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# The Story of Sony v. Universal Studios: Mary Poppins Meets the Boston Strangler

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# The Story of *Sony v. Universal Studios*: Mary Poppins Meets the Boston Strangler

--Jessica Litman\*

Respondents argue that an abstract theoretician's view of the copyright monopoly allows them to control the way William Griffiths watches television. In the name of that abstract vision, they ask the federal courts to establish a bureaucracy more complex than anything Congress has established in the field of copyright to date, in order that they may levy an excise tax on a burgeoning new industry.

- *First draft of Justice John Paul Stevens's dissenting opinion in Sony v. Universal Studios*<sup>1</sup>

*Sony v. Universal Studios* may be the most famous of all copyright cases. People who know nothing about copyright know that the *Sony-Betamax* case held that home videotaping of television programs is fair use. Paradoxically, although the Supreme Court granted certiorari in the case to decide whether the copyright law permitted consumers to engage in private home copying of television programs, the majority ended up crafting its analysis to avoid answering that question definitively. Instead, it ruled that even if consumers sometimes violated the copyright law when they taped television programs off the air, that violation did not make the manufacturer and seller of the copying equipment they used liable for copyright infringement. That was so, the Court ruled, because some of the time, home videotaping was authorized by the programs' copyright owners, and some of the time, home videotaping qualified as fair use. Since videotape recorders could be used for legitimate as well as infringing copying, making and selling the devices did not subject the Sony Corporation to liability.

When the Justices initially met to discuss the case, only one of them was persuaded that consumer home videotaping was permissible under the Copyright Act. Justice Stevens argued that Congress had never intended to regulate a consumer's making a single, noncommercial copy. What became the majority opinion in *Sony* evolved as an effort by Justice Stevens to recruit four additional votes to a decision in Sony's favor.

## **Background**

In the fall of 1975, when the first Sony Betamax appeared in stores, the American public had already become used to personal copying technology. The photocopy

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\* I'm grateful to Jon Weinberg, Cory Streisinger and Fred Von Lohmann, whose comments greatly improved this chapter, and to Chris Bloodworth and Georgia Clark of the Wayne State University Law Library, who helped me to get my hands on copies of several obscure documents.

<sup>1</sup> Justice John Paul Stevens, 1<sup>st</sup> draft, Memorandum in *Sony v. Universal Studios*, No. 81-1687 (circulated June 13, 1983), at 22.

machine, invented in 1937 and sold commercially since 1950, was a common piece of equipment in business offices and libraries.<sup>2</sup> Copyshops had sprung up in the mid-1960s. Consumer audiocassette recorders, first marketed in 1963, had become ubiquitous. The telephone answering machine, introduced by Phonemate in 1971, had become increasingly familiar, and telefacsimile machines were making inroads in the U.S. market. Before the Sony Betamax, several manufacturers had introduced consumer home video devices, but all of them had flopped.<sup>3</sup>

A number of U.S. companies expected that the next big thing would be laser disc video playback-only devices. MCA, owner of Universal Studios, had invested heavily in a format it called DiscoVision. RCA (then-owner of NBC) was working on its own laser disc system, named SelectaVision. Magnavox was trying to perfect Magnavision. None of these systems was ready for the market, and none of them was compatible with the others. The appearance of a home video tape recorder threatened the potential market for laser disc devices: Would consumers purchase playback-only machines if they could instead buy machines that could both play and record?

The first Betamax introduced in the U.S. was a combination television-video tape recorder that cost more than two thousand dollars. Several months later, Sony introduced the Betamax SL-7300, a stand-alone video tape recorder with a list price of \$1300 (about \$4400 in today's dollars). By the time of trial, the price of a Sony Betamax had dropped to \$875, equivalent to about \$2500 in 2005 dollars. Notwithstanding the steep price, people bought it. Sony supported its product launch with a series of commercials and print ads touting the opportunity to watch two shows that were being broadcast at the same time. "We've all been in the situation where there are two TV programs on opposite each other and we'd give any thing to be able to see both of them. Well now you *can* see both of them," began one ad.<sup>4</sup> "Sony Betamax videocassette recorder, destined to be a superstar in your home entertainment scene: even if you're not there, it records TV programs you don't want to miss, builds a priceless videotape library in no time," claimed another.<sup>5</sup>

Journalist James Lardner, the author of *Fast Forward*, the definitive book on the history of the *Sony* case, begins his book with the story of an ad that Sony's ad agency conceived and sent to Universal Studios for its approval. "Now you don't have to miss *Kojak* because you're watching *Columbo* (or vice versa)." *Kojak* and *Columbo* were two of Universal's most popular shows, and the ad agency figured that the studio would be delighted that American audiences would be able to watch both of them. Sidney

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<sup>2</sup> In *Williams & Wilkins Co. v. U.S.* 487 F.2d 1345, *aff'd by an equally divided Court*, 420 U.S. 376 (1975), medical publishers sued the National Library of Medicine for massive photocopying of medical journal articles for the benefit of medical researchers. Justice Blackmun recused himself from the case because of his earlier relationship with the Mayo Clinic, and the remaining Justices divided 4 to 4 on whether the photocopying was fair use or copyright infringement.

<sup>3</sup> See JAMES LARDNER, *FAST FORWARD* 60-81 (2002); NICK LYONS, *THE SONY VISION* 202- 15 (1976).

<sup>4</sup> Sony Betamax display ad, *New York Times*, Nov. 5, 1975, at 19.

<sup>5</sup> Macy's Sony Betamax display ad, *New York Times*, March 30, 1976, at 13.

Sheinberg, the president of Universal, wasn't delighted. Indeed, Lardner reports, Sheinberg believed such a device usurped movie studio prerogatives; he didn't think that a home video tape recorder should be marketed at all. He consulted Universal's lawyers, who agreed that marketing a device that copied television programs seemed to violate Universal's exclusive right to reproduce its works under section 106(1) of the 1976 Copyright Act. In a meeting the following week between Sheinberg and Akio Morita, the chairman of Sony, to discuss the possibility that Sony would manufacture DiscoVision players for MCA, Sheinberg insisted that Sony withdraw the Betamax from the market or face a copyright infringement suit.

Universal's lawyers sent a private investigator to consumer electronics stores to pose as a customer and catch sales clerks making recordings of Universal programs. Meanwhile, they recruited one of their other clients, William Griffiths, to be a nominal individual defendant. They were concerned that a court might refuse to impose liability on Sony unless they were able to show that a Betamax owner had used the device to make infringing copies. Griffiths owned a Betamax. Universal's lawyers asked him to agree to be sued; Universal would promise, they explained, to seek no damages from him in the event it prevailed in the lawsuit. Meanwhile, Universal spoke with other studios in search of co-plaintiffs. Disney agreed to join the suit. Warner Brothers didn't want to be a named plaintiff, but was willing to contribute money towards legal costs.

On November 11, 1976, Universal and Disney filed suit against the Sony Corporation, Sony's American subsidiary, Sony's advertising agency, five dealers in consumer electronics, and Mr. Griffiths. Griffiths would later testify that he had purchased his Betamax planning to create a library of taped TV shows, but that the expense of blank tapes had persuaded him that it made more sense to watch taped programs and then tape over them.

### **Sony in the Lower Courts**

The trial began in January of 1979 and lasted for five weeks. The studios presented evidence tending to show that consumers were recording programs to keep in their video libraries. When *Gone with the Wind* was broadcast, one witness testified, stores across the U.S. sold out of blank videocassettes. The chairman of Walt Disney testified that the company had declined lucrative contracts to broadcast *Mary Poppins* and *The Jungle Book* on television because they feared that consumers might tape the movies. Sony's lawyer countered with evidence demonstrating that some copyright owners had no objection to home taping. The studios sought, unsuccessfully, to present evidence that Sony could have redesigned the Betamax by installing a jammer to prevent recording unless the copyright holder assented, at a cost of about \$15 per machine.<sup>6</sup>

Judge Ferguson's opinion, handed down on October 2, absolved Sony of liability. The copyright law, Judge Ferguson held, did not give copyright holders "a monopoly

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<sup>6</sup> See Lardner, *supra* note 3, at 97-106.

over an individual's off-the-air copying in his home for private non-commercial use.”<sup>7</sup> First, the court concluded, Congress could not have meant the courts to interpret absolutely literally the statutory language giving copyright owners the exclusive right to reproduce their works. Although legislative history accompanying the addition of sound recordings to the list of works entitled to copyright demonstrated that Congress had not intended to prohibit non-commercial home audio-taping, the statute contained no language expressly exempting it. By the same token, the judge concluded, Congress had not intended to give copyright owners the right to prohibit home video recording. “Congress did not find that protection of copyright holders’ rights over reproduction of their works was worth the privacy and enforcement problems which restraint of home-use recording would create.”<sup>8</sup> Even if home video recording were deemed an infringement of copyright, it was sheltered by the fair use privilege. Most consumers, the judge found, used their videotape recorders to “time-shift” programming – to tape a show in order to watch it at a more convenient time and then record over the tape.

Betamax owners use plaintiffs' works noncommercially and privately. This use increases the owners' access to material voluntarily broadcast to them free of charge over public airwaves. Because the use occurs within private homes, enforcement of a prohibition would be highly intrusive and practically impossible. Such intrusion is particularly unwarranted when plaintiffs themselves choose to beam their programs into these homes.<sup>9</sup>

Further, even if the Copyright Act prohibited home copying, the defendants should not be liable for the copies made by consumers. Judge Ferguson drew an analogy from patent law, where manufacturers of staple articles of commerce were not held liable for infringement merely because they supplied devices that could be used in infringing ways.<sup>10</sup> Video tape recorders, like audio tape recorders, cameras, typewriters, and photocopy machines, were staple articles of commerce with infringing as well as noninfringing uses. Expanding the boundaries of liability to extend to manufacturers of staple articles would put an intolerable burden on commerce.<sup>11</sup> Judge Ferguson noted more than once that plaintiffs conceded that they had not yet suffered harm from the Betamax, and that they had failed to show that they would likely suffer harm in the future.

The new technology of videotape recording does bring uncertainty and change which, quite naturally, induce fear. History, however, shows that this fear may be misplaced. ... Television production by plaintiffs today is more

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<sup>7</sup> *Universal City Studios v. Sony*, 480 F. Supp. 429, 432 (C.D. Cal. 1979), *rev'd*, 659 F.2d 963 (9<sup>th</sup> Cir. 1981), *rev'd*, 464 U.S. 417 (1984).

<sup>8</sup> *Id.* at 446.

<sup>9</sup> *Id.* at 454.

<sup>10</sup> See 35 U.S.C. § 271(c) (“staple article or commodity of commerce suitable for substantial noninfringing use”).

