copies without direct or indirect commercial motivation. This immunity applies to both digital and analog recordings.⁵⁸⁵

3. The Digital Millennium Copyright Act

Analogous concerns in the mid 1990s prompted computer software companies and content owners to seek greater protections against digital piracy. As the Internet became a popular platform for the exchange of information, these copyright owners came to see encryption and digital rights management as a critical element in the development of the online marketplace for content. They recognized, however, that such technologies were vulnerable to hacking – unauthorized circumvention of technological protection measures (i.e., digital locks). They argued to Congress that without such protection, they would be unwilling to release content onto the Internet, which in turn would hamper the adoption of broadband services. Various other interests—ranging from Internet service providers and telecommunications companies to consumer electronic manufacturers, library associations, computer scientists, and copyright professors—expressed concern about chilling effects of such an expansion of copyright law upon those who transmit content and wish to make fair use of copyrighted works.

In 1998, Congress responded to these concerns by passing the omnibus Digital Millennium Copyright Act. Of most relevance for our present purposes, this statute prohibits circumvention of technological protection measures and bans the trafficking in digital keys.⁵⁸⁶ As explained in the Senate Report,

Due to the ease with which digital works can be copied and distributed worldwide virtually instantaneously, copyright owners will hesitate to make their works readily available on the Internet without reasonable assurance that they will be protected against massive piracy. Legislation implementing [the World Intellectual Property Organization] treaties provides this protection and creates the legal platform for launching the global digital on-line marketplace for copyrighted works. It will facilitate making available quickly and conveniently via the Internet the movies, music, software, and literary works that are the fruit of American creative genius. It will also encourage the continued growth of the

⁵⁸⁴ See 17 U.S.C. §1002(a). For a detailed discussion, see 2 NIMMER ON COPYRIGHT chap. 8B.

⁵⁸⁵ See 17 U.S.C. §1008.

⁵⁸⁶ See Digital Millennium Copyright Act of 1998 (DMCA), Pub. L. No. 105-304, 112 Stat. 2860.

existing off-line global marketplace for copyrighted works in digital format by setting strong international copyright standards.⁵⁸⁷

Like the AHRA, Title I of the DMCA goes beyond traditional copyright protections in order to address the threat of unauthorized reproduction and distribution of copyrighted works in the digital age. But rather than mandating specific technology controls like the AHRA, the DMCA focuses on ensuring the efficacy of technological control measures put in place by copyright owners. With regard to technological measures controlling access to a work (e.g., encryption governing access to an eBook), Section 1201(a) prohibits both specific acts to circumvent the technological measure⁵⁸⁸ and the manufacture, importation, trafficking in, and marketing of devices that: (1) are primarily designed or produced for the purpose of circumventing a technological measure that effectively “controls access to” a copyrighted work; (2) have only limited commercially significant purpose or use other than to circumvent such technological protection measures; or (3) are marketed for use in circumventing such technological protection measures.⁵⁸⁹ With regard to technological measures regulating use of a work where access has been lawfully obtained (e.g., through the purchase of a DVD), section 1201(b) prohibits not the act of circumvention but only trafficking in and marketing of circumvention devices. This more limited protection was purportedly designed so as not to impair users’ ability to make fair use of content to which they have been given access.⁵⁹⁰

Although it allows circumvention of use controls, the ban on trafficking of circumvention devices (including instructions) puts the means for such access beyond the reach of all but the most technically adept—those possessing the ability to decrypt restricted works.⁵⁹¹ Section 1202 further bolsters encryption efforts by prohibiting the falsification, removal, or alteration of “copyright management information,” such as identifying information, when done with the intent to encourage or conceal infringement.

The DMCA addresses the many objections and concerns raised by various groups through a complex series of narrow exemptions.⁵⁹² In order to reduce adverse effects of Section

⁵⁸⁷ S. Rep. No. 105-190, at 8 (1988); see also H. Rep. No. 105-551, pt. 2 at 23 (1998).

⁵⁸⁸ 17 U.S.C. §1201(a)(1). To circumvent a technological measure is defined as descrambling a scrambled work, decrypting an encrypted work, or “otherwise to avoid, bypass, remove, deactivate, or impair a technological measures, without the authority of the copyright owner.” 17 U.S.C. §1201(a)(3)(A).

⁵⁸⁹ 17 U.S.C. §1201(a)(2).

⁵⁹⁰ See H.R. Rep. 105-551, pt. 1, at 18 (1998); Exemption to Prohibition on Circumvention of Copyright Protection Systems for Access Control Technologies, 65 Fed. Reg. 64,557 (2000) (codified at 37 C.F.R. §201).

⁵⁹¹ See David Nimmer, A Riff on Fair Use in the Digital Millennium Copyright Act, 148 U. Pa. L. Rev. 673 (2000).

⁵⁹² Detailed exemptions exist for law enforcement activities, radio and television broadcasters, libraries, encryption researchers, filtering of content to prevent access by minors,

1201 upon fair use of copyrighted works, the DMCA authorizes the Librarian of Congress to exempt any classes of copyrighted works where persons making non-infringing uses are likely to be adversely affected by the anticircumvention ban. It also authorizes the circumvention of technological protection measures for purposes of reverse engineering of computer programs for the “sole purpose of identifying and analyzing those elements of the program that are necessary to achieve interoperability of an independently created computer program.”⁵⁹³

* * *

What do the amendments canvassed above tell us about Congressional endorsement of *Sony's* "staple article of commerce" doctrine? Directly, nothing. But in turns of sweep of the law, they paint a fascinating picture. In 1984, the Supreme Court interpreted the Copyright Act as reflecting an intent that an article that is merely capable of substantial non-infringing use stands outside of redress, even if its use in fact amounts disproportionately to copyright infringement. Yet in that same year, Congress amended the law to bar record rentals— notwithstanding that a store renting phonograph records plainly is *capable* of fostering substantial non-infringing activity along the lines of people sampling unknown recordings to determine if they want to purchase those albums. In 1990, Congress barred the activity of selling digital audio tape recorders (absent technical modifications to prevent copying of copies), notwithstanding that those DAT recorders were plainly *capable* of fostering substantial non-infringing activity along the lines of amateur bands producing product. In 1998, Congress passed the Digital Millennium Copyright Act, barring *inter alia* the sale of products that would unlock digitally locked copyrighted works, notwithstanding those products are *capable* of fostering substantial non-infringing activity along the lines of people making fair use of the digitally locked works.

In each of those instances, Congress approved legislation that had the effect of banning or restricting products or businesses that offered substantial noninfringing uses. Thus, even if the *Sony* majority had correctly read Congress' will as of adoption of the 1976 Copyright Act, later amendments evince a different sensibility, one much more in line with the RAD framework. In each of these contexts, Congress opted for policies that balanced the interests of promoting new technology with concerns about effective copyright protection.

B. The Judicial Response to *Sony's* “Staple Article of Commerce” Doctrine

Turning from Congress to the courts, what has been the subsequent judicial interpretation and application of the *Sony* “staple article of commerce” doctrine? To what extent have courts read this aspect of the *Sony* decision broadly – as having engrafted § 271(c) of the Patent Act into Title 17 – or limited its applicability to the facts of the *Sony* case?

and protection for personally identifying information. See 17.U.S.C. §§1201(d), (e), (h), (i). For commentary about composition of the DMCA, see David Nimmer, *Appreciating Legislative History*, 23 *Cardozo L. Rev.* 909 (2002).

⁵⁹³ 17 U.S.C. §1201(f)(1).

Although the fair use aspect of the *Sony* decision has been much discussed and applied,⁵⁹⁴ the ruling of the case addressing secondary liability has lain largely dormant, at least in the courts, between 1984 and 2000. Moreover, the cases in which it has arisen have tended to honor *Sony*'s "staple article of commerce" more in the breach than in the observance. Still, that dearth of case law does not mean that *Sony* has exerted no effect in the marketplace. As discussed below,⁵⁹⁵ the *Sony* "staple article of commerce" doctrine may have discouraged lawsuits against various new technologies – such as manufacturers of computers, peripheral devices (such as CD burners), portable music devices, and other forms of technology. Furthermore, as already discussed, copyright owners took some of their concerns directly to Congress. The battles over record, video, and software rental and digital audio tape (DAT) technology as well as the anticircumvention ban took place in the halls of Congress and only peripherally in the courts.

A sea change took place in 2000, however. With the proliferation of peer-to-peer technology in that year, the "staple article of commerce" doctrine moved to center stage in the courts. Since the *Napster* case was filed in 2000, two appellate courts and the Supreme Court have directly confronted the application of the rule in the digital age.

1. 1984-2000: Relative Dormancy

For the first 16 years following the *Sony* decision, only a handful of cases directly addressed the applicability of the "staple article of commerce" rule and only one found the defense available. In the other cases, the courts seemed to be more influenced by basic tort principles.

