June 15, 1983

Re: No. 81-1687, Sony Corp. of America v. Universal Studios, Inc.

Dear John:

I join.

Regards,

Justice Stevens

Copies to the Conference
June 15, 1983

Re: No. 81-1687 Sony Corp. of America v. Universal City Studios, Inc.

Dear Harry:

Please join me in your second draft.

Sincerely,

[Signature]

Justice Blackmun

cc: The Conference
June 16, 1983

Re: No. 81-1687, Sony Corporation v. Universal City Studios

Dear Sandra:

Thank you for your letter of today. I do think it is important that we have an opinion for the Court in this case, and I hope to be able to accommodate your concerns. I have some difficulty with the solution you propose, but I believe a compromise might be possible.

Upon a close re-reading of the District Court's opinion, I cannot agree that the District Court held the possibility of harm to be too speculative for purposes of a fair use inquiry. The court recognized that the issue of harm was relevant in making three separate determinations: whether the use was fair use, whether an injunction was appropriate, and the amount of damages that should be awarded. 480 F. Supp., at 451. The court did not discuss the third of these, since statutory damages are available under the 1976 Act, but it discussed the other two in separate portions of its opinion.

The court's discussion of harm as it relates to fair use is fairly short. See 480 F. Supp., at 451-452. The court noted that no actual harm had yet occurred; that plaintiffs' experts had not been able to predict the year in which harm would occur or the number of Betamax sales that would cause the harm; and that plaintiffs' claims of harm were based on a series of relatively speculative assumptions. The court then said that it was "hesitant to identify 'probable effects' of home-use copying," and rather than identify those effects, it concluded that "even if this factor of the fair use analysis were determined in plaintiffs' favor, it would not render the use unfair." Id., at 452 (emphasis added). The court also noted that plaintiffs were claiming a harm that would reduce their profits, rather than a harm that would keep them from producing new works altogether. This ended the discussion of harm as it related to fair use.

The District Court returned to the question of harm when it discussed the propriety of injunctive relief. The court correctly noted that injunctive relief ordinarily is proper only when irreparable harm to the plaintiff is shown. Id., at 464. The court then went on to "weigh the evidence of harm offered at trial ... in the context of the effect of an injunction in this case." Id., at 465. In its subsequent discussion, id., at 465-468, the court concluded that because each of the harms advanced by plaintiffs was somewhat speculative, injunctive relief was...
not warranted. The court did not find that such harms would not occur. It simply concluded that, in the absence of direct evidence that the harms would occur, plaintiffs had not shown a "likelihood of harm" sufficient to justify an injunction. Id., at 468.

I read the District Court's opinion as finding that at this stage of technological development, it is impossible to say whether or not harm will occur. For the reasons given on page 26 of my opinion, I believe this finding requires a conclusion that home VTR use is infringement; otherwise, we run the risk of holding that new uses of copyrighted works are permissible only to find later that the harm to the copyright owner has been substantial.

I recognize, however, that the District Court's findings are subject to more than one interpretation; you read the District Court as making an affirmative finding of no potential for harm. In light of our differing readings of the opinion, what would you think of remanding to the District Court for further consideration of the issue of harm? If you could accept this compromise, I would alter Part IV B of the opinion simply to set out the relevant standards, and leave it to the District Court to apply them.

Your letter also expressed concern about the relevant standard for determining harm, and particularly about the burden of proof. The burden of proof becomes particularly important, it seems to me, when we are dealing with a new technology where predictions of harm are necessarily based on assumptions and opinions. I do not mean to suggest, in Part IV B, that plaintiffs can shift the burden of proof merely by alleging a potential for harm. Yet I question whether the burden of proof can be placed on the plaintiffs; requiring affirmative "proof" of a potential or possibility of harm is somewhat of a contradiction in terms. Would it satisfy your concerns if the opinion made clear that the plaintiffs' burden of production is a substantial one, and that unsubstantiated speculation is not enough? I would be glad to consider any suggestions you might have regarding specific language changes, of course.

Sincerely,

Justice O'Connor

cc: The Conference
This memo focuses on questions of proof: which side has the burden of proof, what is the standard of proof, has that standard been met here, etc. I write this in response to the exchange between JUSTICES BLACKMUN and O'CONNOR, and I comment on her draft opinion.