<sup>11</sup> 480 F. Supp. at 461.

profitable than it has ever been, and, in five weeks of trial, there was no concrete evidence to suggest that the Betamax will change the studios' financial picture.<sup>12</sup>

Universal appealed to the Ninth Circuit, and a unanimous panel reversed.<sup>13</sup> The court rejected Judge Ferguson's conclusion that Congress might have meant to protect consumers from liability for home taping but had failed to say so explicitly.

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 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.<sup>14</sup>

The court held that consumers who copied television programs off the air for private noncommercial use infringed the copyrights in those programs, and that Sony, its U.S. subsidiary, its advertising agency, and the retail store defendants were liable as contributory infringers. Judge Kilkenny's opinion dismissed the lower court's staple article of commerce theory as "inappropriate."<sup>15</sup> Videotape recorders were not staple articles because they were not suitable for noninfringing use:

Appellees' analogy of videotape records to cameras or photocopying machines may have substantial benefit for some purposes, but does not even remotely raise 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.<sup>16</sup>

The Ninth Circuit remanded the case to the district court to fashion a suitable remedy, noting:

The relief question is exceedingly complex, and the difficulty in fashioning relief may well have influenced the district court's evaluation of the liability issue. The difficulty of fashioning relief cannot, however, dissuade the federal courts from affording appropriate relief to those whose rights have been infringed. ...

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<sup>12</sup> *Id.* at 469.

<sup>13</sup> *Universal City Studios v. Sony*, 659 F.2d 963 (9<sup>th</sup> Cir. 1981), *rev'd*, 464 U.S. 417 (1984).

<sup>14</sup> *Id.* at 966.

<sup>15</sup> *Id.* at 975.

<sup>16</sup> *Id.*

In fashioning relief, the district court should not be overly concerned with the prospective harm to appellees. A defendant has no right to expect a return on investment from activities which violate the copyright laws. Once a determination has been made that an infringement is involved, the continued profitability of appellees' businesses is of secondary concern.

The following day, members of Congress introduced legislation in both the House and the Senate to legalize home video recording.<sup>17</sup> Other legislators weighed in with variant bills, and on April 12, 1982, the House Committee on the Judiciary held a special hearing in Los Angeles to consider the six different bills before it. The motion picture industry's chief lobbyist, Jack Valenti, was the first witness. He appeared armed with a 49 page legal memorandum authored by Harvard law professor Larry Tribe, which argued that any law that exempted home videotaping from liability for copyright infringement would be an unconstitutional taking of private property in violation of the Fifth Amendment.<sup>18</sup> Moreover, the memo continued, such an exemption would "endanger, and might indeed impermissibly abridge, First Amendment rights" because "motion picture and television producers will speak less often if the reward for their efforts is greatly reduced."<sup>19</sup> Valenti's testimony was nothing if not colorful:

Now, we cannot live in a marketplace, Mr. Chairman -- you simply cannot live in a marketplace, where there is one unleashed animal in that marketplace, unlicensed. It would no longer be a marketplace; it would be a kind of a jungle, where this one unlicensed instrument is capable of devouring all that people had invested in and labored over and brought forth as a film or a television program, and, in short, laying waste to the orderly distribution of this product. ...I say to you that the VCR is to the American film producer and the American public as the Boston strangler is to the woman home alone.<sup>20</sup>

By the spring of 1982, when the House convened its Los Angeles hearings, more than three million people had purchased home video cassette recorders, and videotape rental stores had sprung up across the U.S. The motion picture industry emphasized that studios did "not intend to file any actions against homeowners now or in the future."<sup>21</sup> Indeed, the industry had thought better of its demand that video tape recorders be

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<sup>17</sup> H.R. 4783, 97<sup>th</sup> Cong. (1981); H.R. 4794, 97<sup>th</sup> Cong. (1981); S. 1758, 97<sup>th</sup> Cong. (1981). *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 Subcom. on Courts, Civil Liberties, and The Administration Of Justice of the House Comm. on the Judiciary, 97<sup>th</sup> Cong. 1-3 (1982)* (opening statement of Rep. Kastenmeier).

<sup>18</sup> Laurence H. Tribe, Memorandum of Constitutional Law on Copyright Compensation Issues Raised by the Proposed Congressional Reversal of the Ninth Circuit's Betamax Ruling (Dec. 5, 1981), *reprinted in Copyright Infringements (Audio and Video Recorders): Hearings on S. 1758 Before the Senate Comm. on the Judiciary, 97<sup>th</sup> Cong. 78 (1982)*. See also *Home Recording of Copyrighted Works*, *supra* note 17, at 4-16, 67-115 (testimony of Jack Valenti, MPAA).

<sup>19</sup> Tribe, *supra* note 18, at 126.

<sup>20</sup> *Home Recording of Copyrighted Works*, *supra* note 17.

<sup>21</sup> *See id.* (testimony of Jack Valenti, MPAA).

outlawed. Instead, motion picture studios had agreed to support a bill that subjected video recorders to a compulsory license, levied royalties on the sale of video tape recorders and blank cassettes, and required copyright owners' permission for rental or lease of videotapes.<sup>22</sup> The recording industry began to lobby to expand the legislation to impose like royalties on the sales of audio tape recorders and blank audiotapes.<sup>23</sup> The House and Senate held more hearings. Video recorder dealers organized grass roots opposition to the legislation. On June 14, 1982, the Supreme Court agreed to hear the *Sony* case, and members of Congress sat back to wait and see what the Court would do.

### **Sony in the Supreme Court**

By the day of oral argument, more than five million consumers had purchased Betamax videocassette recorders. Dean Dunlavey, counsel for Sony, began his argument by noting that the studios had not yet sought a remedy against any of the five million Betamax owners, but that the decision below put all of them at risk for an award of statutory damages for each of the programs they recorded at home for their own private viewing. The gist of Dunlavey's argument was that the majority of copyright owners had no objection to consumer home videotaping, and it would make no sense to let a small minority use copyright litigation to force a useful and popular device with significant legitimate uses from the market.

Stephen Kroft, arguing on behalf of the studios, assured the Justices that affirming the Ninth Circuit's decision did not mean that the Betamax would be banned. As he had urged in his brief, the Court could instead impose a royalty on the sale of Betamax recorders. Several Justices asked Kroft to speak to the staple article of commerce doctrine applied by the trial court. Kroft vigorously disputed that the staple article of commerce doctrine was appropriate. The doctrine arose in patent law, which, he said, was unlike copyright law. In any event, he insisted, the Betamax wouldn't qualify as a staple article of commerce because it was not suitable for any legitimate uses – it was designed and marketed to make unauthorized copies of entire television programs without compensation to the copyright owner. Kroft suggested that the Court instead apply a standard it had articulated the previous term in a trademark case. In *Inwood Laboratories v. Ives Laboratories*, a case involving the copying of drug capsule colors, Kroft claimed, the Court had remarked that selling a product with the implication that it could be used to infringe a trademark might give rise to liability for contributory trademark infringement. Kroft argued that the same standard should apply in copyright cases. Justice Stevens then asked Kroft to address fair use. Kroft denied that the fair use doctrine would apply to home videotaping. When pressed on the issue of harm, Kroft complained that the district court had misallocated the burden of proof, wrongly expecting plaintiffs to prove harm rather than requiring defendants to disprove it.<sup>24</sup>

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<sup>22</sup> See H.R. 5488, 97<sup>th</sup> Cong. (1982); S. Amdt. 1242 to S. 1758, 97<sup>th</sup> Cong. (1981).

<sup>23</sup> See H.R. 5705, 97<sup>th</sup> Cong. (1982); S. Amdt. 1333 to S. 1758, 97<sup>th</sup> Cong. (1982).

<sup>24</sup> Transcript of Oral Argument, *Sony* (No. 81-1687), Jan. 18, 1983, available at 1983 U.S. TRANS LEXIS 89 (citing *Inwood Labs. v. Ives Labs.*, 456 U.S. 844, 851(1982)). *Inwood Labs* involved an appeal from a lower court decision finding contributory trademark infringement; the Court reversed the judgement on an unrelated ground. Kroft's reading of the *Inwood* opinion was something of a stretch. The passage Kroft

The papers of Supreme Court Justice Harry A. Blackmun indicate that when the Justices met in conference to discuss the case, three days after oral argument, a majority of them were disposed to affirm the Ninth Circuit opinion, at least in part.<sup>25</sup> Justices Blackmun, Marshall and Rehnquist were comfortable with the conclusion that consumer home videotaping was illegal infringement, and voted to affirm. Justice Powell felt that home use should be deemed fair use, but saw no way to draw a workable distinction between fair and infringing uses, and he, too, voted to affirm. Justice O'Connor was also disposed to affirm: if she were a legislator, she said, she would vote to exempt home use, but Congress had not done so in the 1976 Copyright Act.<sup>26</sup> Justices Brennan, White and Burger argued that time-shifting was fair use, but building a videotape library was infringement.<sup>27</sup> They were inclined to remand for additional fact-finding on the issue of Sony's liability, given that the Betamax was used for both infringing and non-infringing purposes. Only Justice Stevens insisted that the copyright statute did not prohibit consumers from making single copies of copyrighted works for their own private use.<sup>28</sup> Since consumers' use of the Betamax did not infringe plaintiffs' copyrights, Stevens argued, Sony could not be held liable as a contributory infringer.

As the senior Justice voting with the majority to affirm the Ninth Circuit decision, Justice Thurgood Marshall assigned the majority opinion to Harry Blackmun. Justice Stevens announced that he would be writing a dissent. He sent a note to Justice Blackmun, with copies to the other seven Justices, arguing that the copyright law permitted the making of a single copy for private noncommercial use. A review of the 1976 Copyright Act's legislative history, he urged, indicated that Congress never directly confronted the issue of private copying, but a variety of sources documented a widely-shared understanding that it was not illegal for individuals to make single copies for their own use. Moreover, the fact that the statute entitled copyright owners to seek statutory damages even from innocent infringers potentially subjected both consumers and the

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cited merely repeated the standard applied by the lower court. Elsewhere in the opinion, the Court had insisted that contributory trademark infringement required proof defendant intentionally induced infringement or continued to supply its products to retailers knowing that the retailers were using them to infringe trademarks.

<sup>25</sup> The Library of Congress Manuscript Reading Room houses the Supreme Court papers of Justices Harry A. Blackmun, William J. Brennan, and Thurgood Marshall, Jr. Those papers include handwritten and dictated notes, drafts of opinions, memoranda from law clerks and letters and memoranda sent by the Justices to one another. For a different, detailed analysis of the genesis of the *Sony* opinions drawn from the papers of Justice Thurgood Marshall, see Jonathan Band & Andrew J. McLaughlin, *The Marshall Papers: A Peek Behind the Scenes at the Making of Sony v. Universal*, 17 COLUM-VLA J. L. & ARTS 427 (1994).

