

SONY CORPORATION OF AMERICA, *et al.*, *Petitioners*, v. UNIVERSAL CITY STUDIOS, INC. AND WALT DISNEY PRODUCTIONS, *Respondents*.

NO. 81-1687

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On Writ of Certiorari to the United States Court of Appeals for the Ninth Circuit

BRIEF OF McCANN-ERICKSON, INC., BATTEN, BARTON, DURSTINE & OSBORN, INC., BACKER & SPIELVOGEL, INC., WARING & LAROSA, INC., AND AMMIRATI & PURIS INC., AMICI CURIAE IN SUPPORT OF REVERSAL

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INTEREST OF THE AMICI CURIAE

McCann, BBDO, Backer, Waring and Ammirati are advertising agencies (collectively, the "agency amici"). McCann served as the national advertising agency for the Betamax, succeeding Defendant Doyle Dane Bernbach, Inc. ("DDBI")ⁿ¹ on the Betamax account. McCann currently serves as the national agency for other Sony products. In addition, McCann was the advertising agency for Hitachi Sales Corporation of America, which also markets videotape recorders ("VTRs") and related items including videotape cassettes. Backer has succeeded McCann on the Betamax account. It also handles the national advertising for the Betamax SL 2000 model, which has a portable recorder that (like a home movie camera) can tape non-broadcast material, such as family celebrations. Waring prepares the advertising for videotape used on VTRs. Ammirati handles the advertising for Betamax equipment used for commercial and educational purposes. BBDO does not serve as the advertising agency for any Sony products, but it is the agency for the General Electric VTR and related equipment.

ⁿ¹ For the sake of clarity, in this brief the agency amici will adopt the abbreviations utilized in Sony's petition.

In its opinion, the Ninth Circuit did not discuss the role of the defendant advertising agency, DDBI, in the alleged infringement by home users of the Betamax. Instead, the Ninth Circuit simply lumped DDBI in with the other "corporate appellees" that it found

to be "sufficiently engaged" in the infringement. Pet. App. at 27. n2 As a result, advertising agencies now face the specter of strict liability for acts performed by the purchasers of their clients' products. The agency amici submit that the Ninth Circuit erred in both the ruling it made and the broad scope in which it was rather cavalierly applied.

n2 References to the opinions below will be to the Petitioners' Appendix, cited as "Pet. App. at 27."

The specter of this enormous contributory infringement liability soon came even closer to reality. Within weeks of the Ninth Circuit's opinion, respondent Universal sued McCann, BBDO and 13 other advertising agencies for copyright infringement. *Universal City Studios, Inc. v. RCA Corp.*, No. 81-5723-FW (C.D. Cal., filed Nov. 6, 1981). That complaint accuses the agencies of having

"published and... broadcast... advertisements and brochures... for the purpose of selling one or more brands of the VTR's and video-cassettes... for use by members of the public in making recordings and copies of [materials] owned and copyrighted by plaintiff."

The agency amici also believe that the Ninth Circuit's contributory infringement rule will have a chilling effect upon the conduct of their business. In the highly competitive advertising industry, agencies must seek new clients and promote newly developed products such as the Betamax. Faced with open-ended liability under the Ninth Circuit's rule, agencies will shun the many new products that carry the risk of this new secondary strict liability.

This brief is submitted with the written consent of all parties, which is on file with the Clerk of this Court.

McCann-Erickson, Inc. ("McCann"), Batten, Barton, Durstine & Osborn, Inc. ("BBDO"), Backer & Spielvogel, Inc. ("Backer"), Waring & LaRosa, Inc. ("Waring"), and Ammirati & Puris Inc. ("Ammirati"), as amici curiae, respectfully pray that this Court reverse the judgment and opinion of the United States Court of Appeals for the Ninth Circuit in this case.

SUMMARY OF ARGUMENT

The advertising agencies present three arguments for reversal of the Ninth Circuit's erroneous rulings on infringement and contributory infringement:

1. The legislative history of the Copyright Act of 1976, *17 U.S.C. §§ 101-810* (the "New Act"), makes clear that home-use videotape recording is non-infringing conduct within the ambit of the "fair use" doctrine developed under the prior copyright statute and continued under the New Act. The Ninth Circuit erroneously reached a contrary conclusion because it reviewed the legislative history solely in search of an express exemption for home-use recording, which was unnecessary, and it failed to consider the pertinent legislative history in connection with the fair-use doctrine, the context in which that history was applicable. The Ninth Circuit also improperly disregarded the legislative history of The Sound Recording Act of 1971, Pub. L. No. 92-110, 85 Stat. 391 (1971) (hereinafter the "1971 Amendment"), for that Act was an integral part of the overall revision process. Finally, the Ninth Circuit did not give proper weight to legislative materials traditionally utilized by this Court.

2. The Ninth Circuit has vastly extended the scope of contributory infringement

liability. Without considering the role of the advertising agency in any supposed infringement, the Ninth Circuit found the agency strictly liable because it was "sufficiently" involved. This decision is erroneous, for it adopts a quantitative approach to contributory infringement that this Court disapproved in *Fortnightly Corp. v. United Artists Television, Inc.*, 392 U.S. 390, 396-98 (1968). This Court should also limit contributory infringement by applying the staple-item-of-commerce exception to contributory infringement under which only manufacturers of items used "solely" for infringement are liable for contributory infringement. *Dawson Chemical Co. v. Rohm & Haas Co.*, 118 U.S. 176, 213 (1980) (contributory patent infringement).

3. Without weighing the constitutional implications, the Ninth Circuit has adopted an overly inclusive rule of contributory infringement which will have a chilling effect upon commercial speech and upon invention. It has imposed liability on an advertising agency for merely being associated with the marketing of a product capable of both infringing and non-infringing use, even though the agency could not prevent the infringing use and the advertising did not induce the infringing conduct. Such an open-ended rule can only make agencies reluctant to undertake the advertising of such products and inhibit the creators of such products from fully exploiting their inventions.

ARGUMENT

I.

THE NINTH CIRCUIT ERRONEOUSLY FAILED TO CREDIT THE LEGISLATIVE HISTORY SHOWING THAT CONGRESS VIEWED HOMEUSE RECORDING AS NON-INFRINGEMENT FAIR USE

The Ninth Circuit analyzed the legislative history of the New Act out of context, failing to recognize that Congress viewed home-use videotape recording as non-infringing conduct within the "fair use" doctrine developed by the courts under the Copyright Act of 1909, ch. 320, 35 Stat. 1075 (1909) (the "1909 Act"), and continued under the New Act.

A. Legislative History Of The New Act Shows That Home Use Was Fair Use.

When Congress passed the New Act on October 19, 1976, it brought to fruition 20 years of legislative effort. n3 The record of this effort shows a consistent intention that home use of copyrighted works not be within the prohibitions of the new statute.

n3 The legislative history of this effort is recounted in the Congressional committee reports on the bill: H.R. Rep. No. 1476, 94th Cong., 2d Sess., *reprinted in* [1976] U.S. Code Cong. & Ad. News 5659 (the "1976 House Report"); S. Rep. No. 94-173, 94th Cong., 1st Sess. (1975) (the "1975 Senate Report"); Conference Report on the General Revision of the Copyright Law, No. 94-1733, 94th Cong., 2d Sess. (1976) (the Conference Report").