The first decision, *RCA Records, A Div. of RCA Corp. v. All-Fast Systems, Inc.*,⁵⁹⁶ was handed down eight months after *Sony*. All-Fast Systems operated a retail photocopying service. In addition, it offered a service where customers could duplicate cassette tapes using a "Rezound" cassette-copying machine. The evidence in the case showed that employees of All-Fast Systems used the Rezound machine to make cassette copies of pre-recorded copyrighted tapes marked with copyright notices provided by customers. In holding All-Fast Systems liable, the court distinguished *Sony* on the grounds that the commercial operator – as distinguished from

⁵⁹⁴ The fair use aspect of the *Sony* case has been cited in literally hundreds of cases. See, e.g., *Campbell v. Acuff-Rose Music, Inc.*, 510 U.S. 569, 577-92 (1994); *Harper & Row Publishers, Inc. v. Nation Enterprises*, 471 U.S. 539, 562 (1985); *American Geophysical Union v. Texaco Inc.*, 37 F.3d 881, 916 (2d Cir. 1994). It has also been the subject of extensive legal scholarship. See, e.g., Frank Pasquale, *Breaking the Vicious Circularity: Sony's Contribution to the Fair Use Doctrine*, 55 Case W. Res. L. Rev. 777 (2005); Leval, *Toward a Fair Use Standard*, 103 Harv. L. Rev. 1105 (1990); Lloyd L. Weinreb, *Fair's Fair: A Comment on the Fair Use Doctrine*, 103 Harv. L. Rev. 1137 (1990); William W. Fisher III, *Reconstructing the Fair Use Doctrine*, 101 Harv. L. Rev. 1659 (1988).

⁵⁹⁵ See *infra* <Section IVC>

⁵⁹⁶ 594 F.Supp. 335 (S.D.N.Y. 1984).

the manufacturer – of a duplicating machine may be liable as a contributory infringer for providing the duplicating facilities to private customers and furnishing assistance in the duplicating process. In a later case raising similar facts, the commercial operators of a Rezound cassette-duplicating machine were held liable as direct infringers.⁵⁹⁷ The *Sony* decision undoubtedly dissuaded RCA from suing the manufacturer of the Rezound cassette-copying machine. Yet in terms of actual holding, the *Sony* safe harbor provided no refuge to the defendants actually sued. Instead, liability attached to those directly involved in the infringing activity.

The *Sony* rule next arose, again indirectly, in *Vault Corp. v. Quaid Software Ltd.*⁵⁹⁸ Plaintiff Vault produced PROLOK, a lock-out technology that prevented copies of computer diskettes from operating. Quaid Software produced a product called CopyWrite which unlocked Vault's protective feature, enabling copies of the encrypted diskettes to run as though they were the original. Vault brought suit against Quaid, claiming that the CopyWrite program contributed to the infringement of copyrighted works. Quaid defended this claim on the ground that its software product served a substantial noninfringing use – allowing purchasers of programs on PROLOK diskettes to make archival copies.⁵⁹⁹ The court recognized the over-inclusiveness of the *Sony* rule:

Software producers should perhaps be entitled to protect their product from improper duplication, and Vault's PROLOK may satisfy producers and most purchasers on this score – if PROLOK cannot be copied by the purchaser onto a CopyWrite diskette without infringing the PROLOK copyright. That result does have appeal, but we believe it is an appeal that must be made to Congress. '[I]t is not our job to apply laws that have not yet been written.' *Sony*, 464 U.S. at 456.⁶⁰⁰

A decade later in the DMCA, Congress weighed in on this issue by imposing liability on companies trafficking in decryption keys.⁶⁰¹

In *Cable/Home Communication Corp. v. Network Productions*,⁶⁰² decided in 1990, the Eleventh Circuit considered itself bound to only a loose application (if that) of the *Sony* rule. The defendants developed, promoted, and distributed computer devices for decrypting encoded pay-per-view television broadcasting made available by the plaintiffs through satellite transmissions. The plaintiffs sued for both direct copyright infringement – based on reproduction and distribution of the plaintiffs' copyrighted computer software in its decryption device – and

⁵⁹⁷ See *RCA/Ariola Int'l, Inc. v. Thomas & Grayston Co.*, 845 F.2d 773 (8th Cir. 1988).

⁵⁹⁸ 847 F.2d 255 (5th Cir. 1988).

⁵⁹⁹ See 17 U.S.C. § 117(2).

⁶⁰⁰ 847 F.2d at 266.

⁶⁰¹ See 17 U.S.C. §§ 1201(a)(2); 1201(b)(1).

⁶⁰² 902 F.2d 829 (11th Cir. 1990).

contributory copyright infringement – based on its customers’ use of the defendants’ devices to access plaintiffs’ copyrighted subscription television programming without authorization. Network Productions defended the contributory infringement claim under the *Sony* “staple article of commerce” safe harbor, contending that it “sold the Dealer Demo chip to satellite dish dealers for the purpose of demonstrating programming, that the installation of a socket in the slot containing the U-30 chip facilitated the insertion of a repair or diagnostic chip, and that the Bag-O-Parts kit was a device to ‘clean up’ old video tapes.”⁶⁰³ In dismissing this contention, the court departed from the letter of the *Sony* rule. “While these alternative uses may be legitimate, we are not convinced that defendants-appellants used, promoted and sold these devices for any purpose other than to compromise the VideoCipher®II.”⁶⁰⁴ In essence, the court applied a subjective intent-based standard without directly addressing whether the asserted non-infringing uses were “substantial.” Although the court’s indirect copyright ruling could have been equally well supported under an inducement theory, it is notable that the court did not adhere to the dictates of *Sony*. Instead, it appears to have imported a tort-based framework, sidestepping the safe harbor, based on evidence of intentional wrongdoing.

The *Sony* “staple article of commerce” doctrine did not arise directly again until 1996.⁶⁰⁵ In *A & M Records, Inc. v. Abdullah*,⁶⁰⁶ defendant Abdullah operated General Audio Video Cassettes (GAVC), a company that sold blank audiotapes and duplicating equipment. Although such products can certainly be used for non-infringing uses, the court rejected the defendant’s *Sony* defense on three grounds:

First, the Supreme Court developed the *Sony* doctrine by borrowing a concept from patent law, which provides that the sale of a “staple article or commodity of commerce suitable for substantial noninfringing use” cannot constitute contributory infringement. See 35 U.S.C. § 271(c) (1984); *Sony* at 439-40). Arguably, the *Sony* doctrine only applies to “staple articles or commodities of commerce,” such as VCR’s, photocopiers, and blank, standard-length cassette tapes. Its protection would not extend to products specifically manufactured for counterfeiting activity, even if such products have substantial noninfringing uses. Second, even if the *Sony* doctrine does apply to items specifically designed for counterfeit use, *Sony* requires that the product being sold have a “substantial” noninfringing use, and although time-loaded cassettes can be used for legitimate

⁶⁰³ 902 F.2d at 846, n.30.

⁶⁰⁴ See *id.*

⁶⁰⁵ It arose indirectly, however, in *Lewis Galoob Toys, Inc. v. Nintendo of Am., Inc.*, 964 F.2d 965 (9th Cir. 1992). The Ninth Circuit there quoted *Sony* for the vague *desideratum* about protecting “society’s competing interest in the free flow of ideas, information, and commerce.” *Id.* at 969. But, for analysis, this case actually relied on *Midway Mfg. Co. v. Artic Intern., Inc.*, 704 F.2d 1009, 1013 (7th Cir. 1983), discussed in n. **__Error! Bookmark not defined.** *supra*.

⁶⁰⁶ 948 F.Supp. 1449 (C.D.Cal. 1996).

purposes, these purposes are insubstantial given the number of Mr. Abdallah's customers that were using them for counterfeiting purposes.

Finally, even if *Sony* protected the defendant's sale of a product specifically designed for counterfeiters to a known counterfeiter, the evidence in this case indicated that Mr. Abdallah's actions went far beyond merely selling blank, time-loaded tapes. He acted as a contact between his customers and suppliers of other material necessary for counterfeiting, such as counterfeit insert cards; he sold duplicating machines to help his customers start up a counterfeiting operation or expand an existing one; he timed legitimate cassettes for his customers to assist them in ordering time-loaded cassettes; and he helped to finance some of his customers when they were starting out or needed assistance after a police raid. Therefore, even if *Sony* were to exonerate Mr. Abdallah for his selling of blank, time-loaded cassettes, this Court would conclude that Mr. Abdallah knowingly and materially contributed to the underlying counterfeiting activity.⁶⁰⁷

That excerpt reads the *Sony* precedent narrowly. When a defendant such as Abdallah comes to court having offered a product that is specifically manufactured for infringing purposes, there are two possibilities. First, the court could advert to *Sony's* "staple article of commerce" doctrine, and conclude that it means what it says—there is no liability as long as the product is capable of substantial noninfringing activity. Second, the court could decline to reach that doctrine, to the extent that the subject defendant acted for bad purposes. The Ninth Circuit in this case adopted the latter expedient. Its conclusion that *Sony's* "protection would not extend to products specifically manufactured for counterfeiting activity, even if such products have substantial noninfringing uses" subordinates the "staple article of commerce" doctrine in a manner not present on the face of the *Sony* opinion, in order to avoid what it perceives to be the intentional aiding and abetting of counterfeiting activities. Thus does this opinion avoid an expansive reading of *Sony* whereby a "bad actor" would escape liability.