<sup>26</sup> Handwritten Notes of Justice Harry A. Blackmun, (Jan. 21, 1983).

<sup>27</sup> *Id.* See also undated file memo in the papers of Justice William A. Brennan. The memo appears to have been written or dictated between the January 18, 1983 oral argument and the January 21, 1983 conference. In it, Justice Brennan expresses his view that time-shifting is fair use but library building is not, that Sony might well be liable for statutory damages or profits as a contributory infringer, and that a flat ban on the sale of Betamaxes would be improper.

<sup>28</sup> See Memorandum to the File from Justice John Paul Stevens (Jan. 20, 1983).

manufacturers of copying equipment to “truly staggering liability.”<sup>29</sup> Justice Powell responded in a memo to Blackmun indicating that, while he had voted with Blackmun initially, Stevens’s “single copy” argument was giving him pause, and he would wait to read drafts of the majority and dissenting opinions before deciding.<sup>30</sup>

On June 13, Justice Blackmun circulated the first draft of his opinion for the Court. The draft began with a rejection of Stevens’s argument that a single copy made for noncommercial purposes did not infringe: “Although the word “copies” appears in the plural in § 106(1), it is clear that the making of even a single unauthorized copy is prohibited.”<sup>31</sup> Examining the 1976 Act, Blackmun listed a variety of detailed exemptions that permitted the making of a single copy. When Congress intended to excuse the making of a single copy, it had said so, and articulated the circumstances under which that copy might be made in great detail. Congress had, moreover, shown no difficulty expressly providing special treatment for private use when it concluded it was warranted: The 1976 Act limited the copyright owner’s performance right to public performances, and the library photocopying provisions include privileges limited to researchers engaged in “private study, scholarship or research.”<sup>32</sup> If the law incorporated an implicit exemption for private copies, Blackmun concluded, these provisions would be completely unnecessary.

Justice Blackmun then rejected the argument that home copying could be excused under the fair use doctrine. The fair use doctrine, he explained, acts as a subsidy, at the copyright owners’ expense, to permit subsequent authors to make limited use of copyrighted works for the public good. Fair uses were always productive uses, “reflecting some benefit to the public beyond that produced by the first author’s work.” Home taping was not such a use, so there was no need to subsidize it at the author’s expense. Unproductive uses might in some circumstances escape liability because they caused little or no harm. Where a use was unproductive, however, courts should not deem it fair if the copyright owner produced evidence of a potential for harm. In that case, the use would be found infringing “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

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<sup>29</sup> Letter from Justice John Paul Stevens to Justice Harry A. Blackmun (Jan. 24, 1983).

<sup>30</sup> Letter from Justice Lewis F. Powell to Justice Harry A. Blackmun (Feb. 3, 1983).

<sup>31</sup> 1<sup>st</sup> Draft, Opinion in *Sony* (No. 81-1687) (circulated by Justice Blackmun, June 13, 1983), at 7. Justice Blackmun quoted House and Senate Report statements that the reproduction right “means the right to produce a material object in which the work is duplicated, transcribed, imitated, or simulated in a fixed form from which it can be ‘perceived, reproduced or otherwise communicated, either directly or with the aid of a machine or device.’” *Id.* at 8 (quoting 1975 Senate Report 58, 1976 House Report 61).

The making of even a single videotape recording at home falls within this definition; the VTR user produces a material object from which the copyrighted work later can be perceived. Unless Congress intended a special exemption for the making of a single copy for personal use, we must conclude that VTR recording is contrary to the exclusive rights granted by § 106(1).

*Id.* at 8.

<sup>32</sup> *Id.* at 12-13.

work.”<sup>33</sup> Thus, unproductive uses could qualify for fair use only when they had no potential to harm the copyright owner’s market. The introduction of evidence of potential harm from an unproductive use would shift the burden of proof to the defendant to disprove potential harm.

As for Sony’s liability for consumers’ use of its recorders, Blackmun wrote that contributory liability required neither direct involvement with individual infringers nor actual knowledge of particular instances of infringement. “It is sufficient that the defendant have reason to know that infringement is taking place.”<sup>34</sup> By advertising the Betamax as suitable for the recording of “favorite shows” and “classic movies,” Sony had induced copyright infringement by Betamax owners.<sup>35</sup> Blackmun conceded that some consumers might have used Sony’s recorders for non-infringing as well as infringing uses, but “the existence of noninfringing uses does not absolve the manufacturer of a product whose ‘most conspicuous purpose’ is to infringe.”<sup>36</sup> Since copyright infringement was the Betamax’s primary use, Sony was liable as a contributory infringer.

Even before Justice Blackmun completed the first draft of the opinion, Justice Stevens had prepared his alternative, and he circulated it on the same day. Justice Stevens, apparently hoping to pry a fifth vote loose from Blackmun’s majority, styled his draft as a “Memorandum” rather than a dissent. Stevens argued that Sony could not be held liable for making and selling Betamax recorders unless the primary use of the Betamax were an infringing one; he concluded that it was not. Until the Court of Appeals decision below, Stevens began, no court had ever held that purely private noncommercial copying infringed the reproduction right, and the copyright law had never been understood to prohibit it. While the language of the 1909 Copyright Act appeared to give copyright owners control over the making of even a single copy, courts had not applied it so literally.<sup>37</sup> Litigation challenging the massive photocopying of scientific articles by the National Library of Medicine had proceeded on the express assumption that individual scholars acted lawfully when they made single copies for their own use.<sup>38</sup> When Congress extended copyright protection to sound recordings in 1971, it had repeatedly affirmed that the Copyright Act did not then reach consumer home taping of music, and would not reach it as amended.<sup>39</sup> Stevens found it unlikely that Congress could possibly have intended the 1976 Act to prohibit private home videotaping. Nothing in the language or legislative history of the 1976 Act supported a conclusion that

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<sup>33</sup> *Id.* at 22, 26.

<sup>34</sup> *Id.* at 30-31.

<sup>35</sup> *Id.* at 32-33.

<sup>36</sup> *Id.* at 35.

<sup>37</sup> 1<sup>st</sup> draft, Memorandum of Justice Stevens, *Sony* (No.81-1687) (circulated June 13, 1983) at 16.

<sup>38</sup> *Id.* at 5 (*citing* *Williams & Wilkins v. U.S.*, 487 F.2d 1345 (Ct.Cl. 1973), *aff’d by an equally divided Court*, 420 U.S. 376 (1975)).

<sup>39</sup> *Id.* at 9-11.

Congress intended home video taping to be treated differently from home audio taping.<sup>40</sup> Stevens suggested that Congress would not lightly have elected intrusive regulation of noncommercial conduct within the home. “It would plainly be unconstitutional,” he suggested, “to prohibit a person from singing a copyrighted song in the shower or jotting down a copyrighted poem he hears on the radio.”<sup>41</sup> Moreover, he rejected the argument that Congress might have intended to prohibit home taping on the understanding that the prohibition would never be enforced against individual consumers, like defendant William Griffiths.

It is significant that the Act does not purport to create “safe” violations. It plainly provides that every act of infringement – even if performed in complete good faith – gives rise to a minimum statutory liability of \$100. That command cannot simply be transformed into a matter of indifference because the copyright owners do not intend to collect the heavy tribute that is their due.<sup>42</sup>

Finally, Stevens argued that even if the Court concluded that home taping infringed Universal Studios’s copyrights, and that that infringement entitled them to some remedy against Sony, it was difficult to imagine a remedy properly within the competence of the courts.

In their complaint, respondents pray for an injunction against the further manufacture or sale of video cassette records. They do so despite the fact that they have suffered no tangible harm. They claim the injunction is required by the potential future impact of this innovation. Surely that impact can be more precisely gauged by legislators than by this Court, on this record.<sup>43</sup>

Justice Stevens supplemented his draft with a memo noting the areas of agreement and disagreement between his memorandum and Justice Blackmun’s opinion, and criticizing Blackmun’s formulation of fair use; Blackmun responded with a memo of his own suggesting that Stevens had misread the legislative history of the Copyright Act. The legislative history, Blackmun argued, indicated that Congress had designed the 1976 Act to cover new and unexpected technologies as well as known ones, freeing Congress from the obligation to revisit the law each time a new use arose. Justice Brennan then circulated a memo seeking to put a third alternative on the table. Brennan disputed Stevens’s conclusion that Congress had implicitly exempted private, non-commercial copying from liability, but thought that that was a point the Court need not address:

As Harry explains, Sony can be liable for contributory infringement only if the Betamax’s “most conspicuous purpose” or “primary use” is an infringing use. ... I, however, think that a good deal

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<sup>40</sup> *Id.* at 12, 14.

<sup>41</sup> *Id.* at 17-18.

<sup>42</sup> *Id.* at 19 (footnote omitted).

<sup>43</sup> *Id.* at 20 (footnote omitted).

of timeshifting is fair use. ... I question whether the “ordinary”/”productive” distinction can be used to shift the burden of proving or disproving economic harm in a broad class of cases.... In my view, the Studios’ allegations of potential harm ... are simply empty when applied to most timeshifting. Unless the burden is shifted, there is no need for a remand to determine that a substantial amount of timeshifting is fair use. And if that is true, then I cannot agree that the Betamax’s “primary use” is infringement or that Sony’s advertisements evince a purpose to profit from infringement.<sup>44</sup>

The following day, Blackmun circulated a revised second draft, containing additional discussion of the private use and contributory infringement issues, and an expanded treatment of how the lower court might address the remedy for Sony’s infringement.<sup>45</sup> Justices Rehnquist and Marshall agreed to join that opinion.

Justice O’Connor, who had been part of the initial majority voting to affirm the Ninth Circuit opinion, had reservations. She wrote to Blackmun, noting her agreement with the draft’s conclusions that Sony violated the studio’s reproduction right and that the fair use doctrine did not apply. “However,” she continued, “I have considerable difficulty in rejecting the District Court’s view that the respondents suffered no harm, actual or potential, as a result of Sony’s use.” O’Connor also expressed concern about Blackmun’s fair use formulation, indicating that she was not persuaded that the burden of proof on the issue of harm should be shifted to Sony; wherever the burden of proof lay, however, she read Judge Ferguson’s opinion as finding no harm, actual or potential.<sup>46</sup>

Justice Blackmun responded with a suggestion that the Court remand the case for new factfinding on the issue of harm. He was unwilling to adopt a standard requiring copyright plaintiffs to prove potential harm, but suggested language that clarified that the copyright owner’s burden of production was a substantial one, requiring more than mere speculation.<sup>47</sup> O’Connor responded, questioning whether a remand on the issue of harm would be fruitful; it seemed clear that Judge Ferguson had concluded that there was no concrete evidence that the Betamax would harm the studios.<sup>48</sup> In the absence of any harm, O’Connor preferred the finding of liability against Sony to be reversed outright.