The revision process began when the Legislative Appropriations Act of 1955 set aside funds for a series of studies n4 and hearings directed toward a new copyright act. 1976 House Report at 47. In 1961, after the copyright office had conducted these hearings and studies, the Register of Copyrights, Abraham L. Kaminstein, issued a report to Congress that accurately predicted the development of the Betamax and opined that its home use would not be infringement.

n4 These studies were published by the Subcommittee on Patents, Trademarks and Copyright of the Senate Judiciary Committee (the "Senate Subcommittee"), chaired by

Senator McClellan. Studies Prepared for the Subcommittee on Patents, Trademarks and Copyrights of the Committee of the Judiciary of the United States Senate, 86th Cong., 1st & 2d Sess. (Comm. Prints 1960-61).

"New technical devices will probably make it practical in the future to reproduce televised motion pictures in the home. We do not believe the private use of such a reproduction can or should be precluded by copyright." (Register of Copyrights, 87th Cong., 1st Sess., Report on the General Revision of the U.S. Copyright Law 30 (Comm. Print 161) (the "1961 Report").)

The Register reached this conclusion in connection with his rejection of a proposal by the Motion Picture Association of America, Inc. ("MMPA") that the new law prohibit unauthorized private performances of motion pictures. In the 1961 Report, the Register recommended that the performance right be limited to public performances. He took the position that performances in the home -- even of bootleg films -- should not be infringement of copyright. 1961 Report at 29-30. *See* Appendix A. As shown below, the motion picture industry fought this conclusion, but, in 1965, with knowledge of the advent of the Sony videorecorder, finally acquiesced in it.

Between 1961 and 1964, the Copyright Office conducted numerous meetings concerning the proposed new act. n5 On March 2, 1962, as part of these proceedings, the MMPA's Copyright Committee submitted a memorandum opposing the conclusion of the Register's 1961 Report that home exhibition of motion pictures recorded off the air could not and should not be precluded by the new act. Copyright Law Revision, Part 2, Discussion and Comments on Report of the Register of Copyrights on the General Revision of the U.S. Copyright Law, 88th Cong., 1st Sess., 347-350 (Comm. Print 1963) (portions reprinted in Appendix B). Subsequent events show that neither the Register nor Congress accepted the MMPA's position.

n5 The Government printing office printed the record of these proceedings for use by the House Judiciary Committee. The volumes are entitled "Copyright Law Revision."

The initial work of the Copyright Office bore fruit in July 1964. Toward the end of the 88th Congress, the first bill for general revision of the 1909 act was introduced in the House and Senate by their respective committees on the Judiciary. H.R. 11947 and S. 3008, 88th Cong., 2d Sess. (1964). The 1964 bill proposed for the first time copyright protection for sound recordings. (Owners of motion pictures already possessed such protection under the 1909 Act.) Subject to certain exceptions, owners of copyrights in protected works, including sound recordings and motion pictures, were given the exclusive right to reproduce them, subject to statutory exceptions including fair use. *See* Copyright Law Revision, Part 5, 1964 Revision Bill with Comments, 89th Cong., 1st Sess. 2 (Comm. Print 1965) ("Copyright Revision Part 5").

The 1964 Bill also contained the Register's previous proposal, unchanged by the objections of the motion picture industry, that the exclusive performance right did not preclude home performances, even performances of unauthorized recordings. *Id.* at 4. This provision would remain unchanged in all subsequent versions of the general revision bill, and would become § 106(4) of the New Act. The MMPA's Copyright Committee acquiesced in this provision in a memorandum dated January 26, 1965. Copyright Revision Part 5 at 302-03. *See* Appendix C.

The legislative history shows that, even in 1965, both the motion picture industry, including the respondents, and the Register were aware that home video recorders would soon be available to the public. Thus, the Register's 1965 Report, which accompanied the 1965 version of the general revision bill, H.R. 4347 and S. 1006, 89th Cong., 1st Sess. (1965), acknowledged "the imminent development of home video tape recordings."

Copyright Law Revision, Part 6, Supplementary Report of the Register of Copyrights on the General Revision of the U.S. Copyright Law, 1965 Revision Bill, 89th Cong., 1st Sess. 47 (Comm. Print 1965) (the "1965 Report"). See Appendix D. Likewise, in June 1965, Adolph Schimel, Vice President and General Counsel of Universal's predecessor in interest, appeared before the House Judiciary Committee as Chairman of the Law Committee of the MMPAⁿ⁶ to oppose permitting broadcast stations to make archival recordings of audio-visual works. Mr. Schimel presented to the committee a statement of the MMPA's Copyright Committee, signed by its counsel, Edward A. Sargoy, opposing archival recordings. This statement showed full awareness that Sony was about to place a videotape recorder on the consumer market at an affordable price, yet it did not assert that recording by such devices could or should be infringement:

ⁿ⁶ This committee was composed of the general counsels for the principal member companies of the MMPA.

"It is true that performing rights may not pass with the transfer of physical possession of these archival copies, but it is small comfort to the motion picture industry to have such copies possibly get into the bootleg market, for performances as to which the possibility of discovery will be remote.

"It is even less comfort for the Register to tell us in the 1965 Supplementary Report (p. 47) that we have seen nothing yet as to film bootlegging; that home video tape recordings are an imminent development. The New York Times for June 9, 1965 confirms that in a few weeks Sony Corporation will be selling for \$ 995 a Videocorder which is a portable home video recorder." (*Hearings before Subcommittee No. 3 of the House Judiciary Committee on H.R. 4347, H.R. 5680, H.R. 6831 and H.R. 6835, 89th Cong., 1st Sess., ser. 8, pt. 2, 1033 (June 16, 1965).*) Spencer C. Olin, a vice president and general attorney of Respondent Disney, fully adopted this statement when he testified at the same hearings. Mr. Olin stated:

"We are fully in accord with and adopt:

"The statement filed on June 16, 1965, in behalf of the member companies of the Motion Picture Association of America, particularly the statements of Mr. Schimel and Mr. Edward Sargoy." (*Id.* pt. 3, at 1545.)

Subsequent to these 1965 statements by the MMPA, the legislative history shows that, despite the knowledge that home videotape recorders were now available to the public, the motion picture industry, the Register and Congress accepted (1) that private home performance of copyrighted works, whether audio or visual, would not be infringement, and (2) that the home tape recording that preceded such a performance, whether audio or visual, would be fair use under the continuation of that doctrine in the New Act.

Both Houses held hearings on the 1965 bills submitted by the Copyright office, the Senate hearings continuing into 1966. The House Judiciary Committee reported the House bill on October 12, 1966, H.R. Rep. No. 2237, 89th Cong., 2d Sess. (1966), but the 89th Congress was adjourned before the House could act on the Bill. In January 1967, the same general revision bill was again introduced in both Houses. H.R. 2512 and S. 597, 90th Cong., 1st Sess. (1967). The House Judiciary Committee reported the House bill in March of 1967, H.R. Rep. No. 83, 90th Cong., 1st Sess. (1967), and it was passed by the House of Representatives with several amendments. The Senate Judiciary Committee, however, did not complete action on the general revision, principally because of the emergence of problems regarding cable television that were to slow the general revision process for nearly ten years. See 1976 House Report at 48.

Thereafter, almost yearly through 1971, bills for the general revision of the copyright law were introduced in the Senate. These, like all those preceding them, conferred the same basic grant of the exclusive right to reproduce (subject to specified exemptions including fair use) on copyright owners of motion pictures, music and sound recordings. These bills did not pass, again primarily because of issues raised by the cable television industry and the Federal Communications Commission's consideration of new cable television rules. *See* 1976 House Report at 18. *See also* H.R. Rep. No. 92-487, 92d Cong., 1st Sess. 3 (1971) (the "1971 House Report").