In sum, during its first sixteen years, the *Sony* ruling produced victory for not a single defendant who tried to rely on its "staple article of commerce" doctrine in defense of a copyright infringement claim. Instead, those who nominally fall within its scope instead found application of the doctrine avoided, to their detriment.

2. Post-2000: “Staple Article of Commerce” Doctrine Takes Center Stage

When Congress enacted the Digital Millennium Copyright Act in late 1998, few imagined that the copyright system would be completely unprepared for the digital challenges to unfold at the turn of the millennium a year later.⁶⁰⁸ The amount of content available over the

⁶⁰⁷ *Id.* at 1456-57.

⁶⁰⁸ Even after Napster itself was enjoined, “millions of people in the United States and around the world continue to share digital.mp3 files of copyrighted recordings using P2P computer programs such as KaZaA, Morpheus, Grokster, and eDonkey.” *Recording Indus. Ass'n of Am. v. Verizon Internet Servs., Inc.*, 351 F.3d 1229, 1231 (D.C. Cir. 2003). One recording

Internet took a quantum leap in late 1999 with the introduction of Napster's peer-to-peer network technology. This technology vastly expanded the effective storage and exchange capacity of the Internet by enabling computer users running Napster's software to search the computer drives of thousands of other users for files encoded in the MP3 compression format commonly used for music files. Napster's server contained the labels of MP3 files, typically some combination of band and song titles, which could be searched by users of the Napster software. Searches produced a list of Internet addresses of computers containing the search term. The Napster software then formed a connection through the Internet to the particular computer containing the file, established a link, and then quickly and effortlessly transferred the file to the searcher's hard drive. In essence, the Napster platform converted every computer running the software and connected to Napster into a "servent"—enabling it to function as both a server and a client. Napster became the fastest adopted software application in the history of computer technology, attaining 75 million users within its relatively brief period of operation.⁶⁰⁹

Major record labels, composers, music publishers, and some recording artists attacked the problem by suing Napster for indirect copyright infringement. Although Napster did not engage in any direct acts of copying or distributing copyrighted works of others, its software in combination with its centralized indexing function facilitated rampant unauthorized distribution of copyrighted works. The alternative of suing individuals using the software would have been time consuming, expensive, and less effective in stemming the unauthorized distribution occurring through the Napster network. The district court issued a preliminary injunction and the 9th Circuit ultimately affirmed Napster's liability.⁶¹⁰

After its success against Napster, the recording industry turned its attention to other peer-to-peer services offering similar functionality. *In re Aimster Copyright Litigation*⁶¹¹ targeted a service that piggybacked on America Online's (AOL) Instant-Messaging service, allowing simultaneous users of an AOL chat room to swap files. The Seventh Circuit rejected Aimster's construction of *Sony* as immunizing the seller of a product used solely to facilitate copyright infringement if it were capable in principle of noninfringing uses.⁶¹²

artist testified to Congress "that whether we like it or not, Napster has changed everything." Online Entertainment and Copyright Law: Coming Soon to a Digital Device Near You, Hearing Before the Committee on the Judiciary, U.S. Senate, Serial No. J-107-9 (April 3, 2001) at 14 (Statement of Don Henley).

⁶⁰⁹ See 114 F. Supp. 2d at 902 ("Approximately 10,000 music files are shared per second using Napster, and every second more than 100 users attempt to connect to the system.").

⁶¹⁰ See *A&M Records v. Napster*, 114 F.Supp.2d 896 (N.D. Cal. 1999), *aff'd* 239 F.3d 1004 (9th Cir. 2001). For a critique of the Ninth Circuit's analysis, see David Nimmer, *Codifying Copyright Comprehensibly*, 51 *UCLA L. Rev.* 1233, 1355-62 (2004).

⁶¹¹ 177 F. Supp. 2d 1380 (J.P.M.L. 2001).

⁶¹² 334 F.3d 643 (7th Cir. 2003), *cert. denied* 540 U.S. 1107 (2004).

But these rulings exerted little effect. Any curtailment of unauthorized distribution of copyrighted works through peer-to-peer technology was short-lived as new peer-to-peer software enterprises, built upon less centralized software architectures, entered the market. These peer-to-peer technologies posed even greater exposure for copyright owners than Napster and Aimster because they are not limited to the distribution of music files. The new services allowed for the distribution of just about any type of file – including movies, software, photographs, and eBooks. Unlike Napster, which operated during its brief existence without any direct revenue model, many of the second generation peer-to-peer system enablers, including the defendants in this case, designed their systems to deliver advertisements (in the form of banners, pop-ups, and other text boxes that appear on users’ computer screens). Using the *Sony* “staple article of commerce” doctrine as a guide, they designed their technology in such a way as to limit their control over the peer-to-peer network, yet nonetheless derive substantial advertising revenue from the network’s use.

Not surprisingly, the litigation in each of these cases focused upon the “staple article of commerce” doctrine. The defendants claimed immunity under the *Sony* safe harbor, alleging that their peer-to-peer technology was capable of substantial non-infringing use. Yet the courts in each instance ultimately determined that the safe harbor did not shield their respective defendants from liability. In the process, the courts distorted copyright law in confusing and inconsistent ways.

i. The *Napster* Case

Napster’s peer-to-peer technology involved two principal dimensions: the software that consumers downloaded from Napster’s servers and the centralized indexing service running on Napster’s servers. Napster’s software scanned users’ hard drives to identify all files encoded in the MP3 format commonly used for compressed music. It then transmitted the file names (but not the music files themselves) to Napster’s central server, which would store the files along with a link to the user’s Internet Protocol (IP) address. Most users labeled their music files with song titles, often accompanied by the recording artist’s name. Napster users conducted searches of the files of other users by submitting a query to Napster’s central server. That server, in turn, returned a list of the locations of all files featuring the search terms. The requesting user then downloaded the file directly from another Napster user’s computer, using a standard Internet transmission protocol without any further involvement of Napster. The infringing file never crossed Napster’s server, thereby insulating Napster from any claim of direct copyright infringement. But pursuing individual Internet users for direct infringement would have been difficult, expensive, and of limited efficacy. Given the rampant unauthorized distribution of copyrighted musical compositions and sound recordings facilitated by Napster, music publishers, sound recording companies, and artists brought suit against Napster under an indirect infringement theory.⁶¹³ Napster responded with the “staple article of commerce” defense, emphasizing the use of its technology to exchange works in the public domain, songs for which the copyright owners consented, and the promotion of new artists. It fashioned its defense along the same lines as Sony Corporation, emphasizing the general purpose nature of its product and

⁶¹³ See *A&M Records, Inc. v. Napster, Inc.*, 114 F. Supp. 2d 896 (N.D. Cal. 2000).

the fact that some artists consented to having their works exchanged through the Napster network.

The district court distinguished between the scenario in *Sony*, where “the only contact between Sony and the users of the Betamax . . . occurred at the moment of sale,”⁶¹⁴ and its own case, in which “Napster, Inc. maintains and supervises an integrated system that users must access to upload or download files.”⁶¹⁵ Judge Patel rejected the notion that Napster had the potential to be used for substantial non-infringing uses,⁶¹⁶ concluding that “Napster’s primary role of facilitating the unauthorized copying and distribution [of] established artists’ songs renders *Sony* inapplicable.”⁶¹⁷

Although ultimately likewise rejecting Napster’s defense under this doctrine, the Ninth Circuit parted company with the reasoning below.⁶¹⁸ Judge Beezer rejected the district court’s focus on “current uses, ignoring the system’s capabilities.”⁶¹⁹ Regardless of present utilization, the Napster service was “capable of substantial noninfringing uses.”⁶²⁰ One need simply imagine its New Artists Program vaulting young talent to a popularity rivaling Britney Spears and Eminem. But the court distinguished between Napster’s architecture and its operation of the system whereby users exchanged songs.⁶²¹ It held the former akin to manufacturing a VCR and declined to “impute the requisite level of knowledge to Napster merely because peer-to-peer file sharing technology may be used to infringe plaintiffs’ copyrights.”⁶²² It held the latter, by contrast, outside the staple article of commerce doctrine. The distinction recognizes that a product which is manufactured and sold may qualify for immunity under *Sony*, but not a service requiring ongoing support and involvement.

