1. "Outright reversal" on damages - presumably on basis of DC's findings, including concurrence by NR. Stedman (Rev.) of no real proof of actual damages.

(BRW would reverse outright)

2. But she does not foreclose a reward - in interest of a concurrence.

Would possibly read "fair use" or "both productive examples of non-productive use, thus avoid creating a new statutory exception."

3. If reward, burden of proof of using should lie on the TT (e.g., the Studio that claims damages vs Sony) (So do 9)

4. Guidance to DC - if we reward, Studio later DC reliance on " staple article of commerce" doctrine of patent law should deprive public unnecessarily.
June 17, 1983

Re: 81-1687 - Sony Corp. v. Universal City Studios

Dear Byron:

In response to what you and Bill Brennan have written, I would agree that failure of proof of contributory infringement, which rests in part on the total failure of any proof of any impairment of the copyright monopoly, either actual or prospective, is an adequate ground for reversing the judgment.

There is nothing in either the statute itself or any of our prior cases that even remotely suggests that the manufacture of copying equipment, which has a variety of legitimate uses, can be held liable as a contributory infringer for advertising and selling the equipment to the general public. If there are five votes for that approach, I will be more than happy to recast my memorandum into an opinion taking that position.

Respectfully,

Justice White

Copies to the Conference
June 17, 1983

Dear Bill,

My vote in conference in this case was closer to yours than to either Harry's or John's, and after studying the interesting and thoughtful writings that are now in circulation, I am not at all convinced that Congress intended each home recorder of copyrighted works to be an infringer, whether he records sound or video. Before 1976 it is reasonably clear that the home sound recorder did not infringe, and I can't believe that Congress intended to change the law in that respect in 1976. By the same token, I seriously doubt that the 1976 Act made the video recorder of copyrighted works an infringer subject to the usual damages for infringement. Thus I cannot agree with Harry's draft and am closer to John than to you with respect to the home recorder.

Whatever may be the case with respect to the individual viewer and recorder at home, I agree with you that relief against Sony as a contributory infringer is not warranted. John, of course, would reverse the judgment against Sony for his own reasons, but can't you two get together? Since no relief was sought against the homeowner, if in any event Sony is not a contributory infringer, need the status of the homeowner be decided at all? Harry must decide it to hold Sony, but if there were five votes to reverse as to Sony, the issue of the homeowner is hardly a pressing question. It would also seem that if the judgment should be reversed for failure of proof as to injury or damages, the status of the homeowner and that of Sony, for that matter, need not be addressed.

Sincerely,

Justice Brennan

Copies to the Conference
June 17, 1983

No. 81-1687  Sony Corp. v. Universal Studios

Dear Byron:

John and I have had some communication, and I have every reason to think that we can get together on an opinion reversing on contributory infringement grounds without deciding the question of the homeowners.

Sincerely,

Bill /jhs
WJB, Jr.

WJB/jhs
Justice White
Copies to the Conference
No. 81-1587  Sony Corp. v. Universal Studios

Dear Harry:

The suggestions Sandra has made to you in this difficult case seem very constructive, and I shall be most interested in your response.

Sincerely,

WJB, Jr.

Justice Blackmun

Copies to the Conference
June 18, 1983

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

Dear Harry,

Thank you for the response to my letter. I appreciate your efforts to satisfy my concerns. However, I am not entirely certain that a remand on the issue of harm would be fruitful. It appears clear that whatever standard we ask the District Court to apply, the result is very likely to be the same given the court's strongly expressed view that the harm in this case was entirely too speculative to establish even "probable" harm. 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.

Nevertheless, I have not dismissed the possibility of a remand, but that disposition raises certain issues that I feel strongly about, but did not feel it necessary to mention before, given my preference to reverse outright. In the interests of achieving more of a consensus, let me mention some of the other aspects of copyright law that you discuss.

Your draft discusses the relationship between the fair use doctrine and unproductive uses that entail de minimis harm. I originally read your draft as holding that a fair use had to be a productive use, and that although an unproductive use could not be a fair use, it could nevertheless qualify as "noninfringing" if the harm was de minimis. On further reflection, it seems to me that it might be better to approach the analysis entirely from the
fair use perspective, rather than creating a nonstatutory exemption for certain unproductive uses. I would consider it essential that you state that fair use contemplates both productive and unproductive uses. This would accord more with the flexibility that has historically been associated with the fair use doctrine.