I

JUSTICE O'CONNOR's draft opinion is not so clear as it might be. I think that her analysis is essentially as follows:

(i) individual Betamax users violate §106 when they video-tape copyrighted programs;
(ii) these §106 violations do not constitute "infringements" if they are "fair use" under §107;
(iii) one aspect of fair use is "the effect of the use upon the potential market for or value of the copyrighted work," §107(4);
(iv) where there is no harm (or potential for any harm), the use must be "fair"; and
(v) the studios did not prove any harm (or potential for any harm) in this case.

She concedes that the individual users fall within §106. Once she makes that concession, I think the statutory scheme requires a finding of "infringement" unless one of the statutory excep-
tions applies. The only exception that is even arguably relevant is §107--fair use. And within the "fair use" exception, only §107(4) seems to fit. She thus errs in saying that there is not "fair use" but there is nevertheless no "infringement."

An alternative analysis that she could make, but that seems less likely from her opinion, is that §106 does not encompass de minimis violations of the copyright holder's rights. Where there is no harm (or potential for any harm), the violation is de minimis. And the studios did not prove any harm (or potential for any harm) in this case. I find this analysis preferable if you want to follow one of the two. The statutory language of §107 seems to require that the potential fair use be a productive use before one even considers the four factors. But adopting this analysis means that JUSTICE O'CONNOR errs in admitting that there is a §106 violation.

I note that JUSTICE BLACKMUN agrees with most of JUSTICE O'CONNOR's reasoning, although he is also unclear as to which route he takes. Indeed, her fuzziness may be the result of wanting to follow his draft to the extent possible. In any event, he is clear that there is no "infringement" when there is no harm (or potential for any harm).

The essential disagreement between JUSTICES BLACKMUN and O'CONNOR is on their readings of the District Court's opinion. She appears to read it as saying, "even if the studios are right on their other contentions, they have been unable to show any harm or potential for any harm." He appears to read it as failing to find any harm because it was operating under a mistaken
legal impression. Since most of the District Court's discussion of harm was in the context of injunctive relief, I tend to think that he is right. At the very least, there is enough doubt that the District Court understood the proper standard that a remand would be appropriate. This is particularly true in the present context, where the potential for harm is obvious—even if it was not proven and even if it happens that the potential does not mature into actual harm. The Court will look like an ostrich with its head in the sand to say that it does not see any harm here because the District Court did not find any.

If a majority of the Court wishes to reverse the case outright, I think it would be a mistake for the majority to discuss any more than is necessary. To be more specific, if JUSTICE O'CONNOR wants to reverse on her theory, there will probably be a majority to reverse outright (depending on whether JUSTICE WHITE adheres to his Conference vote). In that case, it would be a mistake to have parts I-IVA of JUSTICE BLACKMUN's draft as a Court opinion. It would be unnecessary dicta. There is no need for such guidance in an area that Congress will fix as soon as the Court finishes with it. There is simply a danger of the Court doing something best left to Congress in a case where there is no need to do it, and in a field where mistakes may come back to haunt us in unintended ways.

In sum, I think the best course would be to remand the case for further fact-finding under clearer standards than JUSTICE BLACKMUN now provides. I hope this is a compromise that
will be acceptable to JUSTICE O'CONNOR. If not, I do not think she should join parts I-IVA of JUSTICE BLACKMUN's draft.

II

Assuming that a remand is appropriate, I think JUSTICE BLACKMUN's draft needs some serious improvement on the standards that will apply on remand. In particular, I think the present burden-of-proof discussion is inadequate. JUSTICE BLACKMUN is right to conclude that it would be unfair to require the copyright holder to prove that he will be harmed by the infringer's use, but that does not mean that the infringer must prove that there will be no harm. I think the better course is to leave the burden on the copyright holder, but with a lower standard.

The precise language could be a matter for discussion. I would prefer something along the lines of the current burden of production in JUSTICE BLACKMUN's draft. The copyright holder should be required to prove that there is a real possibility of harm (or a reasonable likelihood, or something along such lines). He does not have to prove that the harm will occur, or that the harm is more likely than not. It should be enough if he outlines the way in which he foresees that the harm might occur, then shows that there is a reasonable possibility of its occurring in that way.