⁶¹⁴ 464 U.S. at 438.

⁶¹⁵ 114 F. Supp. 2d at 917.

⁶¹⁶ Immediately after invoking “potential noninfringing uses of Napster,” the court confined its attention to the present: “the New Artist Program may not represent a substantial or commercially significant aspect of Napster.” *Id.* at 917.

⁶¹⁷ *Id.*

⁶¹⁸ 239 F.3d 1004, 1021 (9th Cir. 2001).

⁶¹⁹ “Consequently, the district court placed undue weight on the proportion of current infringing use as compared to current and future noninfringing use.” *Id.* at 1021.

⁶²⁰ 239 F.3d at 1021, quoting *Sony*, 464 U.S. at 442-43 (emphasis added by Ninth Circuit).

⁶²¹ *Id.* at 1020.

⁶²² *Id.* at 1020-21.

Accordingly, this case continues the tally from the first sixteen years of Sony's existence—once again, the targeted defendant failed to escape liability, despite its invocation of Sony's "staple article of commerce" doctrine.⁶²³

ii. The *Aimster* Case

In the wake of Napster's rise, a clever programmer developed software to combine America Online's instant messaging technology with file sharing.⁶²⁴ Unlike Napster, Aimster's peer-to-peer technology did not rely upon a central server to facilitate the sharing of files, but rather to match users.

Someone who wants to use Aimster's basic service for the first time to swap files downloads the software from Aimster's Web site and then registers on the system by entering a user name (it doesn't have to be his real name) and a password at the Web site. Having done so, he can designate any other registrant as a "buddy" and can communicate directly with all his buddies when he and they are online, attaching to his communications (which are really just e-mails) any files that he wants to share with the buddies. All communications back and forth are encrypted by the sender by means of encryption software furnished by Aimster as part of the software package downloadable at no charge from the Web site, and are decrypted by the recipient using the same Aimster-furnished software package. If the user does not designate a buddy or buddies, then all the users of the Aimster system become his buddies; that is, he can send or receive from any of them.

Users list on their computers the computer files they are willing to share. (They needn't list them separately, but can merely designate a folder in their computer that contains the files they are willing to share.) A user who wants to make a copy of a file goes online and types the name of the file he wants in his "Search For" field. Aimster's server searches the computers of those users of its software who are online and so are available to be searched for files they are willing to share, and if it finds the file that has been requested it instructs the computer in which it is housed to transmit the file to the recipient via the Internet for him to download into his computer. Once he has done this he can if he wants make the file available for sharing with other users of the Aimster system by listing it as explained above.⁶²⁵

⁶²³ See part 1 *supra*.

⁶²⁴ See Alec Klein, Going Napster One Better; Aimster Says Its File-Sharing Software Skirts Legal Quagmire, Wash. Post, Feb. 25, 2001, p. A1.

⁶²⁵ 334 F.3d at 643 (7th Cir 2003).

Music copyright owners brought suit against John Deep, Aimster's founder and chief operator,⁶²⁶ and the corporations controlling Aimster, alleging vicarious and contributory copyright infringement. The defendants asserted the *Sony* "staple article of commerce" defense, emphasizing two features of the Aimster software design: its versatility in enabling users to exchange any type of file and lack of control over users' activities.

Although Judge Posner saw the case as centering on the *Sony* decision, he effectively sidestepped the "staple article of commerce" doctrine—as had the Ninth Circuit when confronting Mr. Abdallah's conduct.⁶²⁷ Rather he deliberated over whether the *Sony* rule should be read to control the very different setting presented by peer-to-peer technology.

Although Sony could have engineered its video recorder in a way that would have reduced the likelihood of infringement, as by eliminating the fast-forward capability, or, as suggested by the dissent, *id.* at 494, by enabling broadcasters by scrambling their signal to disable the Betamax from recording their programs (for that matter, it could have been engineered to have only a play, not a recording, capability), the majority did not discuss these possibilities and we agree with the recording industry that the ability of a service provider to prevent its customers from infringing is a factor to be considered in determining whether the provider is a contributory infringer. Congress so recognized in the Digital Millennium Copyright Act . . .⁶²⁸

Judge Posner attempted to balance several competing concerns -- including the *Sony* decision's purpose of insulating providers of dual-use technology from potentially crushing liability as well as the implications of some the design choices underlying the Aimster product. Notwithstanding "the *possibility* of substantial noninfringing uses of the Aimster system"⁶²⁹ —a complete defense if *Sony's* articulation of that standard is accepted literally— defendant's case foundered on its inability to offer "any evidence that its service has ever been used for a noninfringing use, let alone evidence concerning the frequency of such uses."⁶³⁰ Perhaps inadvertently, Judge Posner

⁶²⁶ See Madster, Wikipedia (chronicling Aimster's short, but dramatic, history) <http://en.wikipedia.org/wiki/Madster>

⁶²⁷ See part __ *supra*.

⁶²⁸ *Id.* at 648.

⁶²⁹ *Id.* at 652 (emphasis original).

⁶³⁰ *Id.* at 653. The opinion quotes the finding below that Aimster had failed to offer any concrete evidence

that Aimster is *actually* used for any of the stated non-infringing purposes. Absent is any indication from real-life Aimster users that their primary use of the system is to transfer non-copyrighted files to their friends or identify users of similar interests and share information. Absent is any indication that even a single business without a network administrator uses Aimster to exchange business records

seemed to invoke the “primary use” standard from Justice Blackmun’s dissent in *Sony*.⁶³¹ He resolved contributory infringement based on a tort model reminiscent of the “least cost avoider”:

Even when there are noninfringing uses of an Internet file-sharing service, moreover, if the infringing uses are substantial then to avoid liability as a contributory infringer the provider of the service must show that it would have been disproportionately costly for him to eliminate or at least reduce substantially the infringing uses. Aimster failed to make that showing too, by failing to present evidence that the provision of an encryption capability *effective against the service provider* itself added important value to the service or saved significant cost. Aimster blinded itself in the hope that by doing so it might come within the rule of the *Sony* decision.⁶³²

This decision condemned Aimster’s “willful blindness” as tantamount to guilty knowledge⁶³³ and refused to accord it relief based on its “ostrich-like refusal to discover the extent to which its system was being used to infringe copyright.”⁶³⁴ Its 2003 ruling from the Seventh Circuit, like the 2001 *Napster* ruling from the Ninth Circuit (and, for that matter, its *Abdallah* ruling), simply extends the trend inaugurated right after the Supreme Court’s 1984 ruling. Again in these examples, no targeted defendant has escaped liability by invoking *Sony*’s “staple article of commerce” doctrine.⁶³⁵ By this time, that track record had lasted almost two decades.

iii. The *Grokster* Case

During the two years in which the *Napster* litigation unfolded, several new generations of file sharing technology evolved, ranging from the highly decentralized Gnutella platform to various intermediate architectures using a supernode structure.⁶³⁶ Internet users quickly migrated to these new architectures. Morpheus, KaZaA, and *Grokster*, all based on the supernode architecture, attracted the most users.⁶³⁷ The supernode architecture creates a pyramidal

⁶³¹ See *supra* TAN __.

⁶³² 334 F.3d at 653 (emphasis original).

⁶³³ *Id.* at 650.

⁶³⁴ *Id.* at 655.

⁶³⁵ See part 1 *supra*.

⁶³⁶ See *Napster Eclipsed by Newcomers* (Sept. 6, 2001), at <http://www.wired.com/news/business/0,1367,46596,00.html>; David P. Anderson & John Kubiawicz, *The Worldwide Computer*, SCIENTIFIC AM., Mar. 2002, at 40-47.

⁶³⁷ See Brad King, *While Napster Was Sleeping* (July 24, 2001), at <http://www.wired.com/news/mp3/0,1285,45480,00.html>; Melanie Warner, *Free Music: The New Napsters* (Aug. 12, 2002), at http://www.fortune.com/indext.jhtml?channel=print_article.jhtml&doc_id=208834.

computer network for accessing files. Each computer within the system communicates directly with other peers, with the main system server functioning solely to provide software to participate in the network and providing the Internet address of another computer in the network that functioned as a supernode, a proxy server that relayed queries and responses within the network. Once in communication with a supernode, users could submit queries to locate files with specified search terms. The system would then return the addresses of all computers containing files with files containing the search term. The requesting computer user could then download the files with the click of a button. These new peer-to-peer networks were more versatile than Napster, allowing access to any type of file (and not just MP3 formats).

Therefore, even after prevailing in the *Napster* case, the record labels found themselves back where they started. These services “marketed themselves as ‘the next Napster.’”⁶³⁸ According to Webnoize, a company that measures Internet traffic, the top four file-sharing systems were used to download more than 3 billion sound recording files in August 2001.⁶³⁹ The record labels sued the operators of the Morpheus, KaZaA, and Grokster services in October 2001.

