

**SONY CORPORATION OF AMERICA, et al.,** Petitioners, vs. **UNIVERSAL CITY STUDIOS, INC. and WALT DISNEY PRODUCTIONS,** Respondents.  
No. 81-1687

OCTOBER TERM, 1981

May 10, 1982

BRIEF FOR RESPONDENTS UNIVERSAL CITY STUDIOS, INC. AND WALTDISNEY PRODUCTIONS IN OPPOSITION.

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Seltzer, L., *Exemptions and Fair Use in Copyright* (1978), p. 24

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Opinions Below.

The non-final decision of the Court of Appeals (Pet. App. 1-30) is reported at 659 F.2d 963 (9th Cir. 1981). The opinion of the district court (Pet. App. 31-117) is reported at 480 F.Supp. 429 (C.D. Cal. 1979).

Jurisdiction.

The judgment of the Court of Appeals was entered on October 19, 1981. A petition for rehearing was denied on January 12, 1982 (Pet. App. 118). The petition for writ of certiorari was filed on March 12, 1982. n1 The jurisdiction of this Court is invoked under 28 U.S.C. § 1254(1).

n1 This Court granted respondents an extension of time until May 10, 1982, in which to file this Opposition (Resp. App. 1).

Constitutional Provisions and Statutes Invoked.

This case involves Article I, § 8, cl. 8 of the United States Constitution and several provisions of the Copyright Act of 1909, Pub. L. No. 60-349, ch. 320, 35 Stat. 1075, 17 U.S.C. § 1 et seq. (superseded 1978) ("1909 Act") and the General Revision of Copyright Law, Pub. L. No. 94-553, 90 Stat. 2541, 17 U.S.C. §§ 101 et seq. ("1976 Act"). The pertinent provisions of the 1976 Act are 17 U.S.C. §§ 101, 106-07, 501, 502(a) and 504. The pertinent provision of the 1909 Act is 17 U.S.C. § 1. These constitutional and statutory provisions are set forth in Appendix D to the petition (Pet. App. 119-28).

Counterstatement of Questions Presented. \*

\* Respondent Universal City Studios, Inc. ("Universal") is a wholly-owned subsidiary of MCA INC. ("MCA"). MCA and/or Universal have the following partially owned subsidiaries and/or affiliates within the meaning of Supr. Ct. Rule 28.1: Two-Beat Music Corp., JDJN Music Corp., MCA New Ventures, Inc., Discovision Associates, Saticoy Technology, Inc., Universal Pioneer Corporation, Mood Music Company, Inc., Fontaine Music Corp., Roncom Films, Inc., Supreme Music Corporation, Western Costume Co., MPD Leasehold Corp., Afram Films, Inc., American Motion Picture Company (Africa), Inc., Motion Picture Export Association of America, Inc., Cinema International Corporation N.V., CIC International B.V., Pincus-Gil Music Pty. Limited, Leeds Music Hans Gerig KG, Spooone Music Pty. Limited, Tangerine Music Pty. Limited, Leeds Musieck Holland B.V., MCA Music Limited, Eugene Music Limited, Evita Music Limited, Jeeves Music Limited, Rowlou Music Limited, Spooone Music Limited, Valley Music Limited, Academy Investments No. 1 Pty., Ltd., United Video International N: , MCA (Paris) Ltd., Regent Investments Pty. Limited, Town Cinema Investments Pty. Ltd., United International Pictures B.V., Universal-RKO, Oak Industries Joint Venture, Hotel Two Associates, T.E.M. Programs International, USA Network and Optical Programming Associates. Universal and MCA also partially own many companies and/or partnerships formed for the purpose of producing individual motion pictures and/or television programs. These entities are not listed here because of Universal's understanding that they do not fall within the term "affiliates" as used in Rule 28.1.

Respondent Walt Disney Productions' only partially owned subsidiary or affiliate within the meaning of Rule 28.1 is Vista-United Telecommunications, Inc.

1. Whether the Court should at this time rrvie w a nonfinal decision of the Court of Appeals interpreting provisions of the Copyright Act, 17 U.S.C. § 101 et seq., which Congress is in the process of amending.

2. Whether the statutory prohibition against copying entire copyrighted motion pictures is subject to an implied exception for home videotape recorder ("VTR") copying from television transmissions.

3. Whether the fair use doctrine excuses mass home VTR copying of entire copyrighted motion pictures for purposes of convenience.

4. Whether those who manufacture, market and sell VTR's with the intention and expectation that they will be used primarily for copying entire copyrighted motion pictures are liable for such copying as contributory copyright infringers.

5. Whether this Court should render an advisory opinion concerning the remedy to be imposed by the district court before that court has had an opportunity to fashion a remedy on remand.