Second, if we were to remand to the District Court, I feel strongly that the burden of persuasion, as well as the burden of production, should stay with the plaintiff, who is the copyright owner, to show actual or potential harm. The burden of proof on harm and damages traditionally remains with the plaintiff, and I see no sufficient reason to shift it to the alleged infringer. In addition, it would be inappropriate in the light of the clearly erroneous standard to indicate disapproval of the factual findings that the District Court did make. Any remand should be solely for the purpose of permitting the court to apply the correct standard.

Third, if we remand, rather than reverse outright, it would be necessary to provide the District Court with guidance on the issue of contributory infringement. As the opinion reads now, it is somewhat unclear as to what would constitute contributory infringement in the copyright area. My initial reaction here is that the District Court was correct to borrow the "staple article of commerce" doctrine from the patent law, and I am not entirely sure why you reject it. I agree that patent law and copyright law are dissimilar in important ways. Nevertheless, as you point out, these bodies of law derive from a common constitutional source. They both concern balances that are struck between the right of creators to enjoy a monopoly over their work, and the social concerns that arise when monopolists go too far. 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 that 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.

I will be interested to know whether you believe that modifications along these lines are within the realm of possibility.

Sincerely,

Sandra

Justice Blackmun

Copies to the Conference
June 18, 1983

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

Dear Harry,

Thank you for the response to my letter. I appreciate your efforts to satisfy my concerns. However, I am not entirely certain that a remand on the issue of harm would be fruitful. It appears clear that whatever standard we ask the District Court to apply, the result is very likely to be the same given the Court's strongly expressed view that the harm in this case was entirely too speculative to establish even "probable" harm. 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.

Nevertheless, I have not dismissed the possibility of a remand, but that disposition raises certain issues that I feel strongly about, but did not feel it necessary to mention before, given my preference to reverse outright. In the interests of achieving more of a consensus, let me mention some of the other aspects of copyright law that you discuss.

Your draft discusses the relationship between the fair use doctrine and unproductive uses that entail de minimis harm. I originally read your draft as holding that a fair use had to be a productive use, and that although an unproductive use could not be a fair use, it could nevertheless qualify as "noninfringing" if the harm was de minimis. On further reflection, it seems to me that it might be better to approach the analysis entirely from the
fair use perspective, rather than creating a nonstatutory exemption for certain unproductive uses. I would consider it essential that you state that fair use contemplates both productive and unproductive uses. This would accord more with the flexibility that has historically been associated with the fair use doctrine.

Second, if we were to remand to the District Court, I feel strongly that the burden of persuasion, as well as the burden of production, should stay with the plaintiff, who is the copyright owner, to show actual or potential harm. The burden of proof on harm and damages traditionally remains with the plaintiff, and I see no sufficient reason to shift it to the alleged infringer. In addition, it would be inappropriate in the light of the clearly erroneous standard to indicate disapproval of the factual findings that the District Court did make. Any remand should be solely for the purpose of permitting the court to apply the correct standard.

Third, if we remand, rather than reverse outright, it would be necessary to provide the District Court with guidance on the issue of contributory infringement. As the opinion reads now, it is somewhat unclear as to what would constitute contributory infringement in the copyright area. My initial reaction here is that the District Court was correct to borrow the "staple article of commerce" doctrine from the patent law, and I am not entirely sure why you reject it. I agree that patent law and copyright law are dissimilar in important ways. Nevertheless, as you point out, these bodies of law derive from a common constitutional source. They both concern balances that are struck between the right of creators to enjoy a monopoly over their work, and the social concerns that arise when monopolists go too far. 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 that 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.

I will be interested to know whether you believe that modifications along these lines are within the realm of possibility.

Sincerely,

Justice Blackmun

Copies to the Conference
June 20, 1983

Bl-1687 Sony Corp. v. Universal City Studios

Dear Harry:

As you may have surmised I have had more than a little difficulty with this case. John's post-conference memorandum, and now his full memorandum, present persuasive arguments for the view that Congress never intended to protect a copyright from the kind of home use involved in this case. And I do believe that the exchange of thoughtful memos from several Chambers has helped to bring us closer together.

I am strongly tempted to do as Byron has suggested: simply conclude on the basis of the findings made by the District Court that there can be no contributory infringement in this case.

At least for now, however, I resist this temptation because such a resolution would allow Congress to continue to defer clarifying the law. Also, we granted this case to address the substantive statutory issue.