The defendants filed a motion for summary judgment on the grounds that their software had substantial noninfringing uses and was outside of their control. Unlike Napster, their file server contained only the addresses of computers (and not file names). Also unlike Napster, their technology allowed searching for any type of file, thereby increasing the range of uses – including noninfringing uses. Users could download Shakespeare and other public domain works, scientific data, federal government documents, and many other works that were not protected by copyright. They could also download copyrighted works for which distribution was authorized. The plaintiffs countered that the predominant use (approximately 90%) of these systems was to share copyrighted works.⁶⁴⁰

Although “not blind to the possibility that Defendants may have intentionally structured their businesses to avoid secondary liability for copyright infringement, while benefiting financially from the illicit draw of their wares,” the district court granted summary judgment in favor of the defendants.⁶⁴¹ That ruling is revolutionary—it marks the first time that any defendant had successfully invoked *Sony's* “staple article of commerce” doctrine. But it also proved short-lived.

⁶³⁸ See *Metro-Goldwyn-Mayer Studios, Inc. v. Grokster, Ltd.*, 259 F. Supp. 2d 1029, 1036 (C.D. Cal. 2003), *aff'd*, 380 F.3d 1154 (9th Cir. 2004), *vacated*, 125 S. Ct. 2764 (2005).

⁶³⁹ See Brad King, *File Trading Sites in Crosshairs* (Oct. 3, 2001), at <http://www.wired.com/news/mp3/0,1285,47296,00.html>.

⁶⁴⁰ 259 F. Supp. 2d 1036-37.

⁶⁴¹ 259 F. Supp. 2d at 1046.

Before reaching the ultimate rejection of the district court's ruling, it is worth adding that the Ninth Circuit affirmed.⁶⁴² Judge Thomas upheld the undisputed finding that the peer-to-peer software at issue was capable of substantial noninfringing uses.⁶⁴³ The Ninth Circuit held defendants not culpable for contributory infringement, in light of the architecture of their decentralized system by contrast to Napster's centralized set of servers.⁶⁴⁴ Rejecting *Aimster's* tort-based analysis,⁶⁴⁵ it disallowed any separate "blind eye" theory of liability.⁶⁴⁶ This pair of rulings thus represents the only instance in the annals of copyright jurisprudence that *Sony's* "staple article of commerce" doctrine proved more than a dead letter.

It is therefore all the more remarkable that a unanimous Supreme Court vacated both *Grokster* rulings below. The sequel to this article evaluates its handiwork. Suffice it to say for now that the Court replicated the interpretive error of *Sony* by looking to yet another aspect of patent law when reading the Copyright Act, again without even bothering to analyze the Copyright Act itself and its legislative history.

* * *

The judicial record is surprising: No final judgment has ever applied *Sony's* "staple article of commerce" doctrine to immunize a defendant from liability. Courts have instead contorted their analyses to find liable those whose conduct appears blameworthy, even if that behavior nominally would fall within *Sony's* safe harbor. Thus, far from constituting the Magna Charta of the digital age,⁶⁴⁷ *Sony* seems vastly less epochal in shaping the jurisprudence.

C. The Market Response to *Sony's* "Staple Article of Commerce" Doctrine

The relative judicial dormancy of the *Sony* "staple article of commerce" doctrine from the mid-1980s through the emergence of peer-to-peer technology does not mean that the *Sony* decision was without significant real world effect. Part of the reason that the *Sony* indirect liability rule received relatively play in the courts is that content owners exercised care in choosing what to fight, where to do so, and how best to achieve their aims. Both the *Sony* case and the MPAA's failure to obtain video rental legislation taught Hollywood valuable lessons about the importance of consumer interests in the courts and Congress.⁶⁴⁸ At the same time, consumer electronics companies now possessed a liability shield and lobbying know-how, grass

⁶⁴² See 380 F.3d 1154 (9th Cir. 2004), *vacated*, 125 S. Ct. 2764 (2005).

⁶⁴³ 380 F.3d at 1161.

⁶⁴⁴ *Id.* at 1163.

⁶⁴⁵ *Id.* at 1162 n.9.

⁶⁴⁶ 380 F.3d at 1166.

⁶⁴⁷ See __ *supra*.

⁶⁴⁸ See *Fast Forward*, *supra* n. __ at 287.

roots organizing experience, and an “inside the Beltway” presence to countervail Hollywood’s legislative might. It would be a gross overstatement, however, to suggest that the *Sony* safe harbor settled the battle between content owners and technology companies. This section examines what might be called the real world “shadow”⁶⁴⁹ of the *Sony* “staple article of commerce” safe harbor.

1. Audio Cassette Technology

At the same time that the *Sony* case was wending its way through the courts, the market for home cassette recording equipment was taking off, generating fear among copyright owners about widespread home copying of sound recordings and resulting displacement of sales. Several factors weighed against direct litigation, including the fact that record companies earned substantial revenue from the sale of pre-recorded audio cassettes⁶⁵⁰ and cassette recording devices had substantial non-infringing uses – from recording a baby’s first words to taking dictation and recording telephone messages on cassette-based answering machines. Although the economic effects of audio home taping (where archiving was prevalent) differed from the patterns of video home taping (predominantly time shifting with re-recording), the *Sony* case undoubtedly stood as a major obstacle to suing manufacturers of cassette devices or blank tapes. But it certainly did not take the issue off the table.

Record companies took their complaints to Capitol Hill, arguing that cassette recording technology threatened the industry and pressing for levies on recording devices and blank media that could be used to staunch the losses due to home recording. Prior to his illustrious career as Chairman of the Federal Reserve Bank, Alan Greenspan, then Chairman and President of an economic consulting firm, served as the recording industry’s primary consultant. He testified in 1983 that

At present ... severe economic damage [is being done] to the property rights of owners of copyrights in sound recordings and musical compositions ... under present and emerging conditions, the industry simply has no out ... Unless something is done to respond to the problem, the industry itself is at risk.⁶⁵¹

The industry took particular umbrage at the introduction of dual-deck cassette recorders a short time after this testimony.⁶⁵² Stanley Gortikov, President of the Recording Industry Association of America denounced these machines:

⁶⁴⁹ Cf. Robert H. Mnookin and Lewis Kornhauser, *Bargaining in the Shadow of the Law: The Case of Divorce*, 88 *Yale Law Journal* 95 (1979).

⁶⁵⁰ In 1984, cassettes surpassed albums as the preferred format of prerecorded music, accounting for over 55% of the industry's total revenues. See Horowitz, *RIAA Figures: Cassettes Paced A Record '84*, *Billboard*, Apr. 13, 1985, at 1, col. 1.

⁶⁵¹ Testimony of Alan Greenspan, *Hearings on the Home Recording Act*, H. Rep., Subcomm. On Patents, Copyrights and Trademarks (Oct. 25, 1983).

⁶⁵² See John Pareles, *Royalties on Recorders and Blank Audio Tapes*, *N.Y. Times*, Nov. 21, 1985, at C34, col. 3.

Dual-cassette recorder[s] . . . exist primarily to duplicate copyrighted prerecorded music cassettes--sometimes at two, four and even six times normal speed The problem has reached crisis proportions Are we to stand by passively and watch the greatest musical creative community in the world strangle to death from newer and newer generations of copyright killer machines? But the worst is yet to come. Here is Japan's newest weapon--a triple-deck cassette machine.⁶⁵³

As noted earlier,⁶⁵⁴ however, opposition from consumer electronics companies and other groups produced a stalemate. When record labels could not show any diminished revenues, support for the legislation dissipated. But legislation targeting digital audio tape technology would become law, although not without some litigation fuel.

2. Digital Audio Tape Technology

As previewed above,⁶⁵⁵ the recording industry vowed to block introduction of digital audio tape technology for home use into the United States unless restrictions were imposed to prevent unauthorized distribution of copyrighted works. Taking a page from Jack Valenti's vilification of the VCR, Stanley Gortikov characterized this technology as "an assassination in the making" with "the targeted victim the world's music industry."⁶⁵⁶ After three years, negotiations between the consumer electronics and music industries appeared to reach accord in 1989 around the requirement that DAT devices would contain a computer that prevented second generation copies,⁶⁵⁷ but the music industries later backed out. Sony, which had already been selling DAT devices in Japan for several years, decided in 1990 to do as they had with the Betamax – proceed to market and let the chips fall where they will. The music publishers promptly filed a class-action suit.⁶⁵⁸ The pursuit of such litigation, in combination with the recording industry's refusal to license its works for the DAT medium, ultimately led to a settlement in the form of detailed legislation – the Audio Home Recording Act of 1992. Interestingly, Sony itself chose not to test the very safe harbor that it had fought so hard to establish just a few years previously, notwithstanding the demonstrable non-infringing uses for DAT recorders -- from recording public domain material to use in all manner of home and

⁶⁵³ See The Home Audio Recording Act: Hearings on S. 1739 Before the Subcomm. on Patents, Copyrights and Trademarks of the Senate Comm. on the Judiciary, 99th Cong., 2d Sess. 1 (1985) (statement of Stanley Gortikov, President, Recording Industry Association of America), at 1-2.