If there were to be a remand, Justice O’Connor continued, it was essential that the opinion acknowledge that fair use encompassed unproductive uses as well as productive ones. She felt strongly that the burden of proof on the issue of harm should stay with the copyright owner rather than shifting to the alleged infringer. Finally, O’Connor questioned Blackmun’s rejection of the “staple article of commerce” doctrine:

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<sup>44</sup> Memorandum from Justice William A. Brennan (June 14, 1983).

<sup>45</sup> 2d Draft, Opinion in *Sony* (No. 81-1687) (circulated by Justice Blackmun, June 15, 1983).

<sup>46</sup> Letter from Justice Sandra Day O’Connor to Justice Harry A Blackmun (June 16, 1983).

<sup>47</sup> Letter from Justice Harry A. Blackmun to Justice Sandra Day O’Connor (June 16, 1983).

<sup>48</sup> Letter from Justice Sandra Day O’Connor to Justice Harry A. Blackmun (June 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 an 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.<sup>49</sup>

Justice Powell sent Blackmun a memo indicating that he was troubled by some of the same points Justice O’Connor had raised.<sup>50</sup> Blackmun circulated a revised draft seeking to meet their concerns,<sup>51</sup> reformulating the fair use analysis in an attempt to reach a compromise on the burden of proof. For Blackmun, what was crucial was that the law not require copyright owners to prove actual harm when a new technology was at issue, because that would require them to wait to seek relief until too late. The legislative history of the statute, he insisted, “makes clear that copyright owners are not to be deprived of protection simply because the effects of a new technology are unknown.”<sup>52</sup> In order to accommodate O’Connor’s concerns, Blackmun revised the language in his draft to put the burden of proof of harm on the plaintiffs, but require them to show only “a reasonable possibility of harm.”<sup>53</sup> Seeking to find middle ground on the staple article of commerce, Blackmun adopted a phrase from Justice O’Connor’s letter: the focus of a contributory infringement inquiry should be “whether virtually all of the copying amounts to infringement.”

Justice O’Connor wrote back the same day, requesting additional changes.<sup>54</sup> She continued to be dissatisfied with the treatment of the burden of proof on harm. Justice Blackmun’s “reasonable possibility of harm” struck her as allowing copyright plaintiffs to prove too little. She proposed that the opinion instead describe the burden of proof using the statutory language, and require plaintiffs to prove “harm to the potential market for or value of the copyrighted work.”<sup>55</sup> She objected to language implying that the studios had already met that burden in the lower court, since Judge Ferguson’s findings indicated that no harm had been shown. Finally, O’Connor wrote, she “remained

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<sup>49</sup> *Id.* at 2-3.

<sup>50</sup> Letter from Justice Lewis F. Powell to Justice Harry A. Blackmun (June 20, 1983).

<sup>51</sup> 3d Draft, Opinion in *Sony*, (No. 81-1687) (circulated by Justice Blackmun, June 21, 1983).

<sup>52</sup> Letter from Justice Harry A. Blackmun to Justices Lewis F Powell and Sandra Day O’Connor (June 21, 1983).

<sup>53</sup> 3d Draft, Opinion in *Sony*, (No. 81-1687) (circulated by Justice Blackmun, June 21, 1983) at 26.

<sup>54</sup> Letter from Justice Sandra Day O’Connor to Justice Harry A. Blackmun (June 21, 1983).

<sup>55</sup> *Id.* at 2.

convinced that the standard for contributory infringement should be the one I articulated in my letter of June 18: is the VTR capable of substantial non-infringing uses.”<sup>56</sup> If Blackmun incorporated her suggestions into a fourth draft, O’Connor continued, she would join that opinion.

Justice Blackmun replied that he was reluctantly willing to accept Justice O’Connor’s formulation for the standard for contributory infringement, but would not yield further on the question of the burden of proof in fair use:

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.<sup>57</sup>

Meanwhile, Justice White proposed that Justices Brennan and Stevens try to assemble a majority for an opinion that took a position between the views that Brennan and Stevens had expressed following the oral argument. White suggested that such an opinion could reverse the judgment against Sony as a contributory infringer on the ground that the studios had failed to prove injury or damages, and leave the question of consumer liability unresolved.<sup>58</sup>

Justice Stevens circulated some new language on June 23.<sup>59</sup> The exchange of letters between O’Connor and Blackmun had been distributed to all nine Justices, and Justice Stevens’s new draft seemed designed to attract O’Connor’s vote by adopting the proposals Blackmun had rejected. Thus, while the draft nominally followed the model proposed in Justice Brennan’s June 14 memo, concluding that because time-shifting caused the studios no harm, there was no basis for imposing contributory liability on Sony, the draft also incorporated the suggestions that O’Connor had been trying unsuccessfully to persuade Blackmun to include in his opinion. In particular, after emphasizing both the studios’ failure to show any harm from the Betamax, and the trial court’s finding that copyright owners other than the studios encouraged consumers to time-shift their programs, the draft imported the staple article of commerce doctrine from patent law and placed the burden of proof on the question of potential harm in a fair use analysis squarely on the plaintiff. O’Connor sent a note to Blackmun noting her agreement with Stevens’s treatment of the burden of proof, and suggesting that Blackmun

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<sup>56</sup> *Id.* at 3-4 (emphasis in original).

<sup>57</sup> Letter from Justice Harry A Blackmun to Justice Sandra Day O’Connor (June 23, 1983)(emphasis in original).

<sup>58</sup> Letter from Justice Byron R. White to Justice William J. Brennan (June 17, 1983)

<sup>59</sup> Memorandum from Justice John Paul Stevens to the Conference (June 23, 1983).

incorporate a modified version of it into his opinion.<sup>60</sup> “This issue,” she wrote, “is significant, because the burden will likely determine the outcome of not only this case but most others in the future. I recognize the delicate balance we must make between protection of the copyright owner and encouragement of new technology.”

Three days later, Justice Blackmun wrote back, refusing to make additional changes:

I have endeavored of 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.<sup>61</sup>

Justice Stevens, meanwhile, had circulated his completed draft, which combined the Brennan distinction between time-shifting and library building with the O’Connor formulations of the burden of proof and staple article of commerce doctrine, all while purporting to decide only the contributory infringement issue and leave the question of consumer liability for home taping for another day.<sup>62</sup> The draft noted that the Court had granted certiorari to address whether home videotaping was copyright infringement and, if so, whether the manufacturers of videotape recorders were liable for advertising and selling them, and whether a judicially imposed royalty was a permissible form of relief. Because the district court’s factual findings were dispositive on the contributory infringement issue, the Court need decide only that question:

In brief, the critical facts are these: the principal use of the video tape recorder is to enable its owner to view a program he would otherwise miss; this practice, known as “time-shifting,” enlarges the television viewing audience. For that reason, a significant number of producers of television programs have no objection to the copying of their program for private home viewing. For the same reason, even the two respondents in this case, who do object to time shifting, were unable to prove that the practice has caused them any harm or creates any likelihood of future harm.<sup>63</sup>

The draft then discussed the doctrine of contributory copyright infringement, and expressly adopted patent law’s staple article of commerce doctrine. As framed by Justice Stevens, the staple article of commerce doctrine applied to any article that was “widely used for legitimate, unobjectionable purposes. Indeed, if we apply the patent law rule, it need merely be capable of significant noninfringing uses.”<sup>64</sup>

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<sup>60</sup> Letter from Justice Sandra Day O’Connor to Justice Harry A. Blackmun (June 25, 1983)

<sup>61</sup> Letter from Justice Harry A. Blackmun to Justice Sandra Day O’Connor (June 28, 1983).

<sup>62</sup> 2d Draft, Memorandum of Justice Stevens in *Sony*, (No. 81-1687) (circulated by Justice Stevens, June 27, 1983).

<sup>63</sup> *Id.* at 2.

<sup>64</sup> *Id.* at 24.

“The question,” Stevens continued, “is thus whether the Betamax is capable of commercially significant noninfringing uses.” Noncommercial private time-shifting was such a use both because much of it was authorized and because even unauthorized time-shifting qualified as fair use:

Three different factors lead to the conclusion that under a “rule of reason” analysis, the respondents failed to carry their burden of proving in this case that home time shifting is not fair use. Those factors are (A) their complete failure to show that home time shifting would harm the potential market for, or value of, any identifiable copyrighted material, (B) the legislative history tending to show that Congress understood such activity to be fair use, and (C) the profoundly disturbing policy implications of finding that home time shifting is not fair use.<sup>65</sup>

The draft proceeded to a discussion of the four factors enumerated in section 107. It addressed only the final factor, the “effect of the use upon the market for or value of the copyrighted work.” If a use has no effect on the potential market for a work, Stevens explained, it has no effect on the author’s incentives to create. Prohibiting it would simply hinder access to the work without any countervailing benefit.

Of course, every commercial use of copyrighted material is presumptively an exploitation of the monopoly privilege that belongs to the owner of the copyright. But noncommercial uses are a different matter. Any plaintiff seeking to challenge the non-commercial use of a copyrighted work should, as a threshold matter, prove either that the particular use is harmful or that if it should become widespread, it would be more likely than not that *some* non-minimal damage would result to the potential market for, or the value of, his particular copyrighted work. Actual present harm need not be shown; such a requirement would leave the copyright holder with no defense against predictable damage. Nor is it necessary to show with certainty that future harm will result. What is necessary is a showing by a preponderance of the evidence that *some* meaningful likelihood of future harm exists. If the intended use is for commercial gain, that likelihood may be presumed. But if it is for purely private purposes, however, it must be demonstrated.<sup>66</sup>

This formulation combined Stevens’s initial conclusion that noncommercial private copying should be treated differently from commercial copying with O’Connor’s insistence that the burden of proof on the issue of harm should be assigned to the plaintiff.

The end of June is a busy time at the Supreme Court: the Court adjourns each summer in early July, and by tradition disposes of all of the cases on its calendar before adjournment, so by late June the Court is hurrying to finish its work on all remaining

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<sup>65</sup> *Id.* at 31.