I write now to say that the suggestions made in Sandra's letter of June 18 appeal to me. If you should revise your opinion generally along the lines of her letter, I believe I could join you. As the case was assigned to you - in part I suppose - on the basis of my Conference vote, I feel some obligation to remain with you absent a genuine conviction to the contrary. I also think your opinion has the sounder argument with respect to the statutory language and the most relevant legislative history.

I do emphasize the importance to me of the points made in Sandra's letter. First, that we must read enough flexibility into the fair use doctrine so that distinctions can be made between productive and unproductive uses. This could become, in effect, a balancing process in which injury to the copyright owner would be weighed against the nature of the home use.
I also agree fully with Sandra with respect to the burden of persuasion as well as the burden of production on proof of actual and potential injury. And whether we expressly analogize to patent law, I am in accord with her paragraph marked "third" as to the need to provide guidance on the issue of contributory infringement. The DC's reasoning on the issue has considerable merit.

Sincerely,

Justice Blackmun
1fp/ss
cc: The Conference
Ret: No. 81-1687 - Sony Corporation of America v.
Universal City Studios, Inc.

Dear Sandra:

Thank you for your detailed letter of June 18. Let me see what I can do.

Sincerely,

Justice O'Connor

cc: Justice Brennan
    Justice Powell
Re: No. 81-1687 - Sony Corporation of America v. Universal City Studios, Inc.

Dear Lewis and Sandra:

Your respective letters of June 18 and 20 set forth your concerns about this complex case. Bill Brennan, by his note of June 18, has indicated interest in my response. Because Thurgood and Bill Rehnquist joined the recirculation of June 15, whatever we do by way of compromise, of course, must be acceptable to them.

The third draft being circulated is a sincere endeavor on my part to bring at least five of us, and perhaps six, together. The changes appear from page 25 on and cover Parts IVB, V, and VII of the opinion. Specifically:

1. I have no concern about the first point raised in Sandra's letter. Indeed, I thought it was implicit even unproductive uses may be fair if they create no potential for harm. This, however, is now made explicit in the new draft.

2. I still believe the burden of persuasion is more properly placed on the prospective user. Many commentators regard fair use as an affirmative defense. The crucial point, however, is that the copyright owner should not be required to prove that harm has occurred or that it is more likely than not in the future. When a new technology is at issue, this is a burden that could not be met, and the legislative history of the 1976 Act makes clear that copyright owners are not to be deprived of protection simply because the effects of a new technology are unknown. As I read Sandra's letter, she agrees that only potential harm need be shown. Thus, I am willing to compromise on the burden of persuasion issue. I do not think it would be unreasonable to require the copyright owner to show a potential for harm, and Part IVB has been altered accordingly.

3. I am reluctant to adopt the "staple article of commerce" doctrine "lock, stock, and barrel" into copyright law. I think we do well to avoid importing technical doctrine from one area of the law to another without being fully aware of where this may lead. Further, I am not persuaded that the considerations underlying
the "staple article" doctrine in patent law are entirely analogous to the considerations in this case. The Betamax is a tool which can be used by the owner both for infringing purposes and for noninfringing purposes. It is fairly safe to say that most Betamax owners would not have bought the device if they were restricted to noninfringing uses. This is not the case with the use of a "staple article" in patent law.

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

You will see what has been done in this draft. I feel it meets the concerns that have been expressed. Of course, I do not know whether Thurgood and Bill Rehnquist will go along.

Sincerely,


Justice Powell  
Justice O'Connor

cc: Justice Brennan  
   Justice Marshall  
   Justice Rehnquist
June 21, 1983

Re: 81-1687: Sony Corp. v. Universal City Studios

Dear Harry,

I appreciate your changes as reflected in the third draft. Although they partially meet the concerns expressed in my prior letters, the opinion is still inconsistent with portions of my views as previously set forth.

First, my purpose in wanting the notion of fair use to encompass both productive and unproductive use is to open up the possibility that certain VTR use, e.g., timeshifting with all advertisements preserved, may be fair use because it generates de minimis harm. I understand this to be Bill Brennan’s concern as well. Although you now say that an unproductive use may be a fair use, you use language that would ostensibly preclude a finding that any VTR copying other than that which could be characterized as “productive use”) could be fair use. On p. 24, you state that “[a] VTR recording creates no public benefits sufficient to justify limiting this right [to cut off access].” On page 35, in n. 45, you state that “[c]opying an unregistered work is still not.” Perhaps you could delete these two statements.