⁶⁵⁴ See supra TAN

⁶⁵⁵ See supra, TAN.

⁶⁵⁶ See Richard Harrington, RIAA Moving to Washington, Wash. Post (Sept. 8, 1986) C2.

⁶⁵⁷ See Hans Fantel, Sound; Harmony Envelops the DAT, N.Y. Times (Aug. 6, 1989) Section 2, p. 26, col. 4.

⁶⁵⁸ See John Burgess, Sony Sued Over Digital Recorders; Songwriter, Publishers Seek to Block Sales, Wash. Post (Jul. 11, 1990) B8.

business recording applications and in amateur and professional recording studios. Part of the explanation for this change in strategy may lie in the fact that by the early 1990s Sony had diversified into the film and music industries.⁶⁵⁹ Its business divisions, and hence its shareholders, were on both sides of the case. In many respects, the Sony Corporation has internalized the externality of enabling piracy through diversification of its business activities.

3. Computers and Related Devices

Although computers have emerged as a critical link in the unauthorized distribution of copyrighted works, they have avoided any direct assault by the content industries. The evolutionary path of this technology played a central role. The microcomputer revolution was already well underway by the time that the *Sony* Betamax case was finally resolved. As noted earlier, *Time* magazine proclaimed the personal computer as its “Person [Machine] of the Year” in 1982.⁶⁶⁰ Content industries had little appreciation of how this technology would ultimately disrupt and reshape its business models.⁶⁶¹ At the time, the recording industry was actively rolling out the compact disc format without any effort to encrypt its crown jewels – high quality digital recordings – because microcomputers were not capable of posing any real threat to the music or film industries in the 1980s or early 1990s. They lacked the memory capacity or speed to copy the large amounts of information contained in film or music files.

The economic threat posed by computers came into sharper focus in the mid 1990s with the increase in storage capacity, development of compression/decompression algorithms, and lowering of prices for entertainment-oriented computing machines for the consumer marketplace.⁶⁶² With the inclusion of CD drives, software for ripping music files, and stereo speakers as standard equipment, the computer became a music storage and copying device like none before.⁶⁶³ But the litigation against computers was hardly an option, with or without the *Sony* safe harbor. By that point in time, personal computers were a basic feature of economic and social life. The microcomputer industry was substantially larger than the music industries. Furthermore, there could be little question that microcomputers, as well as music accessories being sold with them, had predominantly non-infringing uses. Accordingly, copyright owners

⁶⁵⁹ See *supra*, n. __. <footnote in section on AHRA detailing Sony’s purchase of CBS and Columbia Pictures>

⁶⁶⁰ See Otto Friedrich, Michael Mortiz, J. Madeleine Nash, and Peter Stoler, *The Computer Moves In*, *Time Magazine* (Jan. 3, 1983); *supra*, n. 23.

⁶⁶¹ Menell, *supra* n. __, at 108-18.

⁶⁶² See *id.*

⁶⁶³ Yet less than a decade earlier, the music industries declined to bring computers into the legislative negotiations over the Audio Home Recording Act. As noted by a key legislator at the time, the AHRA excludes from coverage material objects in which computer programs are fixed, “except for certain specialized statements or instructions that may be contained in CD’s, digital audio tapes, and similar objects covered by the legislation.” See 138 Cong. Rec. S8422 (daily ed. Jun. 17, 1992) (statement of Sen. DeConcini).

could not credibly assert secondary liability against the makers of computers, hard drives, or CD burners if personal use of lawfully-obtained copyrighted music was fair use.

As computer companies increasingly configured and marketed computers for use by a younger generation, some of their advertising campaigns drew criticism from content owners. In 2001, Apple Computer's "Rip, Mix, Burn" advertising campaign struck many in the entertainment industries as bordering on inducement of illegal activity.⁶⁶⁴ But Steve Jobs, Apple's President, was quick to defend the slogan as inviting consumers to rip (or copy) their own musical recordings, burn (or record) them, and prepare a custom mix of such files.⁶⁶⁵ Whether or not that is how the consumer marketplace interpreted the campaign, content companies chose not to file any legal action. A year later, the music industries worked out a licensing arrangement that authorized Apple Computer to develop the iTunes online music store,⁶⁶⁶ which quickly emerged as the leading outlet for legal digital downloads of sound recordings.

4. Portable Digital Music Devices

In 1998, Diamond Multimedia introduced the Rio, a portable hard drive capable of storing approximately one hour of music compressed using the MP3 file format. This product dramatically increased consumer interest in downloading MP3 files over the Internet and ripping sound recording files from CDs to computer hard drives and compressing them. Prior to the introduction of this product, the principal benefit that consumers could derive from downloading or ripping sound recordings was to listen to these files through headphones or speakers at their computers. The Rio rendered these files portable. In comparison to portable cassette players, the Rio 300 was more compact, easier to use, and more resistant to motion.

The recording industry sued Diamond Multimedia⁶⁶⁷ under the AHRA, alleging that distributors of MP3 players were required to employ a Serial Copyright Management System ("SCMS") and to pay royalties on sales of digital audio recording devices. Recognizing that the legislative bargain effectuated by the AHRA applied narrowly to digital audio recording devices (and not general computer technology), the Ninth Circuit held that the Rio device did not implicate the AHRA and dismissed the action. Echoing the Supreme Court's decision in the *Betamax* case that "time shifting" fell within the fair use doctrine, the Ninth Circuit added its own dictum that "space shifting" was "paradigmatic noncommercial personal use."⁶⁶⁸ The

⁶⁶⁴ See Amy Harmon, *Piracy, or Innovation? It's Hollywood vs. High Tech*, N.Y. Times (Mar. 14, 2002) C1, col 2; see also Jon Healy, *Gateway Touts Online Music*, L.A. Times (Mar. 27, 2003) Business, Part 3, p. 6 (announcing Gateway's "RipBurnRespect" slogan, which promotes a more conciliatory message).

⁶⁶⁵ See *id.*

⁶⁶⁶ See Jon Healy, *Labels Think Apple Has Perfect Pitch*, L.A. Times (Mar. 4, 2003) Business Part 3, p.1.

⁶⁶⁷ See *Recording Indus. Ass'n of Am. v. Diamond Multimedia Sys., Inc.*, 29 F. Supp. 2d 624 (C.D. Cal. 1998), *aff'd on other grounds*, 180 F.3d 1072 (9th Cir. 1999).

⁶⁶⁸ 180 F.3d at 1079.

court's ruling that the AHRA's computer exemption "is not limited to the copying of programs, and instead extends to any copying from a computer hard drive"⁶⁶⁹ slammed the courthouse door on the RIAA's effort to use the AHRA to squelch digital portable music devices.

Of greater interest for the purposes of this article, the RIAA chose not to allege that the MP3 device contributed to copyright infringement. This strategy choice no doubt reflected its considered judgment that the *Sony* "staple article of commerce" doctrine barred such an allegation. It should be noted, however, that such a claim would also have failed under the *Sony* dissent's "primary use" standard for secondary liability. Portable digital music devices are used predominantly to "space shift" a user's sound recordings, which the Ninth Circuit believed fell within the bounds of fair use. Therefore, their manufacturers could not be held liable for infringing uses absent evidence of inducement or control.

5. Digital Encoding Technology

Many other digital technologies can be used for copyright infringement. Camcorders, for example, can be used to videotape movies. Yet Hollywood recognized that camcorders have predominantly non-infringing uses – such as for making home movies. Therefore, they have never pursued indirect liability lawsuits against the manufacturers of such devices. Instead, they have persuaded Congress to ban their use in theatres and impose strong penalties for use in pirating motion pictures.⁶⁷⁰

6. Digital Video Recorders (DVRs)

Notwithstanding the focus of the *Sony* Betamax decision, the development of digital video recorders at the turn of the millennium reignited many of the controversies thought to have been lain to rest. The digital version of such technology brought several new capabilities (such as automated commercial skipping and the ability to "share" television shows with friends over the Internet), greater speed and convenience, as well as vast storage capacity unimaginable in 1984. With the release of the first DVRs by TiVo and ReplayTV in the spring of 1999,⁶⁷¹ Hollywood reevaluated the reach of the *Sony* decision. Although the "staple article of commerce" doctrine would seem to provide a strong defense to the basic "time shifting" functionality, TiVo's and ReplayTV's viability would be determined less by *Sony*'s design immunity principle than by these companies' willingness to work with content owners and broadcasters.

TiVo took the more conciliatory path, raising investment capital from key content industry players early in its development. This allowed content industry players some input into

⁶⁶⁹ Id. at 1078.