<sup>66</sup> *Id.* at 32 (emphasis in original).

decisions. Justice Brennan sent around a memo that did not offer to join Stevens's most recent opinion, but noted that the draft "came closer to expressing" Brennan's views. Justice Byron White sent a note to Chief Justice Burger suggesting that the Court set the case for reargument the following term: "If this case is to come down this term, I prefer John's submission to any others. I would much rather, however, have the case reargued. It is important, and I would feel more comfortable if we could give the case more attention than time will now allow."<sup>67</sup> Justice O'Connor chimed in, noting that she also preferred Justice Stevens's most recent draft to the alternative, but would probably agree to set the case for reargument.<sup>68</sup> Justice Rehnquist also expressed support for reargument.<sup>69</sup> Justice Stevens remained hopeful of resolving the case that term rather than holding it over, and he circulated a further draft of his opinion. This draft incorporated extensive discussion of the testimony of copyright owners who welcomed consumer home taping as a method of expanding their audience, and an expanded discussion of the district court's findings on the studios' failure to show any harm.<sup>70</sup> It otherwise tracked the earlier draft. Stevens believed that the draft reflected a consensus of the views of Justices Brennan, Burger, White and O'Connor as well as himself. The Court decided, however, to set the case for reargument.

On July 6<sup>th</sup>, the final day of the 1982 term, copyright lobbyists and journalists assembled at the Court to be the first to read the Betamax decision. There was no Betamax decision to read. The Court issued an order restoring the case to the argument calendar. It asked for no new briefs and identified no new issues it wanted counsel to address.<sup>71</sup>

*Sony* was reargued on October 3, 1983. Dean Dunlavey argued first for Sony, and noted that by the end of the year 9 ½ million households, or roughly 10% of the television viewing audience, would own videotape recorders. Home taping, he argued, was clearly fair use. Justice O'Connor asked whether the Court needed to resolve the fair use issue. Could the Justices not resolve the contributory infringement question without deciding whether home taping was fair use? Dunlavey agreed that the Court could indeed take that approach: "There are two roads to Rome." He then returned to his discussion of fair use. Justice White interrupted: "I'm wondering," he asked, "do we have to reach the questions you've been discussing if we agreed with you that this is a staple article of commerce and that there's no contributory infringement?" "If you agreed with me," responded Dunlavey, "you would think this case would be over." Justice White persisted: "Well we wouldn't have to talk about fair use at all, would we, if we agreed

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<sup>67</sup> Letter from Justice Byron R. White to Chief Justice Warren Burger (June 28, 1983).

<sup>68</sup> Letter from Justice Sandra Day O'Connor to Chief Justice Warren Burger (June 28, 1983).

<sup>69</sup> Memorandum from Justice William H. Rehnquist to the Conference (June 28, 1983).

<sup>70</sup> 3d Draft, Memorandum of Justice Stevens in *Sony*, (No. 81-1687) (circulated by Justice Stevens, June 28, 1983) at 24-26, 30-34.

<sup>71</sup> *Sony v. Universal*, 463 U.S. 1226 (1983). See Mark Bomnster & Susan March, *Betamax Ruling Put on Hold*, 57 Retailing Home Furnishings (July 11, 1983), at 53.

with you that this is a staple article of commerce?” Dunlavey conceded that that was the case.

Stephen Kroft stood up to argue for the studios. “Underneath all the legal arguments and legal labels that we’ve thrown around in this case, the case is really very simple and straightforward,” he began. “Petitioners have created a billion dollar industry based entirely on the taking of someone else’s property....”<sup>72</sup> Justices White and Stevens had a number of questions about the staple article of commerce test; Kroft insisted that it had no application to the case. Justice O’Connor noted that the district court had found no harm, and Kroft responded that under the copyright statute, plaintiffs were not required to prove harm. Rather, Kroft argued, a finding of infringement lead to a presumption of harm, shifting the burden to defendants to prove there would not be any harm. Justice Stevens asked for an example of harm that time-shifting might cause, and Kroft responded that homemade tapes could compete with pre-recorded cassettes.<sup>73</sup> “Fair use,” Kroft continued, “was a very narrow doctrine designed for very limited application, for use in the creation of scholarly or research works or works for contemporary comment or news reporting purposes, and only when a small amount was taken. Off the air recording for home entertainment purposes doesn’t even come anywhere close to fitting that definition.”<sup>74</sup>

At the conference following the reargument, according to Justice Blackmun’s handwritten notes, only Justices Marshall and Blackmun voted to affirm the Ninth Circuit decision. Justices Powell and Rehnquist favored affirming the portion of the court of appeals decision holding that consumer home videotaping infringed the studios’ copyrights, but wanted to remand on the issue of contributory infringement. Justices Burger, Brennan, White, O’Connor and Stevens voted to reverse the decision outright. Justice Stevens undertook to write the opinion for the Court; Justice Blackmun agreed to write the dissent.

### **The Supreme Court Decision**

Justice Stevens’s opinion for the Court characterized the lawsuit as an “unprecedented attempt to impose copyright liability upon the distributors of copying equipment,” and rejected “[s]uch an expansion of the copyright privilege” as “beyond the limits of the grants authorized by Congress.”<sup>75</sup> Stevens’s analysis essentially tracked the arguments made in his June 28 draft, combining his own solicitude for private noncommercial copying with Justice Brennan’s distinction between time-shifting and library building, and Justice O’Connor’s preference for the staple article of commerce

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<sup>72</sup> Transcript of Oral Argument, *Sony* (No. 81-1687) (Oct. 3, 1983), available at 1983 U.S. TRANS LEXIS 10.

<sup>73</sup> At the time of trial, neither Universal nor Disney had released any programs on pre-recorded cassettes, although, beginning in late 1977, several other studios had released older material on videocassette. Video rental stores started springing up shortly thereafter. See Lardner, *supra* note 3, at 154-88.

<sup>74</sup> Transcript of Oral Argument, *supra* note 72.

<sup>75</sup> *Sony v. Universal Studios*, 464 U.S. 417, 421 (1984).

doctrine and conviction that the burden of proof on the issue of harm to the copyright owner in a fair use determination should rest on the plaintiff. Stitching those positions together into a coherent opinion was not easy, and while the result the opinion reached was immediately clear, the reasoning it relied on was, at best, oblique.

Justice Stevens began by explaining that the courts had been and should be reluctant to expand copyright protection in response to new technology rather than allowing Congress to craft appropriate solutions. There was no precedent in copyright law for imposing liability for selling a product that enabled users to make infringing copies. The closest analogy to such a theory of liability was found in patent law, which imposed liability for contributory infringement but also exempted the sale of staple articles of commerce from liability. Although the Court recognized substantial differences between patent and copyright law, both sought to strike a balance between the interest in effective protection and the rights of others to engage freely in unrelated areas of commerce. “Accordingly,” the opinion continued, “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.”<sup>76</sup>

As in his earlier draft, Stevens answered the question whether the Betamax was capable of commercially significant noninfringing uses by identifying private, noncommercial time-shifting as one use that satisfied that standard. He reviewed the testimony of copyright owners who welcomed time-shifting. The representative of one PBS station had testified that his station published a program guide inviting viewers to tape more than half of the programs on its schedule. Fred Rogers had testified that he had absolutely no objection to families’ taping episodes of *Mr. Rogers’ Neighborhood*.

Of course, the fact that other copyright holders may welcome the practice of time-shifting does not mean that respondents should be deemed to have granted a license to copy their programs. Third-party conduct would be wholly irrelevant in an action for direct infringement of respondents' copyrights. But in an action for *contributory* infringement against the seller of copying equipment, the copyright holder may not prevail unless the relief that he seeks affects only his programs, or unless he speaks for virtually all copyright holders with an interest in the outcome. In this case, the record makes it perfectly clear that there are many important producers of national and local television programs who find nothing objectionable about the enlargement in the size of the television audience that results from the practice of time-shifting for private home use.<sup>77</sup>

Stevens then turned to unauthorized time-shifting, and concluded that it qualified as fair use. Justice Stevens rejected the Ninth Circuit’s position that only productive uses could

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<sup>76</sup> *Id.* at 442.

<sup>77</sup> *Id.* at 446.

be deemed fair.<sup>78</sup> He focused instead on the distinction between commercial uses and non-commercial ones. “If the Betamax were used to make copies for a commercial or profit-making purpose,” he explained, “such use would presumptively be unfair. The contrary presumption is appropriate here, however, because the District Court’s findings plainly establish that time-shifting for private home use must be characterized as a noncommercial, nonprofit activity.”<sup>79</sup>

Even copying for noncommercial purposes may impair the copyright holder’s ability to obtain the rewards that Congress intended him to have. But a use that has no demonstrable effect upon the potential market for, or the value of, the copyrighted work need not be prohibited in order to protect the author’s incentive to create. The prohibition of such noncommercial uses would merely inhibit access to ideas without any countervailing benefit.<sup>80</sup>

Thus, while every commercial use should be deemed presumptively unfair, a challenge to a noncommercial use required proof of present or potential harm. The studios had failed to satisfy that burden.<sup>81</sup> The Betamax videotape recorder was therefore capable of substantial non-infringing uses, and Sony’s sale of it did not constitute contributory infringement.<sup>82</sup>

Justice Blackmun’s dissent, joined by Justices Marshall, Powell and Rehnquist, repeated the arguments he had made the previous spring: the fair use defense was appropriate only when a productive use merited a subsidy at the copyright owner’s expense or when the use had no potential to affect the author’s incentive to create. Time-shifting, Blackmun argued, was an ordinary use rather than a productive one, and had a substantial adverse effect on the potential market for copyrighted television programs. By focusing on the potential harm to plaintiffs’ current markets, Blackmun argued, the majority had failed to give appropriate weight to the likelihood of harm to the potential

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<sup>78</sup> *Id.* at 445 n.40.

<sup>79</sup> *Id.* at 449.

<sup>80</sup> *Id.* at 450-51.

<sup>81</sup> *Id.*:

Thus, although every commercial use of copyrighted material is presumptively an unfair exploitation of the monopoly privilege that belongs to the owner of the copyright, noncommercial uses are a different matter. A challenge to a noncommercial use of a copyrighted work requires proof either that the particular use is harmful, or that if it should become widespread, it would adversely affect the potential market for the copyrighted work. Actual present harm need not be shown; such a requirement would leave the copyright holder with no defense against predictable damage. Nor is it necessary to show with certainty that future harm will result. What is necessary is a showing by a preponderance of the evidence that *some* meaningful likelihood of future harm exists. If the intended use is for commercial gain, that likelihood may be presumed. But if it is for a noncommercial purpose, the likelihood must be demonstrated.

In this case, respondents failed to carry their burden with regard to home time-shifting.