In addition, I would like to see a reference to VTR use included in your discussion of examples of unproductive fair use. This would make it clear to the lower courts that certain VTR copying may qualify as permissible unproductive use. Perhaps you could add the following sentences to the end of the carryover paragraph on pp. 25-26: “Indeed, it may even be the case that certain VTR use may cause no significant harm to the copyright holder. For instance, timeshifting of programs including the advertisements, may not have any significant economic impact on the potential market for, or value of, a copyrighted work.”

Second, is my continuing concern about the burden of proof. Although that burden is now where I believe it belongs, I still have misgivings about the content of the burden. As you point out, the statute talks in terms of “potential market for or value of the copyrighted work.” Rather than requiring the copyright owner/plaintiff to show
harm to the value of the copyright or to a potential market, you state that the burden is satisfied by showing "a reasonable possibility of harm." In my view, the content of burden of proof should follow the statute. Would you change the first sentence of the second paragraph on p. 26 to read: "In adhering to the statutory language, we conclude that the copyright owner must show harm to the potential market for, or value of, the copyrighted work." I suggest omitting "or even probable harm" from the next sentence, and changing the end of that paragraph to read: "Infringement thus will be found if the copyright owner demonstrates, at a minimum, that the use will 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. The plaintiff must prove harm to a potential market for, or the value of, the copyrighted work." I suggest omitting the last sentence from that paragraph as it now reads.

Third, I am troubled by pp. 27-28, where you seem to suggest that the Studios have already demonstrated sufficient harm. I am not sure that the Studios ever made these arguments to the District Court, and if they did not, I see no reason to require the District Court to reopen the record in this case in order to give the Studios a "second chance." If the Studios did allege these harms before, then the District Court may evaluate them in an attempt to determine whether potential markets have been affected. In place of the language on pp. 27-28, would you substitute something along the following lines?

"It is not clear from the District Court opinion whether that court considered the effect on the potential market that the studios may have alleged. 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 District Court was "hesitant to identify 'probable
effect' of home-use copying," id., at 52, we are unable to determine whether the court meant that there was no harm to potential markets, or whether it declined to apply the "potential harm" standard in expressing its hesitancy in finding "probable effects." We are also uncertain whether the court considered the ways in which VTR recording could affect the value of copyrights. Therefore, we remand to the District Court for reconsideration of the issue of the effect on potential markets. Our remand is intended only to permit the District Court to apply the standard that we have approved, and we in no way disapprove of the findings that the District Court did make.

You might add a footnote explaining that if the Studios did present evidence below that VTR recording injured them in the ways that you suggest, then the District Court might consider that evidence as it affects potential markets. However, I would not want to create the impression that we believe that the Studios have already satisfied their burden.

Fourth, I see a certain tension between your discussion of contributory infringement in Part V(A) of inducement and your discussion in V(B) of substantial noninfringing use. Gershwin seems to indicate that there are two ways to engage in contributory infringement. First, one may induce the infringement. Second, one may materially contribute to infringement. In the context of this case, one would materially contribute to infringement for purposes of being a contributory infringer if one provided a device that is not capable of substantial noninfringing use. In any event, it seems that contributory infringement may result from either inducement or material contribution.

It seems to me that we should accept the District Court's finding that Sony did not induce any infringement, and just remove Part V(A) from the opinion. I should add that I am uncomfortable with the reliance on the "dance hall" cases because they involved instances of control by the party found to be the contributory infringer. Whatever else the VTR manufacturers may do, they certainly do not have any control over VTR users. Further, I remain convinced that the standard for contributory infringement should be the one that I articulated in my letter of June
18: is the VTR capable of substantial noninfringing uses. Accordingly I suggest replacing the second paragraph on p. 33 with the following: "We therefore conclude that there can be no contributory infringement if the VTR is capable of significant noninfringing uses. If a significant portion of what is available to copy on the VTR is either not copyrightable or is copyrighted but the owners have authorized copying, then the VTR must be deemed capable of substantial noninfringing uses irrespective of the actual uses to which the VTR's are put. If virtually all of the material available for copying is such that it may not be copied without infringement, then the VTR must be deemed to be incapable of substantial noninfringing use at present." To make the remainder of the opinion consistent with this, perhaps the third sentence in the first full paragraph on p. 34 should be changed to read: "The key question is not the amount of television programming that is copyrighted, but the amount of programming the copying of which would amount to infringement." The fifth sentence in that paragraph should perhaps be changed to read: "The proportion of programming whose copying would be infringement is primarily a question of fact, ..."

If you will make these changes, I will join your opinion.

Sincerely

Justice Blackmun

Copies to the Conference