Here, for example, Disney might argue that the use of Betamaxs will harm its market for prerecorded cassettes of Disney television programs. It would then have to show that there is a reasonable possibility that (i) such a market will exist; (ii) it
would be economically feasible for Disney to enter that market with its own prerecorded cassettes; and (iii) the use of Betamaxes will harm Disney's sales in this market. I might add that Disney would have to show a reasonable possibility that all of the elements in its scenario will be true, rather than showing a reasonable possibility for each element.

This would meet JUSTICE BLACKMUN's practical concern that copyright holders would be unable to defend themselves against new technologies. It would also meet JUSTICE O'CONNOR's concern that the Court is confusing the law of burdens of proof in an unprincipled way. (I, by the way, do not think that JUSTICE BLACKMUN's allocation of the burden of proof is unprincipled. It seems entirely logical to view lack of harm as an affirmative defense that an infringer must prove once the copyright holder has proven a nonproductive use that violates §106. But to the extent JUSTICE O'CONNOR does, this should meet her concern.) It also seems more sensible to me.

III

To the extent you might be inclined to decide this case on a failure of proof theory, I would prefer to see it done on the contributory infringement issue. I have consistently found this aspect of the case to be the most troubling. Even on this issue, however, I think the appropriate course is to remand the case to the District Court. The District Court made no explicit findings about the relative proportions of infringing and noninfringing use, and if it had made such findings, they would
have been colored by its failure to appreciate which was which in certain instances.

This is another area where I think we should make substantial suggestions to JUSTICE BLACKMUN. I have the feeling that with proper instructions, the District Court will ultimately find that Sony is not liable as a contributory infringer. But I do not think that the Court should make that finding now.
I agree with the Court that the petitioners violated the respondents' exclusive right to make copies of their copyrighted material, 17 U.S.C. §106(1), and that the petitioners' actions did not constitute a "fair use" of that material, 17 U.S.C. §107. Accordingly, I concur in Parts I-IVA of the opinion. However, I would defer to the District Court's finding that "the facts do not show harm to [respondents] . . . ." 480 F. Supp. 429, 469 (C.D. Cal.), and would find that the petitioners cannot be liable as infringers under the facts of this case. Because the petitioners cannot be infringers at all, they cannot be contributory infringers and I would not remand the case to determine whether "'virtually all television programming is copyrighted material.'" Ante, at 35.

The Court acknowledges that "there are situations
where permitting even an unproductive use would have no effect on the author's incentive to create, that is, where the use would not affect the value of, or the market for, the author's work." Id. at 25-26. Although the Court recognizes that an unproductive use may not amount to an infringement where the use causes no harm to the copyright owner, the Court inexplicably refuses to apply its rule to the facts as found by the District Court.

The District Court determined that "in five weeks of trial, there was no concrete evidence to suggest that the Betamax will change the studios' financial picture." 480 F.Supp., at 469 (1979). Further, the respondents "admitted that no actual harm to their copyrights has occurred to date. [Respondents'] experts also admitted that they knew neither the year in which the predicted harm would occur nor the number of Betamax purchases which would cause the harm." Id., at 451. Although the respondents attempted to show potential or probable harm, the District Court held that these "prediction[s] of harm [are] based on so many assumptions and on a system of marketing which is rapidly changing, [and] this court is hesitant to identify 'probable effects' of home-use copying." Id., at 452.
The Court rejects these findings, reasoning that the District Court "applied an incorrect substantive standard and misallocated the burden of proof" because it required the respondent to show that there was actual harm, rather than requiring the petitioner to show that there is no potential harm. Ante, at 28. In the Court's view, "when the proposed use is an unproductive one, a copyright owner need produce only evidence of a potential for harm. Infringement then will be found, unless the user can demonstrate affirmatively that permitting the use would have no tendency to harm the market for or value of the copyrighted work." Id., at 26.