<sup>82</sup> *Id.* at 456.

markets created by defendants' technology. The videotape recorder deprived copyright owners of the opportunity to exploit the market of potential viewers who found it inconvenient to watch television programs at the time they are broadcast. Accordingly, even time-shifting should not be deemed a fair use.<sup>83</sup>

### **The Immediate Impact of *Sony***

The *Sony* decision was reported widely, and approvingly, in the popular press as holding that consumers do not violate the law when they tape television programs off the air.<sup>84</sup> The decision was less popular with the copyright bar.<sup>85</sup> To copyright lawyers, the Court's opinion seemed like a sharp break with longstanding precedent; from the copyright lawyer's standpoint, Justice Blackmun's dissenting opinion was grounded in long copyright tradition, while Justice Stevens's opinion for the Court had no real historical foundation. The majority's adoption of the staple article of commerce doctrine seemed unnecessary and ill-reasoned, and its presumption-mediated treatment of the burden of proof in fair use cases seemed ill-advised.<sup>86</sup> To people outside of the copyright bar, the case came immediately to stand for the proposition that private noncommercial copying was fair use. To many members of the copyright bar, that represented an

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<sup>83</sup> See *id.* at 457-93 (Blackmun, J. dissenting).

<sup>84</sup> See, e.g., Fred Barbash, *Supreme Court Chooses Not to Stem the Tide of High Technology*, WASHINGTON POST, January 22, 1983, at A5; Nathaniel C. Nash, *Sony Prevails in the Betamax Case*, THE NEW YORK TIMES, January 22, 1984, at Sec. 3, page 16, col. 3. The *Washington Post's* entertainment critic, Tom Shales, put it this way:

There won't be dancing in the streets. There'll be taping in the living rooms. But if there were dancing in the streets and it was shown on television, you could tape it in the living room and not have to worry about some trench-coated specter from the FBI breaking down the door to your condominium.

One small step for man, one giant kick in Big Brother's pants.

Yesterday the Supreme Court ruled, by a frighteningly narrow 5-to-4 majority, that the home taping of TV programs and movies broadcast on the air is not illegal. Five million VCR users breathed an enormous "whew." Imagine. No more stuffing the Betamax machine under the bed at every unexpected ring of the doorbell. No more disguising tapes as pornographic magazines. No more covert tapings of "Remington Steele" with the shades drawn and the windows locked.

No more midnight meetings of Time-Shifters Anonymous.

No more worrying if industry lobbyist Jack Valenti and his SWAT team are about to surround the house, shine in the big blinding spotlights, and order you by bullhorn to come out with your hands, and your recording heads, up. Citizens! Hear me! We are free! Free to tape as we choose! To tape as we see fit. To tape till the cows come home.

To tape "Till the Clouds Roll By," that dopey old MGM musical, the next time a TV station shows it.

1984 has been marked down to . . . yes! . . . 1776!

Tom Shales, *I'll Tape Tomorrow, And So Will You, Thanks to the Court*, WASHINGTON POST, January 18, 1984, at B1.

<sup>85</sup> See, e.g., WILLIAM F. PATRY, *THE FAIR USE PRIVILEGE IN COPYRIGHT LAW* 205-10 (1985).

<sup>86</sup> See, e.g., *id.* at 363-65; Ralph Oman, *The 1976 Copyright Act Revisited: "Lector, si momentum requires, circumspice,"* 34 J. COPYRIGHT SOC'Y 29, 32-33 (1986).

unwarranted expansion of what they had believed to be a fairly confined privilege.<sup>87</sup> The motion picture industry vowed to overturn the decision in Congress, but found little enthusiasm in the Senate and House for imposing a copyright tax on videocassette recorders or blank tapes.

The Sony Betamax itself was soon superseded by a videorecorder using the different, and incompatible, VHS format. In 1988, Sony began phasing out the Betamax video tape recorder. Meanwhile, the motion picture industry grew to rely on the pre-recorded videocassette market as a significant source of its income.<sup>88</sup> Revenues from prerecorded videocassettes (and, later, DVDs) came to outstrip revenues from domestic theatrical ticket sales. The consumer electronics and computer industries introduced a variety of devices – digital audio recorders, digital cameras, computers, MP3 players, and peer-to-peer file sharing software – capable of infringing as well as legitimate uses.

The year after *Sony*, the Supreme Court decided its second fair use case, *Harper & Row v. Nation Enterprises*.<sup>89</sup> The case involved an unauthorized pre-publication excerpt from former President Gerald Ford's memoirs published by *The Nation*, a small political commentary magazine. The excerpt comprised 300 words from a 400-page book. The Court held, 6-3, that *The Nation* was not entitled to the shelter of the fair use privilege, in part because the news reporting and political commentary it engaged in had a commercial purpose rather than a non-profit one. Justice O'Connor authored the opinion. "The fact that a publication was commercial as opposed to nonprofit is a separate factor that tends to weigh against a finding of fair use," she wrote, "[Every] commercial use of copyrighted material is presumptively an unfair exploitation of the monopoly privilege that belongs to the owner of the copyright." *Sony Corp. of America v. Universal City Studios, Inc.*, 464 U.S., at 451."

The *Harper & Row* decision represented the high point of *Sony's* influence on the law of fair use. The presumption against commercial fair use quickly proved unworkable, making fair use unavailable to biographers,<sup>90</sup> parodists,<sup>91</sup> and news organizations<sup>92</sup> because they published their works for commercial gain. Ten years after *Sony*, in *Campbell v. Acuff-Rose Music*,<sup>93</sup> the Court finally abandoned the presumption,

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<sup>87</sup> See, e.g., Jack C. Goldstein, AIPLA BULLETIN, December 1984 at 635, 636-37.

<sup>88</sup> See Ross Johnson, *Getting a Piece of the DVD Windfall*, NEW YORK TIMES, Dec. 13, 2004, at C1.

<sup>89</sup> 471 U.S. 539 (1985).

<sup>90</sup> See *New Era Publications Int'l v. Henry Holt & Co.*, 873 F.2d 576, 583-84 (2d Cir. 1989).

<sup>91</sup> See *Rogers v. Koons*, 960 F.2d 301 (2d Cir. 1992); *Tin Pan Apple v. Miller Brewing Co.*, 737 F. Supp. 826 (S.D.N.Y. 1990); *Original Appalachian Artworks v. Topps Chewing Gum*, 642 F. Supp. 1031 (N.D.Ga. 1986).

<sup>92</sup> See *Hi-Tech Video Productions, Inc. v. Capital Cities/ABC, Inc.*, 804 F. Supp. 950 (W.D. Mich. 1992).

<sup>93</sup> 510 U.S. 569, 584-85 (1994):

*Sony* itself called for no hard evidentiary presumption. There, we emphasized the need for a "sensitive balancing of interests," 464 U.S. at 455, n.40, noted that Congress had "eschewed a rigid, bright-line approach to fair use," *id.*, at 449, n.31, and stated that the commercial or nonprofit educational character of a work is "not conclusive," *id.*, at 448-

along with its twin, the presumption favoring non-commercial fair use. But before it was abandoned, the presumption favoring non-commercial fair use had persuaded the owners of copyrights in musical works and recordings to lobby Congress to enact a law that levied a royalty on the sale of digital audio recorders and blank digital media, while requiring manufacturers of recording devices to incorporate copy protection technology that permitted multiple first-generation copies but prevented the devices from copying copies. One part of that bargain included a prohibition on bringing copyright infringement suits against consumers who engaged in non-commercial copying of recorded music,<sup>94</sup> a concession that seemed cheap when the governing test for fair use favored noncommercial copying.

The same case that discarded the presumption against commercial fair use also reversed course on the issue that had lost Justice Blackmun his majority: the placement of the burden of proof. In *Campbell v. Acuff-Rose Music*, Justice Souter held that fair use is an affirmative defense, and that the burden of proof on the issue of potential harm lies with the defendant.<sup>95</sup> Finally, in *Campbell*, the Court acknowledged the importance to the fair use inquiry of a distinction between productive and unproductive uses. Citing Blackmun's *Sony* dissent, Justice Souter wrote that "the goal of copyright, to promote science and the arts, is generally furthered by the creation of transformative works. Such works thus lie at the heart of the fair use doctrine's guarantee of breathing space within the confines of copyright..., and the more transformative the new work, the less will be the significance of other factors, like commercialism, that may weigh against a finding of fair use."<sup>96</sup> Thus, the fair use principles for which the *Sony* case is known have largely been abandoned, and the real estate it takes up in the fair use chapters of copyright casebooks has dwindled accordingly. Fair use law today is much closer to something Justice Blackmun might have recognized with approval.

The Court's holding on liability for contributory infringement, in contrast, is still with us. Networked digital technology has supplied myriad new ways for consumers to make unauthorized copies, and whether and under what circumstances the purveyors of technology that makes infringement easier should be held liable is one of the most important questions facing the copyright law. The producers of computers, CD and DVD

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449, but rather a fact to be "weighed along with other[s] in fair use decisions," *id.*, at 449, n.32 (quoting House Report, p. 66). The Court of Appeals's elevation of one sentence from *Sony* to a *per se* rule thus runs as much counter to *Sony* itself as to the long common-law tradition of fair use adjudication.

<sup>94</sup> Audio Home Recording Act, Pub. Law. No.102-563, 106 Stat. 4237, codified at 17 U.S.C. §§ 1001 – 1010 (2000).

<sup>95</sup> See 510 U.S. at 591-92. Professor Glyn Lunney attributes the reversal of course to poor lawyering on the part of *Campbell*'s counsel, who conceded that he bore the burden of proof without even mentioning that *Sony* had held that the burden should be born by plaintiff. See Glyn S. Lunney, *Fair Use and Market Failure: Sony Revisited*, 82 B.U.L. REV. 975, 989&n.70 (2002). Professor Lunney suggests that because the burden of proof issue was not contested, *Campbell*'s characterization of fair use as an affirmative defense was nonbonding dicta. *Id.*

<sup>96</sup> 510 U.S. at 515-16.

recorders, digital video recorders and MP3 players, the providers of Internet services and the designers of peer-to-peer file sharing software supply products and services that both facilitate copyright infringement and have substantial legitimate uses. Copyright lawyers have argued bitterly about whether and how *Sony* applied to the distribution of technology that facilitated digital copyright infringement. Two decades after the *Sony* decision, the Supreme Court agreed to take a second look at the question of contributory copyright liability in a case involving consumer copying over digital networks using peer-to-peer file sharing software.

### **The Continuing Importance of *Sony* Today**

Peer-to-peer file sharing poses issues that are startlingly reminiscent of the record in *Sony*. Consumers use peer-to-peer file sharing networks to make unauthorized copies in their homes for their own personal, consumptive use. If making those copies violates the copyright law, then enforcing the law implicates the same privacy concerns that Justice Stevens raised in arguing that Congress had not intended to prohibit home videotaping. The copying is non-commercial in the same sense that home Betamax recordings were non-commercial.<sup>97</sup> As was true in *Sony*, there already is an enormous installed base of ordinary consumers using the technology. By the time the *Sony* case was first argued in the Supreme Court, Sony claimed to have sold 5 million Betamax recorders to American consumers. Current estimates of the number of peer-to-peer file sharers within the United States range from 40 to 60 million American consumers. A number of copyright owners have authorized the exchange of material they own over peer-to-peer networks. Some peer-to-peer file sharing is probably fair use, although the proportion of fair to infringing uses is the subject of passionate dispute. Other material transmitted over peer-to-peer is in the public domain. Studies attempting to measure whether and how much harm peer-to-peer file sharing causes to both actual and potential markets for recorded music have reached equivocal and conflicting results.<sup>98</sup> The owners of music copyrights have recently begun to release digital copies of their works in a variety of different copy-protected formats, none of them compatible with one another, and see peer-to-peer file trading as a threat to plans to persuade the public to invest in copy-protected digital music, much as the videocassette recorder appeared to threaten the market for laser discs.