6. Whether this Court should review the record below to determine whether the Court of Appeals ignored findings of the district court.

#### Counterstatement of the Case.

The non-final decision of the Court of Appeals is neither remarkable nor unique. Applying established copyright principles to the circumstances surrounding VTR sale and use, the Court of Appeals merely reaffirmed that unauthorized copying of entire copyrighted motion pictures, particularly the type of mass copying made possible by VTR's, constitutes copyright infringement and that those who induce, cause or materially contribute to such copying are liable therefor. This case thus involves no unsettled question of federal law. It simply involves uncontroverted copyright principles applied to ordinary copying, the most commonplace type of infringement encountered in copyright law.

Respondents own thousands of copyrighted motion pictures, many of which are licensed for television exhibition. Petitioners manufacture, advertise and sell to consumers VTR's under the brand name "Betamax" for the primary purpose of making copies of copyrighted television programming, including copyrighted motion pictures owned by respondents (Pet. App. 25-27). These copies are made generally in the homes of VTR purchasers from television transmissions. n2

n2 These in-home copies will hereafter be referred to as either "home video recordings" or "VTR copies."

Respondents brought this action against petitioners n3 alleging that VTR copying constitutes copyright infringement n4 and that petitioners are liable for such infringement under the doctrines of contributory infringement, direct infringement, vicarious liability and unfair competition (Pet. App. 54, 101). All other major producers and distributors of televised motion pictures, amici curiae here and in the Court below, joined in respondents' objections to petitioners' activities. n5

n3 Respondents also named a VTR owner, William Griffiths, as a nominal defendant.

n4 The district court found that the majority of VTR owners are collecting libraries of VTR recordings, some of which contain several hundred recordings (Pet. App. 43-48). Petitioners' assertion that "this case is only time-shift" (Pet. 17) is therefore incorrect.

n5 C.R. 18/190, 19/191-2, 19/208. It is therefore obvious that petitioners' repeated assertion that over 95% of all television programs may be freely copied without objection (Pet. 21, 23) is unreliable. See note 29, *infra*.

The district court (Ferguson, J.) found for petitioners, holding that VTR copying for private viewing does not violate the Copyright Act because (1) such copying is impliedly excepted from the express statutory prohibition against unauthorized copying (Pet. App. 57-65) and, alternatively, (2) such copying is permitted by the fair use doctrine (Pet. App. 66-87). The district court further concluded that even if VTR copying constitutes infringement, (3) petitioners are not liable for such infringement (Pet. App. 89-102), and (4) even if they are liable, respondents nevertheless are entitled to no relief (Pet. App. 102-15). The latter two holdings were based primarily on the court's conclusion that Betamax is a staple article of commerce.

The Court of Appeals (Kilkenney, J.) unanimously reversed the district court in all respects. The Court of Appeals first held that under the unambiguous language of the Copyright Act VTR copying constitutes copyright infringement and that the district court contravened congressional intent in finding an implied exception to the express, statutory prohibition against unauthorized copying contained in Section 106 of the Act (Pet. App. 4-12). The Court next held that VTR copying of entire copyrighted motion pictures does not constitute fair use (Pet. App. 12-25). The Court further ruled that petitioners are liable as contributory infringers for VTR copying, concluding that the staple article of commerce theory does not shield petitioners from liability for marketing VTR's (Pet. App. 25-27).

Finally, the Court of Appeals held that respondents are entitled to appropriate relief for petitioners' infringing activities (Pet. App. 27-29). In so holding, the Court noted that "the relief question is exceedingly complex" and that "the district court is in a better position [than the Court of Appeals] to resolve, in an appropriate fashion, the relief question" (Pet. App. 28). The Court of Appeals therefore declined to direct the entry of any particular type of relief, but rather remanded the matter to the district court to fashion an appropriate remedy. Responding to a cross-appeal by petitioners, the Court of Appeals also ruled that before fashioning a final remedy, the district court must conduct further proceedings concerning three affirmative defenses which it did not consider at trial (Pet. App. 30). n6

n6 In their cross-appeal petitioners claimed that the district court erred in failing to adjudicate three affirmative defenses -- laches/estoppel, copyright invalidity, and misuse/unclean hands. The district court rejected petitioners' offer of proof on their laches/estoppel defense at trial and deferred consideration of the copyright invalidity and misuse/unclean hands defenses until after trial.