Although the Court is not entirely clear in its analysis, it seems to suggest that the copyright owner has the burden of persuasion to show both that an exclusive right has been violated, and that the use is not a productive use. The owner also has the burden to produce evidence of potential harm caused by the alleged unproductive use. Once the copyright owner satisfies his burdens on these issues, the alleged infringer has the burden of persuasion to show that the unproductive use is not potentially harmful to the value of the copyright. The only support that the Court offers for its view is that under §107(4),
the effect of a use on the "potential market" is a factor to consider in deciding whether a productive use is also a fair use. See id., at 26. 1

Assuming arguendo that "Congress left burden of proof questions to the courts" in this area, id., at 27, n. 37, I see no reason to shift the burden of proof to the alleged infringer. Normally, it is the plaintiff who must show that the defendant's actions have caused harm. See e.g., Rochez Brothers, Inc. v. Rhoades, 527 F.2d 891, 894 (CA5 1975), cert. denied, 425 U.S. 993 (1976). Cf. New York v. Ransom, 64 U.S. 487, 488 (1859). The fact that damages or harm may be difficult to prove does not usually result in shifting the burden of persuasion to the defendant, and, indeed, may result in the inability of the plaintiff to recover damages. "[I]t is hornbook law ...  

1The two sources cited by the Court for its novel proposition of evidence law do not directly support its point; rather, these commentators argue that the alleged infringer ought to bear the burden of persuasion on the issue of lack of injury as a factor in the fair use inquiry. See 3 M. Nimmer, Copyright § 13.05[E][4][c], at 13-84 (1982); Gordon, Fair Use as Market Failure: A Structural and Economic Analysis of the Betamax Case and its Predecessors, 82 Colum. L. Rev. 1600, 1626 (1982). The Court has already determined in this case that there is no fair use.
that even if injury and a cause of action have accrued as of a certain date, future damages that might arise from the conduct sued on are unrecoverable if the fact of their accrual is speculative or their amount and nature unprovable. "Zenith Radio Corp. v. Hazeltine Research, 401 U.S. 321, 339 (1971) However, even if Court were correct to hold that the burden does shift to the alleged infringer once the copyright owner produces evidence of potential harm, it is clear that the District Court found that the respondents simply failed to produce any evidence of harm, potential or otherwise, and merely predicted harm based on "speculation about audience viewing patterns and ratings, a measurement system which Sidney Sheinberg, MCA's president, calls a 'black art.'" 480 F.Supp., at 469. Respondent Universal is a wholly owned subsidiary of MCA. 2

This Court's holding reflects the analysis of the

2Although the Court acknowledges that the "evidence [of harm] is speculative at present," ante, at 24, it concludes that a mere recitation of speculative harms should be sufficient to shift to the alleged infringer the burden of showing that there are no harms, a burden that the Court admits may be "impossible in an area where the effect of a new technology is speculative." Id., at 27.
Court of Appeals in this case. Although the Court of Appeals characterized the District Court opinion as "elaborate, painstaking, and thoughtful," 659 F.2d 963, 964 (CA9 1981), the appellate court determined that the respondents needed to prove only that the use tended to diminish the potential value of the copyright. See id., at 974. What the Court of Appeals ignored is that the District Court found that no actual harm had occurred and that any prediction of future harm was "based on personal belief and speculation." 480 F.Supp., at 451 (emphasis added). In addition, the Court of Appeals held, without support, that the District Court "did not pay sufficient attention to the cumulative effect of mass reproduction of copyrighted works" for purposes of the allocation of burden. 659 F. 2d, at 974.

In my view, the Court of Appeals neglected the well-settled principle that "[i]n reviewing the factual findings of the District Court, the Court of Appeals was bound by the "clearly erroneous" standard of Rule 52(a), Federal Rules of Civil Procedure. . . . Because of the deference due the trial judge, unless an appellate court is left with the 'definite and firm conviction that a mistake has been committed," United States v. United States Gypsum
Co., 3334 U.S. 364, 395 (1948), it must accept the trial court's findings. Inwood Laboratories, Inc. v. Ives Laboratories, ___ U.S. ___ (1982) (footnote omitted). It is clear that the Court of Appeals failed to follow our holding in Inwood Laboratories by ignoring the District Court's finding that any harm to respondents was so speculative that it could not even be identified as a "'probable effect' of home-use copying." 480 F. Supp., at 452. We compound the error committed by the Court of Appeals in holding, contrary to the findings of the District Court, that there was sufficient harm to make an unproductive use an infringing use.
Dear Harry:

This will summarize my reaction to the exchange of views between Sandra and you in your respective letters of June 21 and June 23.