In 1971, at the opening of the 92d Congress, Senator McClellan introduced in the Senate a bill for the general revision of the copyright law, S. 644, 92d Cong., 1st Sess. (1971), which provided copyright owners the same broad exclusive right to reproduce as had been in the prior general revision bills, subject to certain exemptions including fair use. At the same time, Senator McClellan introduced a separate bill, S. 646, 92d Cong., 1st Sess. (1971). The separate bill was a splinter taken from the general revision bill. It granted copyrights to owners of sound recordings made after February 15, 1972, and provided, among other things, that owners of sound recording copyrights would have the same exclusive rights to reproduce that had been granted to other holders of copyrights under the 1909 Act. As Senator McClellan said during debate on the measure, he introduced this bill because record piracy had reached epidemic proportions that required immediate action:

"The recent rapid increase in the unauthorized commercial duplication of legitimate recordings has become a serious problem... in this country...

"... By granting a limited copyright on sound recordings, this legislation will make a major contribution to the suppression of this unethical and unfair business competition." (117 Cong. Rec. 12763 (April 29, 1971).)

While the general revision bill remained stalled, the Senate passed Senator McClellan's splinter bill on April 29, 1971. The House conducted hearings on a companion bill, H.R. 6927, 92d Cong., 1st Sess. (1971), in June 1971 and passed it in October 1971. *See* 1976 House Report at 48-49; 1971 House Report at 3. Ranking members of the House Judiciary Committee confirmed Senator McClellan's statements of the bill's purpose during the House debate. *See* Appendix E. This act, the Sound Recording Act of 1971, Pub. L. 92-140, 85 Stat. 391 (the "1971 Amendment"), added subsection (f) to Section 1 of the 1909 Act and subsection (n) to Section 5 of that act. *See* Appendix F.

The legislative history of the 1971 Amendment is simply part of the general revision process leading to the New Act. As stated by the Chairman of the House Judiciary Committee:

"[N]either the limited copyright for sound recordings nor the increase in remedies for owners of musical compositions is a new expedient. Both have been approved by our committee and passed by the House as part of... the copyright law revision bill of 1967, and both would almost certainly have been enacted into law ere now, had that not been held up pending Senate action on the revision." (*Hearings on S. 646 and H.R. 6927 before Subcommittee No. 3 of the House Judiciary Committee, 92d Cong., 1st Sess. 5 (1971) ("1971 Hearings").*)

That Congress intended that the 1971 Amendment would eventually be reincorporated into the general statute is evident in a letter dated January 19, 1971, from the Librarian of Congress to the Chairman of the Senate Judiciary Committee:

"In general, we also support the amendatory language adopted in the bill *which draws heavily upon the language of the bill for general revision of the copyright law...*

"The most fundamental question raised by the bill is its relationship to the program

for general revision of the copyright law. The revision bill before your committee this past session and which Senator McClellan proposes to reintroduce, has parallel provisions, and if general revision were on the threshold of enactment [the 1971 Amendment] would be unnecessary. However, some fundamental problems impeding the progress of general revision of the copyright law, notably the issue of cable television, have not yet been resolved. We agree that the national and international problem of record piracy is too urgent to await comprehensive action on copyright law revision, and that the amendments proposed in [the 1971 Amendment] are badly needed now. *Upon enactment of the revision bill, they would, of course, be merged into the larger pattern of the revised statute as a whole.*" Senate Report No. 92-72, 92d Cong., 1st Sess. 7-8 (1971) (emphasis added) (the "1971 Senate Report").

The Librarian of Congress reiterated these statements to the House Judiciary Committee. See Appendix G. The 1971 House Report also shows that this amendment was part of the general revision process. 1971 House Report at 3-4. See Appendix H.

During Senate debate on the 1971 Amendment, Senator Hart (D. Mich.) questioned whether the broad language of the bill would do more than simply prevent commercial record piracy:

"The reach of the proposed bill is vague even if authorship is located... The committee report does not define the reach of this grant of exclusivity to reproduce and distribute. How much further the right extends beyond exclusion of a 'pirate' to reproduce an exact copy on a disc or tape is not clear. *In a field of rapid technological change we should be careful not to erect barriers to the evolution of technology.*" (117 Cong. Rec. 12764 (emphasis added).)

Representative Edward Beister, whose son recorded his favorite songs off the radio, also worried about the broad reach of the 1971 Amendment. During the June 1971 hearings of the House Judiciary Committee he closely questioned Ms. Barbara Ringer, then Assistant Register of Copyrights, n7 to be sure he was not enacting a law that would expose his son to liability. Ms. Ringer assured him that the bill was not intended to reach home recordings, reiterating the views expressed in the Register's 1961 Report, which she helped write.

n7 Ms. Ringer became the Register of Copyrights later in 1971. She had played an important role in the revision process since its beginning, as Register Kaminstein acknowledged in his 1965 Report.

"In the last 5 years my colleagues on the Copyright Office General Revision Steering Committee, now including... Abe A. Goldman, General Counsel, Barbara A. Ringer, Assistant Register of Copyrights for Examining..., have spent endless hours on revision... The very difficult task of putting precisely what we had in mind into words, both in the *Report* of 1961 and the *Supplementary Report* of 1965, has fallen to the gifted pens of Barbara Ringer and Abe Goldman." (1965 Report at viii.)

"MR. BEISTER:... I can tell you I must have a small pirate in my own home.

"My son has a cassette tape recorder, and as a particular record becomes a hit, he will retrieve it onto his little set.

"Now, he may retrieve in addition something else onto his recording, but nonetheless, he does retrieve the basic sound, and this legislation, of course, would not point to his activities, would it?

"MISS RINGER: I think the answer is clearly, 'No, it would not.'" (1971 Hearings 22.)

Ms. Ringer then went on to discuss home *video* recording:

"I have spoken at a couple of seminars on *video* cassettes lately, and this question is usually asked: 'What about the home recorders?'"

"The answer I have given and will give again is that this is something you cannot control.

"You simply cannot control it."

"... *I do not see anybody going into anybody's home and preventing this sort of thing, or forcing legislation that would engineer a piece of equipment not to allow home taping.*"

"MR. BEISTER: Secondly, with respect to video cassettes, are we approaching an additional problem, not with respect to private use, but with respect to public distribution after it has been retrieved over a home set?"

"MISS RINGER: The answer is very definitely, 'yes.'"

"For years the motion picture industry has been faced with bootlegging problems, much of it deriving from the 16 mm prints that were distributed to the Armed Forces and got out of control. The film industry has had a very active policing activity for years.

"I think that this problem is going to undergo a quantum increase when video cassette recorders are freely available. But I would say that there is a big difference, and I think it is something that you might consider. In that area, they have got copyright protection, and in this area, who knows? *It is certainly not protectable under the Federal statute.*" (Id. at 22-23 (emphasis added).)

The witness following Ms. Ringer at the same hearings was Stanley M. Gortikov, President of the Recording Industry Association of America, Inc., who agreed that home recording was outside the scope of the proposed act.

"The pirate also argues that granting a copyright may raise questions about the individual who in his home may duplicate a commercial performance on *home-recording equipment*. We in the industry certainly have known that such amateur practices go on in the home, and *we realistically recognize that no such enforcement is possible, and certainly none is intended.*" (Id. at 26 (emphasis added).) n8

n8 Mr. Gortikov and his trade association recently reversed their position when the Ninth Circuit ignored his previous statements and, by its unwarranted expansion of the contributory infringement doctrine, presented the recording industry with an appealing opportunity to focus its attack on the manufacturers, retailers and advertisers of recording equipment. *See Statement of the Recording Industry Association of America, Inc. Before the House Judiciary Subcommittee on Courts, Civil Liberties, and the Administration of Justice (April 14, 1982).*

It was in this context then, that the final House Report on the 1971 Amendment declared that Congress did not intend home use taping to be infringement. That report made it clear that owners of the new sound recording copyright were getting protection no broader than other copyright holders, such as motion picture owners, already had.