⁶⁷⁰ See Family Entertainment and Copyright Act, Pub. L. 109-9, 119 Stat. 218. For an analysis, see 4 NIMMER ON COPYRIGHT § 15.06[A].

⁶⁷¹ See Lawrence J. Magid, *Rewind, Replay and Unwind With These New High-Tech TV Devices*, L.A. Times (May 10, 1999) Business; Part C; p. 6.

TiVo's product features and services as well as a basis for developing collaborative advertising initiatives.⁶⁷² Content owners have thus far tolerated TiVo's business model.⁶⁷³

By contrast, ReplayTV took a far more aggressive approach to the design and marketing of its product line.⁶⁷⁴ It touted features enabling consumers to skip commercials and to transmit digital copies of television programming over the Internet to other ReplayTV owners. In November 2001, television networks and production studios brought suit against ReplayTV for contributory infringement.⁶⁷⁵ The company invoked *Sony's* fair use and "staple article of commerce" safe harbor in defending its products. Before the case could be resolved, however, financial pressures on the company, exacerbated by the costs of defending this litigation, drove it into bankruptcy.⁶⁷⁶ Its new owners agreed to drop the automatic commercial skipping feature in exchange for the lawsuit being dropped.⁶⁷⁷ Industry lawyers and scholars have speculated about

⁶⁷² See Michael A. Hiltzik, *NBC Allies with Firm that Challenges TV Traditions*, L.A. Times (Jun 9, 1999) A; Ashley Dunn, *TiVo Woos TV's Big Players with Its Set-Top Box; Technology: Investments Come Despite the Threat to Conventional Advertising Posed by its Digital Recording Device*, L.A. Times (Jul. 28, 1999) Business; Part C; p.1. TiVo is seeking to implement a digital rights management technology to limit the duration that programming can be stored so as to prevent accumulation of large digital libraries by users. See Dan Tynan, *Winners and Losers 2005*, PC World, Dec. 27, 2005, <http://www.pcworld.com/news/article/0,aid,123923,00.asp>

⁶⁷³ But consider content owner's vigorous response when TiVo began developing technology to enable sharing over the internet similar to ReplayTV. See Center for Democracy & Technology, *ALL EYES ON TIVO: THE BROADCAST FLAG & THE INTERNET*, <http://www.cdt.org/copyright/20040928tivo-reply.pdf>. The administrative proceeding regarding TiVo's TiVoGuard technology, MD 04-55, is still ongoing before the FCC. The docket can be accessed through http://gullfoss2.fcc.gov/prod/ecfs/comsrch_v2.cgi.

⁶⁷⁴ Fred von Lohmann, *ReplayTV Zaps Ads and Permits Show Swapping; Get Ready for the Next Big Copyright Battle*, Cal. Law., June 2002, at 30. The website for ReplayTV 5000 stated: "You can now choose to playback your recorded shows without the commercials using Commercial Advance.... Under controlled test conditions with major network daytime and prime time broadcasts, approximately 96% [of] intraprogram commercials are eliminated." See Matthew Scherb, *Comment, Free Content's Future: Advertising, Technology, and Copyright*, 98 Nw. U. L. Rev. 1787, 1814 n.193, 1815 (2004) (quoting *ReplayTV 5000 Features and Benefits*, at http://www.replaytv.com/video/replaytv5000/re-playtv_5000_features.asp (last visited Apr. 7, 2004)).

⁶⁷⁵ See Doug Isenberg, *ReplayTV Lawsuit: Napster Redux?* (Nov. 12, 2001), at <http://news.com.com/2010-1079-281601.html>.

⁶⁷⁶ See Jon Healy, *Sonicblue Files for Chapter 11; The ReplayTV maker, which has been sued by copyright holders, says debt hurt the company*, L.A. Times (Mar. 22, 2003) Part 3; Business Desk; p.1.

⁶⁷⁷ Eric A. Taub, *ReplayTV's New Owners Drop Features That Riled Hollywood*, N.Y. Times, July 21, 2003, at C3. A suit brought on behalf by ReplayTV users was dismissed a year later on the grounds that ReplayTV had dropped the feature that was being tested in the lawsuit.

whether the *Sony* decision would have shielded ReplayTV from liability even on its core time shifting functionality if the litigation had proceeded to judicial resolution.⁶⁷⁸

Given the advances in commercial skipping technology,⁶⁷⁹ content owners and broadcasters were poised to argue that the impact on the market for advertising was palpable.⁶⁸⁰ Yet the counter to that argument is not hard to formulate: Although the preservation of commercials in Betamax playbacks may have been an important feature in the background of the justices' minds, the *Sony* majority placed little express weight on it.⁶⁸¹ Instead, it reached an

See *Paramount Pictures Corp. v. ReplayTV*, 298 F. Supp. 2d 921 (C.D. Cal. 2004); *ReplayTV Users' Lawsuit Is Dismissed*, L.A. Times (Jan. 13, 2004) Business Desk; Part C; Pg. 2.

⁶⁷⁸ See, e.g., Randal C. Picker, *The Digital Video Recorder: Unbundling Advertising and Content*, 71 U. Chi. L. Rev. 205 (2004); Ehtan O. Notkin, *Television Remixed: The Controversy Over Commercial-Skipping*, 6 Fordham Intell. Prop. Media & Ent. L.J. 899 (2006); Aaron A. Hurowitz, *Copyright in the New Millennium: Is the Case Against ReplayTV a New Betamax for the Digital Age?*, 1 *CommLaw Conspectus* 145 (2003).

⁶⁷⁹ ReplayTV claimed that "[u]nder controlled test conditions with major network daytime and prime time broadcasts, approximately 96% of intraprogram commercials are eliminated." See *ReplayTV 4500 Features*, at http://www.sonicblue.com/video/replaytv/replaytv_4000_features.asp (last visited July 8, 2002).

⁶⁸⁰ Surveys indicate that most DVR users skip a high percentage of commercials. See Benny Evangelista, *DVRs Alter Habits – Ads Aren't Watched*, S.F. Chronicle, Apr. 22, 2002 (reporting a survey of DVRs users finding that 35 percent never watch commercials and that 60 percent watch them only occasionally), available at <http://sfgate.com/cgi?bin/article.cgi?file=/chronicle/archive/2002/04/22/BU15029.DTL>. And unlike “commercial skipping” with older analog devices – which required some attention to what was being broadcast – DVRs can accomplish skipping without a glance.

⁶⁸¹ The opinion recounts the status of technology as reflected in the record: "The pause button, when depressed, deactivates the recorder until it is released, thus enabling a viewer to omit a commercial advertisement from the recording, provided, of course, that the viewer is present when the program is recorded. The fast-forward control enables the viewer of a previously recorded program to run the tape rapidly when a segment he or she does not desire to see is being played back on the television screen." 464 U.S. at 423. The opinion likewise quotes the district court's ruling:

It must be remembered, however, that to omit commercials, Betamax owners must view the program, including the commercials, while recording. To avoid commercials during playback, the viewer must fast-forward and, for the most part, guess as to when the commercial has passed. For most recordings, either practice may be too tedious. As defendants' survey showed, 92% of the programs were recorded with commercials and only 25% of the owners fast-forward through them. Advertisers will have to make the same kinds of judgments they do now about whether persons viewing televised programs actually watch the advertisements which interrupt them.

express ruling that wholesale copying via Betamax of copyrighted broadcasts made over-the-air is non-infringing—without limiting that pronouncement in a way to avoid future technological advancement as to commercial squelching. Thus, a viewer who uses ReplayTV to copy the entirety of "24" has not infringed on Twentieth Century Fox's copyright. The further question arises: how could a viewer possibly infringe by copying all of "24" but without implicating the separate audiovisual works consisting of commercials for General Motors and Playtex, by choosing not to copy those ads? Fox would need to craft an argument to the effect, "We have no problem with viewers copying 100% of our own works – but how dare they do so without simultaneously copying the works separately copyrighted by our advertisers?!?" Beyond the fact that Fox would appear to lack standing to complain about how General Motors' and Playtex's works have been treated, the latter companies would appear without any right to complain that viewers have *failed* to copy their own copyrighted advertisements.⁶⁸² As technology progresses, thus does Sony's "staple article of commerce" legacy become curiouser and curiouser.⁶⁸³

7. Anti-Circumvention Technology

As noted above,⁶⁸⁴ the DMCA specifically overrides aspects of the Sony safe harbor that might otherwise apply to devices that circumvent technological protection measures. The content industries have shown little tolerance for devices or software that approach this line. Lawsuits have targeted all manner of distributors and publishers of decryption code.⁶⁸⁵

8. Peer-to-Peer Technology

Id. at 453 n.36.