May I say at the outset that I hope it is not "Pollyannaish" to think that the differences are not substantial enough to foreclose agreement. On this assumption I make the following comments with respect to the four points under discussion.

1. You are willing to remove the sentence on p. 24, and the addition you suggest to n. 45, p. 35, satisfactorily modifies the sentence in question.
I agree with Sandra that it should be made clear that certain VTR copying may qualify as permissible unproductive use. The suggested sentence to be added to the end of the carryover paragraph on pp. 25-26 would be helpful. You are reluctant, however, to include the second sentence suggested by Sandra. Perhaps it would be acceptable if the words "including the advertisements" were omitted and a more general qualifier, such as "in some circumstances" were added. I think it rather important to emphasize that some time shifting may have no significant economic impact on the copyright.

2. This deals with the burden of proof, a question important to all of us. I suggest as a compromise the following language, the underscoring reflecting changes in Harry's draft:
We conclude that, at least when the proposed use is an unproductive one, a copyright owner need prove only a reasonable likelihood of harm to the potential market for, or value of, the copyrighted work. Proof of actual harm often will be impossible in an area where the effect of a new technology is speculative, and requiring such proof would present the "real danger . . . of confining the scope of an author's rights on the basis of the present technology so that, as the years go by, his copyright loses much of its value because of unforeseen technical advances." Register's Supplementary Report 14. Infringement thus will be found if the copyright owner demonstrates that the proposed use reasonably may be expected to harm the potential market for, or the value of, the particular copyrighted work. In attempting to show that there is harm to a potential market, the plaintiff must offer more than mere speculation to carry its burden. When the use is one that creates no benefit to the public at large, however, copyright protection should not be denied on the basis that a new technology that appears likely to result in harm has not done so yet.

1. Sandra has suggested substitute language, in place of the language on pp. 27-28. Your response, Harry, states that you would have no objection to including some of this language.

I think it is important to limit the scope of the remand by identifying unanswered questions of importance. I approve, therefore, of Sandra's suggested
language except for her last sentence. It is unnecessary to say we "in no way disapprove" of the DC's findings. We could add a note to the effect that we have no occasion to consider the correctness of particular findings of fact by the District Court. These should be reexamined in light of the standards we have approved.

A footnote along the lines suggested by Sandra in the last two sentences of her discussion of point 3 would be helpful.

4. We all agree that contributory infringement may be found through either inducement or material contribution. If I induce someone to xerox a copyrighted book, I could be a contributory infringer -- even if I do not provide the book, the paper or the xerox machine. You will make the distinction clear but would prefer not to
delete Part V(A) entirely. Perhaps it could be revised to provide guidance on the legal standards, leaving open for the District Court the question whether Sony induced infringement.

As to the "dance hall" cases, I am essentially neutral. I would not object to leaving them out, but perhaps it would be preferable simply to make the distinctions clearer.

The standard for contributory infringement, of course, is an important point. I understand that you will accept language similar to that proposed by Sandra.

* * *

The foregoing was dictated late Thursday. It has now been read to Sandra this morning and I am
authorized to say that, in order to reach an agreement and
obtain a Court opinion, she is agreeable to the foregoing.

I am grateful to you both, as I have in in
serious doubt about this case.

Sincerely,

Justice Blackmun
June 16, 1983

Re: Sony Corporation v. Universal, No. 81-1687

Dear Harry,

I think that I can agree with your opinion that Sony violated the respondents' exclusive right to make copies and that the "fair use" exemption is not applicable in this case. However, 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. Your approach to this rests on the notion that the District Court failed to allocate the burden of proof to Sony, and that the court incorrectly required proof of actual harm. I am not satisfied that the burden should shift to the unproductive user once the copyright owner shows that there has been a violation of an exclusive right, and that the use is not productive. However, even if I agreed with this burden shift, I read the District Court opinion as holding that the proof of potential harm was too speculative as well. Therefore, even under your framework, the respondents failed to carry their burden of producing evidence of potential harm. The District Court's findings are not clearly erroneous, and I think that we should live with them.

In sum, I think that I can join parts I-IVA of your opinion, but if the opinion remains as it is, I cannot join the balance or the judgment. Is there any possibility that you could alter part IVB to reflect my concerns?

Sincerely,

Justice Blackmun

Copies to the Conference