"Home Recording

"In approving the creation of a limited copyright in sound recordings it is the intention of the Committee that this limited copyright not grant any broader rights than are accorded to other copyright proprietors under the existing Title 17. Specifically, *it is not the intention of the Committee to restrain the home recording, from broadcasts or from tapes or records, of recorded performances*, where the home recording is for private

use and with no purpose of reproducing or otherwise capitalizing commercially on it. This practice is common and unrestrained today, and the record producers and performers would be in no different position from that of the owners of copyright in recorded musical compositions over the past 20 years." (1971 House Report at 7 (emphasis added).)

In other words, motion picture owners did not have, and sound recording owners were not getting, the right to restrain home recording for private use.

Just prior to the passage of the 1971 Amendment, Representative Kastenmeier, the Chairman of the House Judiciary Committee, explained the House Report on the Amendment to Representative Kazen (D. tex.), another Congressman worried that the exclusive right to reproduce contained in the bill might prohibit home recordings.

"MR. KAZEN: Am I correct in assuming that the bill protects copyrighted material that is duplicated for commercial purposes only?

"MR. KASTENMEIER: Yes.

"MR. KAZEN: In other words, if your child were to record off a program which comes through the air on the radio or *television*, and then used it for her own personal pleasure, for listening pleasure, this would not be included under the penalties of this bill?

"MR. KASTENMEIER: This is not included in the bill. I am glad the gentleman raises the point.

"On page 7 of the report, under 'Home Recordings,' Members will note that under the bill the same practice which prevails today is called for, namely, *this is considered both presently and under the proposed law to be fair use*. The child does not do this for commercial purposes. This is made clear in the report." (117 Cong. Rec. 34748-49 (Oct. 4, 1971) (emphasis added).)

Thus Representative Kastenmeier clarified the consistent legislative intent that home use, whether audio or video, was fair use.

Bills for the general revision of the copyright law were introduced in the 93d (1973-74) and 94th (1975-76) Congresses. n9 Each of these bills, like those preceding them, contained the same basic grant of an exclusive right to reproduce, subject to exceptions including fair use. In 1975, in the 94th Congress, the Senate and House Judiciary Subcommittees introduced bills in their respective houses for the general revision of the copyright law. Senator McClellan, who was chairman of the Senate Committee in charge of the general revision of the copyright law from 1961 to 1976, introduced and reported the Senate bill (S. 22, 94th Cong., 1st Sess. (1976); 1975 Senate Report). Representative Kastenmeier, who had been part of the House Committee since 1961 and was chairman thereof from 1969 to 1976, introduced the House bill and the Judiciary Committee Report on the House bill (H.R. 2223, 94th Cong., 1st Sess. (1975); 1976 House Report). Senator McClellan and Representative Kastenmeier also were members of the Conference Committee which put the New Act into final form, and each of them submitted the Conference Report to his branch of the Congress.

n9 The 1971 Amendment carried an expiration date of December 31, 1971 on the assumption that, by that date, a general revision bill would have been enacted covering the same material. When it became apparent by fall of 1974 that the general revision bill remained stalled, Congress passed, and the President signed on December 31, 1974, a bill which, in effect, established the 1971 Amendment on a permanent basis until passage of the New Act. Act of December 31, 1974. Pub. L. No. 93-573, 88 Stat. 1873. The discussion of this law once again emphasized that the evil to be combatted was commercial piracy. H.R. Rep. No. 93-1581, 93d Cong., 2d Sess. 1 (1974).

Barbara Ringer, now Register of Copyrights, testified at the hearings on the House bill and submitted the comments of the Copyright Office in writing. *See* Second Supplementary Report of the Register of Copyrights on the General Revision of the U.S. Copyright Law (1975) (the "Register's 1975 Report"). However, the purpose of the Register's "supplementary" 1975 Report was only "to identify what I considered the main issues remaining after a decade of sporadic legislative considerations of the general revision bill...." Since the public's right to record programs off the air had been resolved during the hearings on the 1971 Amendment, the Register's 1975 Report did not discuss it. Neither did the 1976 House Report or the 1975 Senate Report.

The New Act was finally signed into law on October 19, 1976. As contemplated by Congress in 1971, the provisions of the 1971 Amendment were reincorporated into the act as a whole. n10 *See* Appendix I.

n10 The Copyright Office recognized this reincorporation:

"The new law retains the provisions added to the present copyright law in 1972, which accords protection against unauthorized duplication of sound recordings. Circular R-99, "Highlights of the New Copyright Law," (1977), *reprinted in* 1 *Copyright Law Reporter (CCH) P15,195 (1980)*.

Thus, the legislative history shows that Congress, in granting "the exclusive right... to reproduce" to copyright owners in the 1971 Amendment, which became subsection (f) of Section 1 of the 1909 Act, did not intend thereby to bar home recordings off the air in the home for private use. The substantive identity in language of the 1971 Amendment and of the New Act, including versions from before and after the 1971 Amendment, shows that the expressed purpose of the 1971 Amendment to exclude control by the copyright owner over home recordings was still the purpose of the New Act. The Registers and Representative Kastenmeier stated that the practice of home recording of broadcast works for private non-commercial use was not to be proscribed, for it had been fair use under the 1909 Act and would continue to be fair use under the proposed New Act. If those sponsors of the 1971 Amendment, who were also primarily responsible for enactment of the New Act, had changed their intentions on the subject between 1971 and 1976, they would have so indicated. They did not. Instead, they left standing their many previous statements that both audio and video home use recording were fair use.

B. The Ninth Circuit Erroneously Failed To Review The Legislative History Of The New Act.

Defendants proved to the district court's satisfaction that home-use videotape recording is non-infringing conduct within the "fair use" doctrine as it was developed by the courts under the 1909 Act and the New Act. The Ninth Circuit reached the contrary conclusion, but its analysis was fatally flawed by its failure to credit the legislative history of the New Act which made clear that Congress viewed home-use videotape recording as fair use. Thus misdirected, the Ninth Circuit relied heavily upon the absence of an express statutory exception for home use, which was unnecessary, and failed to recognize the common thread running through the 20-year legislative history of the New Act.

The Ninth Circuit tested the legislative history against the proposition that there was an implied statutory exemption "*apart from the fair use doctrine*," Pet. App. at 11 n.8 (the court's emphasis) and not surprisingly vanquished this straw-man proposition. Pet. App. at 11-12. Then, when it considered the fair-use doctrine, the Ninth Circuit totally ignored the pertinent legislative history. It concluded that home-use recording did not fall within the statutory continuation of this doctrine, 17 *U.S.C. § 107*, without ever connecting section 107 to the statements in the legislative history which applied the doctrine to

home-use recording. See Pet. App. at 12-25.

In its consideration of the interplay between the statutory language and the legislative history relied upon by the district court, the Ninth Circuit applied three maxims of statutory construction. n11 First, it applied *expressio unius est exclusio alterius* in ruling that the express exceptions in sections 107-118 of the New Act are exclusive, thereby precluding an implied exception for home-use recording. Pet. App. at 4-12. This approach fails to appreciate that no separate exception is necessary because the New Act expressly continued the doctrine of fair use in 17 U.S.C. § 107, which covers home-use recordings. n12 Since there is a statutory exception covering home use, the maxim is inapplicable. As the court in *Encyclopedia Britannica Education Corp. v. Crooks*, 447 F. Supp. 243 (W.D.N.Y. 1978), put it:

n11 It was erroneous in and of itself to apply the maxims rather than credit the legislative history before the court. As this Court has repeatedly held, maxims of statutory construction serve "only as an aid in discovering the legislative intent when that is not otherwise manifest," *United States v. Barnes*, 222 U.S. 513, 519 (1912), and they "must yield to clear contrary evidence of legislative intent." *Nat'l R.R. Passenger Corp. v. Nat'l Ass'n of R.R. Passengers*, 414 U.S. 453, 458 (1974). *Accord, Neuberger v. Commissioner*, 311 U.S. 83, 88 (1940).

n12 A major function of the fair-use doctrine has been to provide a flexible tool for adapting the statutory scheme of copyright protection to technological innovations such as the VTR. This function was singled out by Congress when it continued the doctrine under the 1976 Act, as follows: "[T]here is no disposition to freeze the doctrine in the statute, especially during a period of rapid technological change... The courts must be free to adapt the doctrine to particular situations on a case-by-case basis." 1976 House Report at 66.