Of course, there are also significant differences. It would be difficult to characterize the transmission of files among 40 to 60 million consumers as “private,” and

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<sup>97</sup> *But see* A&M v. Napster, 114 F. Supp. 2d 896, 912 (N.D. Cal. 2000) (finding Napster use commercial because “Napster users get for free something they would ordinarily have to buy”), *aff’d in part, rev’d in part*, 239 F.3d 1004 (9th Cir. 2001).

<sup>98</sup> Compare Felix Oberholzer & Koleman Strumpf, *The Effect of File Sharing on Record Sales: An Empirical Analysis* (March 2004), available at [http://www.unc.edu/~cigar/papers/FileSharing\\_March2004.pdf](http://www.unc.edu/~cigar/papers/FileSharing_March2004.pdf) (concluding that file sharing does not reduce and may increase sales), with Stan J. Liebowitz, *Pitfalls in Measuring the Impact of File Sharing* (Oct. 13, 2004) available at [http://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=583484](http://papers.ssrn.com/sol3/papers.cfm?abstract_id=583484) (concluding that file sharing harms the sound recording industry), See also LAWRENCE LESSIG, *FREE CULTURE* 68-73 (2004).

little of the material consumers exchange is programming they have been invited to view free of charge. Further, the economics of data storage suggest that consumers retain unauthorized peer-to-peer copies more often than they overwrite them. Most consumers engaged in peer-to-peer file sharing are probably building libraries rather than time-shifting. It is nonetheless clear that peer-to-peer file sharing software is capable of substantial non-infringing uses, and that at least one of those uses – authorized peer-to-peer distribution-- is commercially significant. Under the *Sony* standard, then, even if the overwhelming majority of peer-to-peer file sharing in fact infringes copyright, holding the purveyors of the technology contributorily liable for individual consumers' infringement, solely on the basis of their dissemination of a technology with substantial non-infringing uses, is deeply problematic.

In *MGM v. Grokster*, the Court of Appeals for the Ninth Circuit read *Sony* to preclude the imposition of contributory liability on a distributor of peer-to-peer file sharing software where the defendant could not prevent specific incidents of infringement at the time it learned about them. Because the software had substantial non-infringing uses, and the distributor had no control over the uses consumers made of the software once they installed it, the court ruled, defendants could not be held liable merely on the basis of their design and distribution of software with both infringing and non-infringing applications.<sup>99</sup> Imposing liability in such a case, the court noted, would expand the reach of contributory and vicarious copyright liability “exponentially,” and would alter general copyright law “in profound ways.”<sup>100</sup> The court expressed the view that such a change in the law would be unwise:

The introduction of new technology is always disruptive to old markets, and particularly to those copyright owners whose works are sold through well established distribution mechanisms. Yet, history has shown that time and market forces often provide equilibrium in balancing interests, whether the new technology be a player piano, a copier, a tape recorder, a video recorder, a personal computer, a karaoke machine, or an MP3 player. Thus, it is prudent for courts to exercise caution before restructuring liability theories for the purpose of addressing specific market abuses, despite their apparent present magnitude.<sup>101</sup>

Disappointed motion picture studios and record labels petitioned the Supreme Court to grant certiorari, arguing that “the Ninth Circuit’s decision threatens the very foundations of our copyright system in a digital era.”<sup>102</sup> When the Supreme Court agreed to hear the

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<sup>99</sup> *MGM v. Grokster*, 380 F.3d 1154 (9<sup>th</sup> Cir 2004), *aff’g* 259 F. Supp. 2d 1029 (C.D. Cal. 2003), *rev’d*, \_\_\_ U.S. \_\_\_ (2005). The court noted the record evidence of commercially significant authorized distribution through peer-to-peer file sharing and held that that distribution constituted substantial non-infringing use under the *Sony* standard.

<sup>100</sup> 380 F. 3d at 1166.

<sup>101</sup> *Id.* at 1167.

<sup>102</sup> Petition for Certiorari at 3, *MGM v. Grokster*, \_\_\_ U.S. \_\_\_ (2005) (No. 04-480). Meanwhile, the recording industry had begun to pursue a different strategy: in the summer of 2003, the Recording Industry Association of America launched a wave of lawsuits against individual consumers engaged in peer-to-peer file trading. See Recording Industry Association of America, *Press Release: Recording Industry Begins*

case, consumer electronics and high technology interests reacted with alarm: the *Sony* decision, they maintained, had for two decades protected innovators from overreaching copyright owners. The motion picture and record industries, they believed, had never liked the decision and would use this opportunity to try to persuade the Court to overrule it or severely limit its scope. They showered the Court with amicus briefs; supporters of the studios filed almost as many.

Many of the claims made in the *Grokster* briefs seemed eerily similar to claims that were raised and rejected in the course of the *Sony* litigation.<sup>103</sup> In *Sony*, the studios had argued unsuccessfully that Sony should be required to incorporate a jammer into the Betamax to prevent unauthorized recording.<sup>104</sup> In *Grokster*, plaintiffs argued that designers and distributors of peer to peer file sharing software should be held liable because they declined to design their software to block unauthorized file sharing.<sup>105</sup> The studios in *Sony* had argued that Sony had built its business around the theft of copyrighted material;<sup>106</sup> the plaintiffs in *Grokster* made the same argument.<sup>107</sup> In *Sony*,

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*Suing P2P File Sharers Who Illegally Offer Copyrighted Music Online* (Sept.8, 2003), at URL: <http://www.riaa.com/news/newsletter/090803.asp>. A year later, motion picture studios followed the recording industry's example. See *infra* note 126.

<sup>103</sup> In *Sony*, for example, the motion picture studios' summary of argument explained:

Even if it were proper in a copyright case to analogize to the staple article doctrine, that doctrine would not absolve petitioners of liability here. The staple article theory shields the seller of a staple article from contributory infringement liability only if (a) the seller does not actively cause, urge, encourage or aid purchasers to use the article for infringing purposes, and (b) the article is suitable and actually used for *substantial* non-infringing uses. The uncontroverted evidence and the district court's findings establish both that petitioners cause, urge, encourage and aid infringing VTR copying and that VTRs do not have actual, substantial non-infringing uses.

Brief of Respondent Universal City Studios and Walt Disney Production, *Sony*, at 20. The motion picture studios' brief in *Grokster* summarized its argument thus:

Although *Sony-Betamax* provides a defense to contributory infringement where the defendant sells a staple article of commerce that may be used to infringe but also has commercially significant noninfringing uses, 464 U.S. at 442, *Grokster* and StreamCast cannot avail themselves of that defense, for two independent reasons.

*First*, *Sony-Betamax* provides no safe harbor where, as here, a defendant engages in conduct that encourages or assists infringement, or intends to facilitate it. Immunizing such conduct would be impossible to square with fundamental principles of copyright and patent law on which the Court relied in *Sony-Betamax*. ... *Second*, and in all events, the *Grokster* and StreamCast services lack "commercially significant noninfringing uses."

Brief of Motion Picture Studio and Recording Industry Petitioners, *MGM v. Grokster*, \_\_\_ U.S. \_\_\_ (2005) (No. 04-480) (filed Jan. 24, 2005), at 18.

<sup>104</sup> See *supra* note 6 and accompanying text; Brief of *Sony* Respondents, *supra* note 103, at 12 n.4.

<sup>105</sup> See Brief of *MGM v. Grokster* Petitioners, *supra* note 103, at 32-33; Brief for Songwriter and Music Publisher Petitioners, *MGM v. Grokster*, \_\_\_ U.S. \_\_\_ (2005) (No. 04-480) (filed Jan. 24, 2005) at 15-16.

<sup>106</sup> See Brief of *Sony* Respondents, *supra* note 103, at 40.

the studios had pointed to Betamax ads, brochures and instruction manuals that they claimed encouraged consumers to infringe their copyrights;<sup>108</sup> in *Grokster*, the recording and motion picture industry claimed that the distributors of peer to peer file sharing software had “actively encouraged and assisted” millions of people to commit copyright infringement through the design of their software and the promotional materials that accompanied it.<sup>109</sup> In *Sony*, the plaintiffs had argued that less than 9% of home video recording involved programs of the type that might be copied without their owner’s objecting.<sup>110</sup> In *Grokster*, plaintiffs insisted that only a miniscule fraction of the copying taking place was authorized.<sup>111</sup> In *Sony*, the studios had insisted “there would be little, if any, market for VTRs if they could not be used for infringing purposes.”<sup>112</sup> In *Grokster*, plaintiffs argued that peer to peer file sharing software would not be commercially viable if it didn’t facilitate massive copyright infringement.<sup>113</sup>

Of the Justices who had decided *Sony* 21 years earlier, only three remained by the time *Grokster* reached the Court: Chief Justice Rehnquist, who had joined Justice Blackmun’s dissenting opinion, Justices Stevens, who had authored the majority opinion, and Justice O’Connor, who had provided much of the majority’s reasoning. Defendants *Grokster* and *Streamcast* had made the strategic decision not to contest MGM’s assertion that consumers’ use of peer-to-peer file sharing software infringed MGM’s copyrights,<sup>114</sup> so the private copying issue that had been so vexing two decades earlier was not before the Court.

Plaintiffs sought to distinguish *Sony*, arguing that the Betamax, unlike peer-to-peer file sharing software, had been a legitimate product with predominantly legal uses (conveniently forgetting that the studios in *Sony* had not seen it that way).<sup>115</sup> They urged the Court that *Sony*’s staple article of commerce doctrine should shield defendants only when a product’s principal use was non-infringing. Indeed, Petitioners urged, *Sony* should not protect producers of products or services whose commercial viability depended on infringement. Moreover, they argued, *Sony* should have no application to

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<sup>107</sup> See, e.g., Brief of *MGM v. Grokster* Petitioners, *supra* note 103, at 43-44; Brief for Songwriter and Music Publisher Petitioners, *supra* note 105, at 10-13.

<sup>108</sup> See Brief of *Sony* Respondents, *supra* note 103, at 20.

<sup>109</sup> See Brief of *MGM v. Grokster* Petitioners, *supra* note 103, at 27-29, 31.