⁶⁸² After Jonathan Tasini prevailed in the United States Supreme Court in establishing that the New York Times infringed his copyright when it copied the works of free-lancers, he subsequently filed suit against the New York Times for failing to copy articles by himself and his fellow freelancers! The court had little difficulty dismissing such an outré claim. See *New York Times Co. v. Tasini*, 121 S. Ct. 2381 (2001); *Tasini v. New York Times Co.*, 184 F. Supp. 2d 350, 353 (S.D.N.Y. 2002).

⁶⁸³ By contrast, a tort framework avoids this conundrum. The analysis above has already confronted the possibility of commercial squelching, concluding that Sony could not be liable as of 1984 for its failure to disable commercial squelching. See *__ supra*. By contrast, to the extent that ReplayTV affirmatively decided in the 2000s to enable commercial squelching, tort law might well hold it liable.

⁶⁸⁴ See *supra* TAN __ - __.

⁶⁸⁵ See, e.g., *See RealNetworks, Inc. v. Streambox, Inc.*, 2000 WL 127311 (W.D. Jan. 18, 2000) (product decrypting streaming technology); *Universal City Studios, Inc. v. Reimerdes*, 111 F. Supp.2d 294, 310 (S.D.N.Y. 2000), *aff'd sub. nom.* *Universal City Studios, Inc. v. Corley*, 273 F.3d 429 (2d Cir. 2001) (software for decrypting DVDs); *321 Studios v. Metro Goldwyn Mayer Studios, Inc.*, 307 F. Supp. 2d 1085 (N.D. Cal. 2004) (same); *United States v. Elcom Ltd.*, 203 F. Supp. 2d 1111 (N.D. Cal. 2002) (software decrypting eBook reader).

As discussed previously,⁶⁸⁶ copyright owners have taken an aggressive stance against general purpose peer-to-peer enterprises, notwithstanding the *Sony* “staple article of commerce” defense. Although neither the plaintiffs in these cases nor their content industry-backed *amici* directly attacked the underlying basis of the *Sony* “staple article of commerce” safe harbor, they asserted that it either did not apply in their cases or that the peer-to-peer technology at issue did not have substantial non-infringing use.

* * *

Based on the foregoing, it is questionable whether the *Sony* “staple article of commerce” doctrine has insulated technology companies from secondary liability to the extent that its broad language suggests. Copyright owners have exerted substantial pressure upon technology companies to exercise restraint in the design of their products and services, as reflected in DAT, DVR, and anti-circumvention markets. The filing of the ReplayTV lawsuit and its largely favorable resolution from the standpoint of the content owners suggest that the *Sony* “staple article of commerce” safe harbor is hardly an invulnerable shield, either in the eyes of the content industries or the marketplace.⁶⁸⁷ That lawsuit, as well as the DAT and peer-to-peer experience, resulted in the implementation of significant design changes in the marketplace, suggesting that the “shadow” of the *Sony* decision may more closely approximate the reasonable alternative design framework than the broad safe harbor ascribed to the *Sony* rule.

Summary

Nominally, *Sony* crowned patent law's "staple article of commerce" doctrine as the decisor for copyright cases, in the process dethroning the traditional determination of copyright's indirect liability via tort doctrine. Yet, as a practical matter, the ancien régime has continued to govern. The inherent logic of the tort framework continues to dominate actual analysis, as opposed to the lip service to *Sony* that courts outwardly profess. As shown above, various jurists have gravitated away from the *Sony* test and toward a tort-based analysis over the years since the case was decided. Moreover, Congress itself has pushed the copyright system in this direction through its forays into digital technology policy – requiring inter alia that digital audio tape players incorporate electronics to prevent second generation copies and prohibiting circumvention of technological protection measures.

In the recent series of cases involving peer-to-peer technology, courts have struggled with the application of the *Sony* safe harbor to highly parasitic business models that pose serious threats to the content industries. In none of these cases have courts immunized the defendants from liability; yet they have adhered to the fig leaf of a flawed, analog age decision. Paradoxically, the legacy of *Sony*'s turn towards patent law has been to force courts to find a way around the Supreme Court's decision rather than unjustly applying patent law. A pronouncement

⁶⁸⁶ See supra TAN ___ - ___.

⁶⁸⁷ Cf. Jessica Litman, *The Sony Paradox*, 55 Case W. Res. L. Rev. 917, 856-57 (2005) (suggesting that the *Sony* third-party liability safe harbor has proven to be far from clear in practice).

that has been on the books for over twenty years without ever having been directly followed is prima facie suspect on that basis alone.

Conclusions

The dawning of the digital age has brought the Supreme Court's *Sony* decision to center stage in legal and policy discussions about the proper role and scope of copyright protection. To the computer and consumer electronics industries, *Sony* represents a safe harbor for innovation – a Magna Carta for the digital age.⁶⁸⁸ To the content industries, *Sony* remains an Achilles heel, threatening their business models and key assets.

The *Sony* majority reached two resolutions – one that home users of VCR devices were engaging in fair use by recording over-the-air broadcasts, the other that Sony Corporation could not be held liable for copyright infringement as may have occurred through the instrumentality of the Betamax machine. In our estimation, both rulings represent the proper legal resolution on the facts presented.

But on the indirect liability issue, the Court was right for the wrong reason. Lacking clear guidance on the Copyright Act's liability regime, the Court took an unconventional approach to interpreting a recently enacted, comprehensive statute. Without even examining the statutory text, specific legislative history, or rich jurisprudential backdrop of the Copyright Act, a slim majority of the Supreme Court imported patent law's indirect liability standard based on a superficial, and ultimately misleading, assertion of "historic kinship" between the patent and copyright regimes. All subsequent cases have accepted without reexamination this logical premise and the applicability of a "stable article of commerce" safe harbor in copyright law, although their application of this rule to new fact patterns has been far from uniform.

In the pursuit of the proper touchstone for understanding indirect copyright liability, this article has traced the *Sony*'s "staple article of commerce" safe harbor as well as the "historic kinship" premise. Working backwards through the years of litigation leading up the 1984 decision, we found that this doctrine rests not on statutory or jurisprudential bedrock but instead on the precarious perch of forceful advocacy by a patent lawyer litigating a copyright case before a series of jurists with little grounding in the copyright field. The history of the case reveals the limitations of generalist courts dealing with highly complex and specialized bodies of law as well as the realist short-cuts that courts sometimes make to reach the right result. Lawyers for the plaintiff studios put little energy into providing the courts with legislative materials or a thorough understanding of copyright jurisprudence. Instead, they tried to hitch their litigation wagon to a few quotations from inapt case law. Without much help from the lawyers and faced with a daunting new statute, the district court and later a majority of the Supreme Court reached for a tantalizing patent law handhold. With the release of the correspondence of the justices surrounding this case, we can confirm that the deliberations involved little consideration of legislative materials or systematic analysis of copyright jurisprudence but considerable jockeying to build a five member coalition to relieve *Sony* from liability.

⁶⁸⁸ See supra n. ____.

A thorough review of the Copyright Act of 1976, as well as the jurisprudence on which it was passed, dispels the historic kinship premise. Congress intended, to the extent that its intention can be gleaned, for courts to continue to look to tort principles in developing the contours of copyright liability. That exercise suggests that the Supreme Court should have looked to tort law principles, and in particular the “reasonable alternative design” jurisprudence, in delineating the contours of liability in the *Sony* case. Even though that process would almost certainly have resulted in the same outcome that the Court reached, it would have provided a more sound and dynamic jurisprudential framework for calibrating liability as new technologies develop.

Sony’s aftermath has highlighted the flaws in the Court’s unwarranted turn to patent law as a guide for indirect liability. Since the *Sony* case, Congress has approached digital technology with considerable caution – banning record and software rental, regulating DAT technology, and restricting circumvention of technological protection measures. Each of these activities was capable of substantial non-infringing use, yet Congress chose the path of balance and design responsibility. Congress has shown no such proclivity in the patent arena. The courts have also found the *Sony* framework far less compelling in application. The *Sony* safe harbor has proven unavailing to a variety of peer-to-peer enterprises. The marketplace also seems to reflect a great concern for balancing enhanced functionality with content protection, as reflected in the evolution of DVR technology.

Thus, although courts and commentators continue to pay lip service to the *Sony* “staple article of commerce” doctrine, the practical reality lies closer to the reasonable alternative design standard that the Supreme Court should have followed. As with “the” Magna Carta, the words in the doctrine and their practical effect diverge.⁶⁸⁹ In case of the *Sony* doctrine, the divergence derives from the Supreme Court’s unwarranted importation of a patent law standard into the Copyright Act of 1976. The coherence of indirect copyright liability can be restored by returning to first principles of statutory construction.

⁶⁸⁹ See J.C. Holt, *Magna Carta* (1992). Professor Jessica Litman has remarked on this analogy. See Litman, *supra* n. __ at 951 (suggesting that the *Sony* “staple article of commerce” doctrine, like the Magna Carta was of greater symbolic than practical value). <The *Sony* Paradox article>