"The legislative history... makes clear that the statutory exemptions were intended to supplement rather than supersede the doctrine of fair use... Therefore, one cannot infer that a use is prohibited merely because it was not exempted by the statute." (*Id.* at 249 n.7.)

Moreover, the Ninth Circuit's maxim proves too much. Were it as categorical as that court believed, it would have precluded the original development of the doctrine of fair use, not just the subsequent specific application of that doctrine to home-use taping of sound recordings. Thus, on its face the 1909 Act granted copyright holders a complete monopoly "to print, reprint, publish, copy and vend the copyrighted work." 1909 Act § 1(a). Notwithstanding this absolute language, the courts developed the doctrine of fair use which, in the Ninth Circuit's own words, was designed "to immunize some forms of copying from the literal implications of the [1909] Act." Pet. App. at 5. Moreover, the 1971 Amendment contained a similar, apparently "exclusive" right to "reproduce" sound recordings. Nevertheless, as shown *supra*, pp. 13-16, Congress believed that the fair-use doctrine exempted home audio recordings from the provisions of that statute.

The second maxim on which the Ninth Circuit relied was that "[r]esort to the legislative history of an Act is entirely unnecessary when the statute is clear and unequivocal on its face." Pet. App. at 12. This Court has repeatedly held that such perceived clarity cannot justify a refusal to examine the legislative history. *Train v. Colorado Public Research Group*, 426 U.S. 1, 9-10 (1976) (exclusion of legislative history held clearly erroneous, even though the statute appeared unambiguous on its face); see *United States v. Clark*, 50 U.S.L.W. 4128, 4129 (U.S. Jan. 12, 1982). In any event, this maxim is inapplicable because the legislative history in question relates to the fair-use exception, a provision which the Ninth Circuit certainly does not view as clear and unambiguous. See Pet. App. at 14.

Finally, opining that "[t]here is absolutely nothing in the 1971 legislation which would indicate that the Congress was in any way concerning itself with home video recording," the Ninth Circuit found no basis for a home-use exemption since "silence cannot be viewed as an expression of Congressional intent." Pet. App. at 12. As shown above, Congress did not remain silent on the specific subject of home video recording. Beyond that, the maxim is in any event inapplicable because Congress made express provision for fair use in section 107 of the New Act, and the legislative history demonstrates that Congress viewed home recording as falling within that doctrine.

C. The Ninth Circuit Erroneously Excluded Legislative History Of The 1971 Amendment.

To the extent that the Ninth Circuit gave any consideration to the legislative history, it clearly missed its thrust. It chose to view the 1971 Amendment as an isolated occurrence and "entirely beside the point," Pet. App. at 11, rather than as an integral part of a 20-year continuum of legislative work on a general revision of the copyright laws. Properly viewed in the latter perspective, it is apparent that the legislative history of the 1971 Amendment is relevant. The home-use exception for sound recordings contained in that history is a concrete application of Congress' more general view that home use falls within the doctrine of fair use.

Where, as here, the passage of a statute is the culmination of a prolonged period of legislative consideration of a succession of bills on the same subject matter, it is entirely appropriate to interpret the final product in light of the full history of the legislative process which produced it. This Court emphasized this principle in *Dawson Chemical Co. v. Rohm & Haas Co.*, 448 U.S. 176 (1980), where it construed statutes governing contributory infringement of patents:

"Although the final version of the statute reflects some minor changes from earlier drafts, the essence of the legislation remained constant. References were made in the later hearings to testimony in the earlier ones. Accordingly, we regard each set of hearings as relevant to a full understanding of the final legislative product." (*Id.* at 204.)
Accord, Baldrige v. Shapiro, 50 U.S.L.W. 4227, 4230 n.10 (U.S. Feb. 24, 1982) (statutory interpretation based on 18 years of legislative history leading to the Freedom of Information Act); *TVA v. Hill*, 437 U.S. 153, 178 (1978); *United States v. Enmons*, 410 U.S. 396, 405 n.14 (1973).

D. The Statements Showing That Home Use Is Fair Use Are Contained In Proper Legislative Materials.

Finally, the Ninth Circuit denigrated the statements of Ms. Ringer and Rep. Kastenmeier, calling them "extemporaneous" and not "a considered review of the home videorecording problem," Pet. App. at 11 and n.8. By doing so, the Ninth Circuit unfairly excluded the type of reliable materials traditionally referred to by this Court in the search for legislative intent.

Under this Court's decisions, the views of the Copyright Office, expressed by Registers Kaminstein and Ringer, must be given "great weight" rather than the short shrift accorded them by the Ninth Circuit. As this Court stated recently: "We necessarily attach 'great weight' to agency representations to Congress when the administrators 'participated in drafting and directly made known their views to Congress in committee hearings.'" *United States v. Vogel Fertilizer Co.*, 50 U.S.L.W. 4137, 4142 (U.S. Jan. 13, 1982). *Accord, Zuber v. Allen*, 396 U.S. 168, 192 (1969). *See also Power Reactor Development Co. v. International Union of Electrical, Radio & Machine Workers*, 367 U.S. 396, 408 (1961); *United States v. Union Oil Co.*, 549 F.2d 1271, 1279 (9th Cir.), *cert. denied*, 434 U.S. 930 (1977).

Likewise, this Court has held that statements by committee chairmen and sponsors of bills are entitled to great weight. *See Simpson v. United States*, 435 U.S. 6, 13 (1978). The

statements by Chairman Kastenmeier during hearings (*e.g.*, that home recording off radio or television is, and always has been, fair use) therefore are entitled to great weight.

Thus, the Ninth Circuit erroneously refused to examine the legislative history showing that Congress, believing home use was fair use, did not intend that the New Act would prohibit home videotaping.

II.

THE COURT SHOULD LIMIT THE DOCTRINE OF CONTRIBUTORY INFRINGEMENT

A. The Ninth Circuit's Opinion Represents An Unprecedented Expansion Of Contributory Infringement Doctrine.

The Ninth Circuit found DDBI, an advertising agency, liable for contributory infringement along with the manufacturers and retailers of the Betamax. It did so, despite the following finding of the District Court, which it did not disturb: n13

n13 The Ninth Circuit's disregard for the District Court's finding is error. Only recently, in the context of a contributory trademark infringement action, this Court reversed the Second Circuit's similar disregard for a District Court's findings. *Inwood Laboratories, Inc. v. Ives Laboratories, Inc.*, 50 U.S.L.W. 4592, 4595 (U.S. June 1, 1982). The district court in that case had found that a drug manufacturer did not commit contributory trademark infringement since it did not induce or aid pharmacists in substituting its drugs for those of another manufacturer. 50 U.S.L.W. at 4595. The Court of Appeals rejected these findings without holding them clearly erroneous. 50 U.S.L.W. at 4596. This Court reversed: "The Court of Appeals erred in setting aside findings of fact that were not clearly erroneous." *Id.*

1) "[D]efendants' advertisements, even assuming they gave the impression of legality, did not misrepresent any fact within the knowledge of the defendants." (Pet. App. at 101).