<sup>110</sup> See Brief of *Sony* Respondents, *supra* note 103, at 48 n.113.

<sup>111</sup> See Brief of *MGM v. Grokster* Petitioners, *supra* note 103, at 36-37.

<sup>112</sup> See Brief of *Sony* Respondents, *supra* note 103, at 50.

<sup>113</sup> See Brief of *MGM v. Grokster* Petitioners, *supra* note 103, at 30-36.

<sup>114</sup> See *MGM v. Grokster*, \_\_\_ U.S. \_\_\_ (2005), slip op. at 5.

<sup>115</sup> See Brief of *MGM v. Grokster* Petitioners, *supra* note 103, at 18-19, 30-31.

cases in which defendants actively encouraged infringing uses.<sup>116</sup>

Grokster and Streamcast emphasized the benefits of peer-to-peer software and the importance of *Sony* in protecting innovation. *Sony*, they insisted, precluded contributory liability for distributing any product that was capable of non-infringing uses. Any weakening of that rule would undermine the careful balance that the Court had struck. They urged the Court to leave any revision of the *Sony* standard to Congress.<sup>117</sup> The Solicitor General of the United States weighed in, arguing that *Sony* required the courts to compare the relative significance of the infringing and non-infringing uses.<sup>118</sup> More than fifty *amici curiae* filed briefs. The majority of them urged the Court to retain the *Sony* standard, but differed sharply on just what that standard provided.

Toward the end of the term, newspapers, copyright lawyers, and members of the entertainment, information and electronics industries waited nervously for the *Grokster* decision. The Court held it back until the final day of the term and then announced a unanimous decision, reversing the Court of Appeals for the Ninth Circuit, but leaving *Sony* – at least officially -- undisturbed.

The question is under what circumstances the distributor of a product capable of both lawful and unlawful use is liable for acts of copyright infringement by third parties using the product. We hold 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.<sup>119</sup>

Justice Souter's opinion for the Court explained that *Sony* had set the standard for imposing contributory liability for the design, production or sale of a product that was suitable for both infringing and non-infringing uses,<sup>120</sup> but that the case didn't displace older lines of authority imposing contributory liability for intentionally inducing third parties to commit infringement.<sup>121</sup> Congress had codified the principle of contributory

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<sup>116</sup> *See id.* at 26-32.

<sup>117</sup> *See* Brief for Respondents, *MGM v. Grokster*, \_\_\_ U.S. \_\_\_ (2005) (No. 04-480) (filed March 1, 2005), at 6-7, 24-25, 40-50.

<sup>118</sup> *See* Brief for the United States as Amicus Curiae Supporting Petitioners, *MGM v. Grokster*, \_\_\_ U.S. \_\_\_ (2005) (No. 04-480) (filed Jan. 24, 2005), at 14-20.

<sup>119</sup> *MGM v. Grokster*, \_\_\_ U.S. \_\_\_ (2005), slip op. at 1, available at <http://a257.g.akamaitech.net/7/257/2422/27jun20051200/www.supremecourtus.gov/opinions/04pdf/04-480.pdf>.

<sup>120</sup> *See id.* at 15. Justice Souter explained that the doctrine announced in *Sony*

absolves the equivocal conduct of selling an item with substantial lawful as well as unlawful uses, and limits liability to instances of more acute fault than the mere understanding that some of one's products will be misused. It leaves breathing room for innovation and a vigorous commerce.

<sup>121</sup> *See id.* at \_\_\_, slip. op. at 17:

*Sony's* rule limits imputing culpable intent as a matter of law from the characteristics or uses of a distributed product. But nothing in *Sony* requires courts to

liability for intentional inducement in the patent statute, and for the same reasons it made sense in *Sony* to adopt patent law's staple article of commerce doctrine, it made sense here to import patent's intentional inducement rule into copyright law.<sup>122</sup> Since the record in *Grokster* revealed ample evidence of "purposeful, culpable expression and conduct," designed to cause others to infringe plaintiffs' copyrights, *Sony* did not shield defendants from liability.<sup>123</sup>

Because *Sony* did not displace other theories of secondary liability, and because we find below that it was error to grant summary judgment to the companies on MGM's inducement claim, we do not revisit *Sony* further, as MGM requests, to add a more quantified description of the point of balance between protection and commerce when liability rests solely on distribution with knowledge that unlawful use will occur. It is enough to note that the Ninth Circuit's judgment rested on an erroneous understanding of *Sony* and to leave further consideration of the *Sony* rule for a day when that may be required.<sup>124</sup>

Only the concurring opinions betrayed the dispute among the Justices as to what *Sony* had held and how that holding should apply to the case before it. Justice Ginsburg's concurrence (joined by Rehnquist, who had voted with Blackmun, as well as by Justice Kennedy) argued that *Grokster* and *Streamcast* had failed to show that their software was capable of "substantial" non-infringing use under *Sony*, because infringing uses dwarfed non-infringing ones. Justice Breyer's concurrence (joined by Stevens and O'Connor), in contrast, criticized Justice Ginsburg's opinion as an effort to narrow *Sony*. In Breyer's view, *Grokster* and *Streamcast* had indeed proved their software capable of substantial non-infringing use. Nor did he believe the standard should be changed: "*Sony*'s rule, as I interpret it, has provided entrepreneurs with needed assurance that they will be shielded from copyright liability as they bring valuable new technologies to market."<sup>125</sup> The two concurrences reflected the persistent split about *Sony*'s meaning among members of the copyright bar. Justice Ginsburg's narrowing interpretation followed the stingy reading of *Sony* long favored by lawyers for businesses in the entertainment industry, while Justice Breyer's more generous interpretation echoed the broader reading advanced by lawyers for high technology, library and consumer interests. The opinion for the Court avoided the issue entirely, inviting an inference that the Justices were able to agree on a unanimous opinion only by avoiding the invitation to narrow, broaden, clarify or apply the *Sony* rule – whatever that rule might be.

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ignore evidence of intent if there is such evidence, and the case was never meant to foreclose rules of fault-based liability derived from the common law.

<sup>122</sup> *Id.* at \_\_\_, slip. op. at 19,

<sup>123</sup> Justice Souter cited evidence that, he said, revealed an unmistakable purpose to encourage users to use defendants' software in infringing rather than non-infringing ways. *See id.* at \_\_\_, slip op. at 20-23.

<sup>124</sup> *Id.* at \_\_\_, slip op. at 17.

<sup>125</sup> *Id.* at \_\_\_ (Breyer, J., concurring), slip op. at 9.

Justice Souter's articulation of the inducement basis for liability seems designed to catch only the most egregious contributory infringers. Some observers, though, have expressed alarm that the test invites extensive discovery about the intent and business models of copyright defendants. This, they fear, will make it easier for disgruntled copyright owners to bankrupt developers of innovative technology by subjecting them to ruinously expensive litigation. It remains to be seen how lower courts will apply it. Meanwhile, at least officially, the *Sony* standard shields other defendants from liability for technology capable of substantial non-infringing use. It will likely be years before we will get a peek at Supreme Court papers and learn what went on inside the Court in *Grokster*, but the opinions themselves suggest that the Justices found themselves no more able to clarify what *Sony* should mean than the litigants before them, and were able to issue a unanimous opinion only by agreeing to leave the meaning of *Sony* unmodified and unclear.

### **Conclusion**

The initial drafts of Justice Blackmun's majority opinion and Justice Stevens's dissent in *Sony* were elegantly written, tightly reasoned, and clear. The Supreme Court decision, in contrast, is an awkward amalgamation of different arguments and rationales, while the dissent reads like a compilation of passages rescued from a draft opinion for the Court, interspersed with pot shots at each of the majority's conclusions. Reviewing the history of the opinions within the Court reveals that Justice Stevens cobbled together points advanced by other Justices in order to build a majority, and Justice Blackmun turned his original majority opinion into a dissent. It makes for an interesting tale, if one is a Court-watcher or a copyright nerd, but does it tell us anything important about the meaning of *Sony* twenty years later?

Although the Supreme Court voted to hear the *Betamax* case to decide whether consumer home videotaping violated the copyright statute, the majority of the Justices came to conclude that fashioning the appropriate test for contributory infringement was as important as resolving the legality of home copying. As the Justices struggled to apply the statute to consumer home copying and to draw the lines of secondary liability for purveyors of new copying devices, it became clear that the Court's decision would affect future cases whenever copyright law clashed with new technology. Justice O'Connor in particular appreciated that the task of interpreting the copyright law required attention not only to the protection of authors and copyright owners but also to the encouragement of new technology. In her view, and ultimately in the view of the majority, that concern required the Court to adopt a test that limited contributory liability so that it would not make it illegal to distribute products that were capable of substantial non-infringing uses.

*Sony v. Universal Studios* is famous for its treatment of fair use. Its fair use analysis, however, proved to be neither workable nor particularly long-lived. Two decades after the *Sony* decision, copyright law still has not resolved how it should treat consumer home copying. Justice Stevens's specter of massive invasions of consumer privacy by the copyright police attempting to enforce the copyright statute against millions of 21<sup>st</sup> Century William Griffithses has become a real danger. In November of 2004, twenty-eight years after the first suit filed against William Griffiths, motion picture

studios did what Jack Valenti had promised they would not do: they filed lawsuits against individual consumers.<sup>126</sup>

*Sony's* analysis of secondary liability, in contrast, proved to be as important as Justice O'Connor suspected that it might. More than two decades later, though, the standard the Court adopted continues to be the subject of dispute. Perhaps the *Sony* standard is unclear at least in part because, in an effort to attract and hold five votes, Justice Stevens incorporated multiple rationales into the majority opinion. Perhaps it is unclear in part because the case was tried when the technology was still in its infancy, and its potential to harm or enhance the copyright owner's market was not yet clear. In either case, it seems that the passage of time has not made it easier to identify the appropriate balance. In *Grokster*, the Supreme Court had an opportunity to clarify the *Sony* standard, but was unable to do so. Writing for a unanimous Court, Justice Souter observed: "The more artistic protection is favored, the more technological innovation may be discouraged; the administration of copyright law is an exercise in managing the trade-off."<sup>127</sup> Precisely how copyright law manages the trade-off remains to be seen.

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<sup>126</sup> See, e.g., *Twentieth Century Fox v. Doe*, No. C 04-04862 WHA (N.D. Cal. filed Nov. 16, 2004); *Universal City Studios v. Doe*, No. 1:2004cv03343 (N.D. Ga. filed Nov. 15, 2004); *Metro Goldwyn Mayer Pictures v. Doe*, No. 1:2004cv02006 (D. D.C. filed Nov. 15, 2004).

<sup>127</sup> See *Grokster*, \_\_\_ U.S. at \_\_\_, slip op. at 10.