2) "[T]here was no evidence at trial that any advertisements or other statements by defendants in any way induced or caused to be made any of the copies at issue." (Pet. App. at 93-94).

Even in the face of these findings, the Ninth Circuit held DDBI liable because it was "sufficiently engaged in the enterprise [of marketing the Betamax] to be held accountable." Pet. App. at 27. This holding is unprecedented. It stretches the doctrine of contributory infringement beyond the limits of reason.

Even as traditionally defined, the doctrine of contributory infringement is sweeping in its scope.

"[O]ne who, with knowledge of the infringing activity, induces, causes or materially contributes to the infringing conduct of another, may be held liable as a 'contributory' infringer." (*Gershwin Publishing Corp. v. Columbia Artists Management, Inc.*, 443 F.2d 1159, 1162 (2d Cir. 1971).)

However, in announcing this rule, the Second Circuit made clear that it was not adopting the quantitative approach implicit in the "sufficient engagement" test adopted by the Ninth Circuit here. Thus, in a limiting footnote, the Second Circuit quoted portions of this Court's decision in *Fortnightly Corp. v. United Artists Television Corp.*, 392 U.S. 390, 396-97 (1968), as follows:

"8. See. *Fortnightly Corp. v. United Artists Television, Inc.*, * * * in which the Court explained that 'mere quantitative contribution cannot be the proper test to determine copyright liability * * * Rather, resolution of the issue * * * depends upon a determination of the function that the [alleged infringer] plays in the total [reproduction] process. * * *'" (443 F.2d at 1162 n.8.)

Thus, the Second Circuit would not impose contributory infringement liability on a party with a purely "quantitative" role, like the advertising agency in the present case, because that would conflict with this Court's dicta in *Fortnightly*. Professor Nimmer is in accord. 3 M. Nimmer, *Nimmer On Copyright* § 12.04(A) at 12-38 n.22 (1981).

Perhaps because courts recognized that the *Gershwin* test could not be applied in a simple, quantitative manner, no advertiser has been held liable for contributory infringement on the basis of such indirect involvement in the infringement. n14 The Ninth Circuit's ruling now brings to reality the nightmarish dangers of "quantitative" analysis which this Court foresaw in *Fortnightly*:

n14 We have found only three cases holding advertising agencies liable for copyright infringement. In each, the agency was directly involved in the actual infringement. *Screen Gems-Columbia Music, Inc. v. Mark-Fi Records, Inc.*, 327 F. Supp. 788, 791-92 (S.D.N.Y.), remanded on other grounds, sub nom., *Screen Gems Columbia Music, Inc. v. Mellis & Lebow Corp.*, 453 F.2d 552 (2d Cir. 1971) (agency knowingly participated in packaging and selling pirated recordings and dealing directly with the customers); *Davis v. E. I. DuPont de Nemours & Co.*, 240 F. Supp. 612, 631-32 (S.D.N.Y. 1965) (agency participated in, and had power to supervise, the writing of a television script that infringed copyrighted play); *Robertson v. Batten, Barton, Durstine & Osborn*, 146 F. Supp. 795, 797 (S.D. Cal. 1956) (agency created a commercial jingle incorporating a copyrighted hit song and performed it after infringement notice).

"[M]ere quantitative contribution cannot be the proper test to determine copyright liability in the context of television broadcasting. If it were, many people who make large contributions to television viewing might find themselves liable for copyright infringement -- not only the apartment house owner who erects a common antenna for his tenants, but the shopkeeper who sells or rents television sets, and indeed, every television set manufacturer." (392 U.S. at 397.)

So too here, a rule that makes Sony's advertising agency liable on these facts can just as easily be applied to the manufacturers who sell Betamax components to Sony or the television networks who broadcast copyrighted shows with knowledge that there are three million VTRs in use in the United States and who count those VTR owners in their audience calculations when selling commercial time to sponsors.

This court should limit contributory infringement actions by a test based on fault of the advertiser or ability to control the infringing actions. The Ninth Circuit's vague "sufficient engagement" test must be reversed to prevent unjust results, such as the one in this case, where the advertising agency was held liable for conduct over which it had no control and from which it benefited, at best, only indirectly.

B. Contributory Infringement Should Be Limited By Reference To the Staple-Item-of-Commerce Doctrine Developed Under The Patent Law.

Another way in which this Court should limit contributory infringement is by reference to the staple-item-of-commerce doctrine that limits contributory infringement in the patent area. n15

n15 In the patent context, mere advertisement of an infringing article does not constitute infringement. *Ling-Temco-Vought, Inc. v. Kollsman Instrument Corp.*, 372 F.2d 263, 270 (2d Cir. 1967), citing *Knapp-Monarch Co. v. Casco Prod. Corp.*, 342 F.2d 622, 626 (7th Cir.), cert. denied, 382 U.S. 828 (1965).

Recognizing that the Betamax still has substantial non-infringing uses even if home-use recording were viewed as infringement, the district court held that the marketing of

this device was not contributory infringement by analogy to the staple-item-of-commerce doctrine in patent law. n16 To the extent that the Ninth Circuit applied this doctrine at all, it completely eviscerated it, for it held that the Betamax was not a staple item because it is "sold for the *primary purpose* of reproducing television programming," most of which is copyrighted. n17

n16 That doctrine is codified at 35 U.S.C. § 271(c) which provides:

"(c) Whoever sells a component of a patented machine, manufacture, combination or composition, or a material or apparatus for use in practicing a patented process, constituting a material part of the invention, *knowing the same to be especially made or especially adapted for use in an infringement of such patent, and not a staple article or commodity of commerce suitable for substantial noninfringing use*, shall be liable as a contributory infringer." (35 U.S.C. § 271(c) (emphasis added).)

When this statute is quoted in full it appears that there is more to the question of contributory infringement than consideration of whether a staple or nonstaple item is being manufactured. The item must also be a "material part" of the machine, etc. Neither court below considered that the Betamax is not a component of the thing protected by the copyright statute, copyrighted writings. Thus, the Betamax manufacturer is more analogous to the manufacturer of a tool-and-die machine used to make a nonstaple component than it is analogous to the maker of the nonstaple component itself. The advertising agency, is, of course, yet further removed.

n17 Pet. App. at 25-26 (emphasis added). Even under this view, of course, there remains a great deal of programming which can be recorded without infringement or objection, Pet. App. at 97, and there are other substantial non-infringing uses of VTRs (e.g., home-videotaping of family events or playback of purchased or rented cassettes). See Pet. App. at 41. A consumer can thus acquire and enjoy a Betamax without engaging in conduct that the Ninth Circuit would view as infringing.

As this Court has made clear, the test for a nonstaple item is whether it is "capable *only* of infringing use," not whether its *primary* use is infringing. *Dawson Chemical Co. v. Rohm & Haas Co.*, 448 U.S. 176, 213 (1980) (emphasis added). There is an enormous difference. n18

n18 For example, in the case of a recording device that is used for copyright infringement 51% of the time, the Ninth Circuit rule would give the owner of the copyright to a single episode of "The Mickey Mouse Club" the power to suppress this technology completely, precluding exploitation of the other 49% of its uses.

See also *Midway Mfg. Co. v. Arctic Int'l, Inc.*, 211 U.S.P.Q. 1152 (N.D. Ill. 1981), where the court, following the *Dawson* approach, declined to enjoin preliminarily the manufacture and sale of speed-up devices for use on video games, pending a trial to determine whether the devices were designed "*solely* to modify" plaintiff's copyrighted games. *Id.* at 1159 (emphasis added).

Recognizing the staple-item-of-commerce doctrine in the common law of copyright infringement will give advertising agencies a standard by which they can determine which products they may advertise. It will also prevent the law of copyright contributory infringement from becoming a major barrier to the development of information technologies.

III.

THE NINTH CIRCUIT'S EXPANSION OF CONTRIBUTORY INFRINGEMENT LIABILITY WILL HAVE A CHILLING EFFECT ON SPEECH AND INVENTION

Unless overturned by this Court, the overly inclusive view of contributory infringement adopted by the Ninth Circuit in this case will have a chilling effect upon commercial speech and invention.

From the perspective of an advertising agency the chilling effect flows from the imposition of liability upon an agency for doing nothing more than advertising a product which, even if the Ninth Circuit's view of home use were correct, is capable of both infringing and substantial non-infringing uses.

The most prudent reaction to such contourless rules of liability is for an agency to eschew involvement with any product which is capable of some infringing use. Yet this is the type of excessive self-censorship or chilling effect which this Court has taken great pains to prevent. n19 While the facile reply may be that such advertising is purely commercial speech, and thus entitled to lesser protection, there is far more to it than that. As this Court said in *Bates v. State Bar of Arizona*, 433 U.S. 350, 363-64 (1977):

n19 See *Pittsburgh Press Co. v. Pittsburgh Comm'n on Human Relations*, 413 U.S. 376, 390 (1973) ("The special vice of a prior restraint is that communication will be suppressed, either directly or by inducing excessive caution in the speaker, before an adequate determination that it is unprotected by the First Amendment.").

"... [Commercial] speech should not be withdrawn from protection merely because it proposed a mundane commercial transaction... The listener's interest is substantial: the consumer's concern for the free flow of commercial speech often may be far keener than his concern for urgent political dialogue... And commercial speech serves to inform the public of the availability, nature and prices of products and services, and thus performs an indispensable role in the allocation of resources in a free enterprise system... In short, such speech serves individual and societal interests in assuring informed and reliable decision making...." n20

n20 Accord, e.g., *Virginia State Bd. of Pharmacy v. Virginia Citizens' Consumer Council, Inc.*, 425 U.S. 748, 761-65 (1976).

Certainly, commercial speech may be regulated, but any such regulation must be undertaken "with care and in a manner no more extensive than reasonably necessary to further substantial interests." *In re R.M.J.*, 50 U.S.L.W. 4185, 4190 (U.S. Jan. 25, 1982). This the Ninth Circuit has not done. Rather, it has imposed liability in such a way as to preclude advertising of even the substantial, concededly non-infringing uses of the Betamax, without ever considering the first amendment implications of its ruling.

The chilling effect of the Ninth Circuit's ruling extends far beyond the impact upon advertising agencies and commercial speech. It has a similar impact upon invention. Thus, the inventor and manufacturer of the Betamax is being prevented from exploiting its non-infringing uses. Moreover, given the contributory infringement liability imposed upon all links in the manufacture and distribution chain of the Betamax, we must anticipate that the inventor of the next technological innovation of this type will face significantly increased barriers in attempting to convince a manufacturer, distributor or retailer to take on the new product. Higher barriers will hamper the exploitation of such inventions and, to that extent, defeat the societal goal of encouraging invention. n21

n21 The primary purpose of patent and copyright protection is the promotion of the "Progress of Science and Useful Arts." U.S. Const., art I, § 8, cl. 8. See 1961 Report at 5. Reward to patent and copyright owners is a secondary consideration. *Twentieth Century*

Music Corp. v. Aiken, 422 U.S. 151, 156 (1975); *Mazer v. Stein*, 347 U.S. 201, 219 (1954). By its vast extension of contributory infringement, the Ninth Circuit is promoting the exclusive rights of "Authors" to the detriments of the rights of "Inventors" and of "Progress" in the "Useful Arts."

CONCLUSION

For the foregoing reasons, the judgment of the Ninth Circuit in this action should be reversed.

Respectfully submitted,

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APPENDIX A.

The Register's 1961 Report stated at 28-29:

"a. The Present Law.

"The present statute does not provide explicitly for the right to perform (*i.e.*, to exhibit) a copyrighted motion picture. Motion pictures were not mentioned in the act of 1909. By an amendment in 1912, they were added to the classes of works enumerated in section 5, but no corresponding amendment was made in section 1 to provide for the right to perform motion pictures.

"The courts have attempted to fill this gap by applying the terms of section 1 to the performance of motion pictures. In several decisions the courts have held that dramatic motion pictures (photoplays) are a species of dramatic works and are therefore accorded the right of public performance given to dramatic works by section 1(d). The more difficult problem of nondramatic motion pictures was presented to the Second Circuit Court of Appeals in *Patterson v. Century Productions* (93 F.2d 189 (1937)), in which an infringing copy of a documentary (nondramatic) motion picture had been made and exhibited publicly in a theater. The court held that the exhibitor had infringed the copyright, on the ground that the projection of a motion picture on the theater's screen constituted the making of a 'copy' under section 1(a).

We believe this last decision is an example of the maxim that 'hard cases make bad law.' In reaching what was no doubt a just result, and apparently seeing no other provision in the statute that would fit the case, the court stretched the concept of 'copying' to new lengths. While that case involved a public exhibition, the theory of 'copying' on which the decision was based, if followed to its logical conclusion, would have a farreaching effect: any unauthorized projection of a motion picture, private as well as public, would be an infringement of the copyright. Whether the courts would so hold in a case involving a private projection is still a matter of conjecture."

The 1961 Report further provided, at 29-30:

"d. Private Performances.

"Motion picture producers and distributors have urged that the performance right in motion pictures should extend to what are clearly private performances, including performances given in private homes. They point to *Patterson v. Century Productions*, and its concept that exhibition is a form of 'copying,' to support their position. Motion picture films are commonly leased for exhibition at specified places and dates. Most leases are for commercial exhibitions, but many films are also leased for home use. It is argued that in either case private exhibitions beyond the terms of the lease should constitute an infringement of copyright.

"This argument may have some theoretical plausibility, but we would question it for several reasons:

"Injury to a copyright owner from private performances beyond the terms of a lease would be minimal. He may be entitled to the usual license fee as damages for a breach of contract, but the statutory damages for copyright infringement would be grossly excessive.

"As a practical matter, unauthorized private performances could rarely be discovered or controlled.

"Many motion picture films are sold for use in homes, schools, libraries, and the like. The purchaser should not be subjected to the risk of liability for private performances that the copyright owner might contend are not authorized.

"New technical devices will probably make it practical in the future to reproduce televised motion pictures in the home. We do not believe the private use of such a reproduction can or should be precluded by copyright." (Emphasis added.)

APPENDIX B.

The MPAA's 1962 Memorandum, after contending that the copyright owner of a motion picture should be protected against showings of bootleg prints by libraries, museums and collectors, concluded:

"If the Register is concerned that we might charge a homeowner with giving an unlicensed private performance of our film by receiving it on the television set in the normal course, on a nontoll, nonclosed circuit, basis, upon analogy to the *Patterson* and *Jewell-LaSalle* cases, supra, there is no intention of so doing. But there are situations where private performance is a serious matter. Why attack the basic right? Appropriate provisions can take care of the innocent home owner receiving a general TV broadcast on his television screen."

Copyright Law Revision, Part 2, Discussion and Comments on Report of the Register of Copyrights on the General Revision of the U.S. Copyright Law, 88th Cong., 1st Sess. 350 (Comm. Print 1963).

APPENDIX C.

The MPAA memo of January 26, 1965 stated, in part:

"The express performing right so provided, however, is to perform the motion picture 'publicly.' Our 1962 position paper urged that the motion picture performing right not be qualified by a requirement of 'public' (as it presently is not under the 'copying' concept by which *Patterson v. Century Productions* placed it under Sec. 1(a) of the 1909 Act). This was asked because of the very serious situation existing with respect to thousands of copyrighted films which have come into the unauthorized hands of bootleg distributors for distribution by way of rentals for performances at schools, clubs, camps, churches, factories, homes, etc. We appreciate, however, that a great part of this problem has been alleviated by two other provisions in the new legislation. The first is the above express 'rental' right, by which unauthorized renters of copyrighted motion pictures prints, the

possession of which prints has not been obtained under any lawful transfer of title thereto, can be held for infringement. The second is an express definition of 'publicly,' in sec. 5(b)(3) in line with suggestions made by undersigned counsel, which would now include any gathering of a substantial number of persons outside the normal family circle and its social acquaintances."

Copyright Law Revision, Part 5, 1964 Revision Bill with Discussion and Comments, 89th Cong., 1st Sess. 302-03 (Comm. Print 1965).

APPENDIX D.

The Register's 1965 Report stated, in part:

"Concern has been expressed on behalf of motion picture companies as to the possible dangers of 'archival' reproductions finding their way into the bootleg film market [the question under discussion was whether broadcasters should have the right to make and retain one ephemeral recording of a broadcast copyrighted picture for archival purposes]. However, the imminent development of home video tape recordings seems likely to make ephemeral recordings by authorized transmitters a minor source of danger. In any case, we would be opposed to a provision requiring the destruction of ephemeral recordings; many of them will constitute an irreplaceable record of a historical event, a creative work, or a virtuoso performance of incalculable value to future generations." (Emphasis added.)

Copyright Law Revision, Part 6, Supplementary Report of the Register of Copyrights on the General Revision of the U.S. Copyright Law, 1965 Revision Bill, 89th Cong., 1st Sess. 47 (Comm. Print. 1965).

APPENDIX E.

In the discussion of the 1971 bill on the House floor, Rep. Kastenmeier reiterated that its purpose was to strike at commercial piracy (not home recording):

"The creation of a limited copyright in sound recordings as is done by S. 646 offers a rational solution [to the piracy problem]... The committee similarly believes that the interest of the producers of sound recordings in freeing their product of piracy -- defining piracy as the unauthorized *commercial* duplication *and sale* of a reproduction of a sound recording -- warrants legislative effectuation and support." 117 Cong. Rec. 34,748 (Oct. 4, 1971) (emphasis added).

The ranking minority members of the subcommittee, Representative Railsback, supported the Chairman's position, stating that the bill would:

"... for the first time provide legitimate producers of phonograph records and tapes with effective legal remedies against the so-called pirates who have been reproducing their products without authority, and selling them in competition with the original producers themselves." *Id.* at 34,749.

APPENDIX F.

The 1971 Amendment added subsection 5(n), "Sound recordings."

The 1971 Amendment also added subsection 1(f), providing that the owner of copyright:

"... shall have the exclusive right:

"(f) To reproduce and distribute to the public by sale or other transfer of ownership, or by rental, lease, or lending, reproductions of the copyrighted work if it be a sound recording: Provided, That the exclusive right of the owner of a copyright in a sound recording to reproduce it is limited to the right to duplicate the sound recording in a

tangible form that directly or indirectly recaptures the actual sounds fixed in the recording: Provided further, That this right does not extend to the making or duplication of another sound recording that is an independent fixation of other sounds, even though such sounds imitate or simulate those in the copyrighted sound recording; or to reproductions made by transmitting organizations exclusively for their own use."

The 1971 Amendment further added the following definitions to § 26:

"For the purpose of this section and sections 10, 11, 13, 14, 21, 101, 106, 109, 209, 215, but not for any other purpose, a reproduction of a work described in subsection 5(n) shall be considered to be a copy thereof. 'Sound recordings' are works that result from the fixation of a series of musical, spoken, or other sounds, but not including the sounds accompanying a motion picture. 'Reproductions of sound recordings' are material objects in which sounds other than those accompanying a motion picture are fixed by any method now known or later developed, and from which the sounds can be perceived, reproduced, or otherwise communicated, either directly or with the aid of a machine or device, and include the 'parts of instruments serving to reproduce mechanically the musical work,' 'mechanical reproductions,' and 'interchangeable parts, such as discs or tapes for use in mechanical music-producing machines' referred to in sections 1(e) and 101(e) of this title."

APPENDIX G

The May 25, 1971 letter from the Librarian of Congress to the House Judiciary Committee stated, in part:

"The most fundamental question raised by the bill is its relationship to the program for general revision of the copyright law. As noted above, the revision bill now pending in the Senate has parallel provisions, and if general revision were on the threshold of enactment, S. 646 would be unnecessary. However, some fundamental problems impeding the progress of general revision of the copyright law, notably the issue of cable television, have not yet been resolved. We agree that the national and international problem of record piracy is too urgent to await comprehensive action on copyright law revision, and that the amendments proposed in S. 646 are badly needed now. *Upon enactment of the revision bill they would, of course, be merged into the larger pattern of the revised statute as a whole.*" (1971 Report at 10 (emphasis added).)

APPENDIX H.

The 1971 House Report, at 3-4, said:

"The creation of a limited copyright in sound recordings has been under active consideration by the Congress for a number of years in connection with the program for general revision of the copyright law. The Library of Congress recommended the granting of such copyright protection in its recommendations for the general revision of the copyright law.

"The Committee regrets that action on the bill for general revision of the copyright law has been delayed, and that the problem of record piracy has not been dealt with as part of a broad reform of the Federal copyright statute. We are persuaded that the problem is an immediate and urgent one, and that legislation to deal with it is needed now. The seriousness of the situation with respect to record piracy, both nationally and internationally, is unique, and our favorable action in this instance should not be interpreted as precedent for the enactment of separate legislation on other matters involved in copyright law revision. On the contrary, we would be opposed to any effort to convert the general revision program into a program for revising the statute on a piecemeal basis."

APPENDIX I.

New Act (excerpts):

" § 101. Definitions

"Sound Recordings' are works that result from the fixation of a series of musical, spoken, or other sounds, but not including the sounds accompanying a motion picture or other audiovisual work, regardless of the nature of the material objects, such as disks, tapes, or other phonorecords, in which they are embodied."

" § 106. Exclusive rights in copyrighted works

"Subject to sections 107 through 118, the owner of copyright under this title has the exclusive rights to do and to authorize any of the following:

"(1) to reproduce the copyrighted work in copies or phonorecords;

"(2) to prepare derivative works based upon the copyrighted work;

"(3) to distribute copies or phonorecords of the copyrighted work to the public by sale or other transfer of ownership, or by rental, lease, or lending;"

"(4) in the case of... motion pictures and other audiovisual works, to perform the copyrighted work publicly..."

" § 114. Scope of Exclusive Rights in Sound Recordings

"(a) The exclusive rights of the owner of copyright in a sound recording are limited to the rights specified by clauses (1), (2), and (3) of section 106, and do not include any right of performance under section 106(4).

"(b) The exclusive right of the owner of copyright in a sound recording under clause (1) of section 106 is limited to the right to duplicate the sound recording in the form of phonorecords, or of copies of motion pictures and other audiovisual works, that directly or indirectly recapture the actual sounds fixed in the recording... The exclusive rights of the owner of copyright in a sound recording under clauses (1) and (2) of section 106 do not extend to the making or duplication of another sound recording that consists entirely of an independent fixation of other sounds, even though such sounds imitate or simulate those in the copyrighted sound recording...."