In response to the Court of Appeals' decision, several bills were introduced in both Houses of Congress dealing with home video recording. The initial bills seek simply to exempt home video recording from copyright liability without compensating copyright owners. n7 These bills would essentially overturn the decision below. Several subsequent bills, while completely exempting VTR owners from liability, exempt VTR manufacturers and distributors only if they pay compulsory royalty fees to copyright owners. n8 These latter bills modify the decision below and retain copyright protection against mass uncompensated VTR copying. Consideration of these bills is moving forward expeditiously. The Senate Committee on the Judiciary commenced hearings on S. 1758 and Amendment 1333 on November 30, 1981, and concluded these hearings on April 21, 1982. Similarly, the Subcommittee on Courts, Civil Liberties and the Administration of Justice of the House Judiciary Committee

conducted hearings on all House bills on April 12-14, 1982, and is expected to conclude these hearings in June, 1982.

n7 S. 1758, 97th Cong., 1st Sess., 127 Cong. Rec. S11810 (daily ed. Oct. 21, 1981); H.R. 4783, 97th Cong., 1st Sess., 127 Cong. Rec. H7504 (daily ed. Oct. 20, 1981); H.R. 4794, 97th Cong., 1st Sess., 127 Cong. Rec. H7504 (daily ed. Oct. 20, 1981); H.R. 4808, 97th Cong., 1st Sess., 127 Cong. Rec. H7591 (daily ed. Oct. 21, 1981); H.R. 5250, 97th Cong., 1st Sess., 127 Cong. Rec. H9928 (daily ed. Dec. 16, 1981).

n8 Amendment No. 1242 to S. 1758, 97 Cong., 1st Sess., 127 Cong. Rec. S15723-24 (daily ed. Dec. 16, 1981); Amendment No. 1333 to S. 1758, 97th Cong., 2d Sess., 128 Cong. Rec. S1675 (daily ed. Mar. 4, 1982); H.R. 5488, 97th Cong., 2d Sess., 128 Cong., Rec. H333 (daily ed. Feb. 9, 1982); H.R. 5705, 97 Cong., 2d Sess., 128 Cong. Rec. H664 (daily ed. Mar. 3, 1982).

Amendment No. 1333 already has twenty-one sponsors, including the Senate majority and minority leaders and whips, and has been endorsed by the United States Copyright Office. Hearings on Home Video and Audio Legislation Before the Senate Committee on the Judiciary, 97th Cong., 2d Sess. (Apr. 21, 1982) (prepared statement of David Ladd, p. 6). H.R. 5705, the House version of Amendment No. 1333, already has over 65 sponsors.

In the meantime, neither the VTR industry nor the use of VTR's has ground to a halt. Petitioners and all other VTR manufacturers are still selling VTR's and have announced that they will continue such sales as long as they are permitted to do so. Furthermore, in the six years that this case has been pending no suits have been brought against individual VTR owners for VTR copying, and respondents have stated publicly that no such actions will ever be instituted. n9

n9 Hearings on S. 1758 Before the Senate Committee on the Judiciary, 97th Cong., 1st Sess. (Nov. 30, 1981) (testimony of Sid Sheinberg) (unpublished) (unofficial transcript, p. 109); Hearings on Home Video and Audio Recording Legislation Before the House Subcommittee on Courts. Civil Liberties and the Administration of Justice of the House Judiciary Committee, 97th Cong., 2d Sess. (Apr. 12, 1982) (unpublished) (statement of Jack Valenti, p. 32).

#### TEXT: REASONS FOR DENYING THE WRIT.

The petition should be denied for several reasons: (1) the Court of Appeals' decision is not final and therefore not ripe for review; (2) Congress is currently addressing the issues raised by petitioners; (3) the issues raised in the petition are neither novel, unsettled nor worthy of consideration by this Court; and, (4) the Court of Appeals' decision does not conflict with the decisions of this or any other Court. Indeed, the Register of Copyrights and several members of Congress have expressed their complete agreement with the Court of Appeals' interpretation of the Copyright Act n10 -- and for good reason: the Court of Appeals' decision carefully follows settled law and is correct in all respects.

n10 The Register of Copyrights, David Ladd, has stated that recognition of a home video recording exemption would "run counter to the principles of the comprehensive revision of our copyright law in 1976." 127 Cong. Rec. E5148 (daily ed. Nov. 4, 1981). In testimony before the Senate Judiciary Committee, Mr. Ladd, on behalf of the Copyright Office, further stated:

"Making a copy of an audiovisual work under copyright through the use of a videotape recorder infringes the reproduction right of Section 106... At the time of passage of the 1976 Copyright Act, videotaping was a known technology, yet no specific exemption was included in the legislation to exempt the practice in the home... None of the purposes articulated in the [fair use] provision [ § 107] fits home videotaping... [T]he four factors listed in Section 107 would not excuse unrestricted videotaping, as the Ninth Circuit held in the Betamax case." Hearings on Home Video and Audio Legislation Before the Senate Committee on the Judiciary, 97th Cong., 2d Sess. (Apr. 21, 1982) (prepared statement of David Ladd, pp. 19, 23, 25).

Similarly, Rep. Don Edwards, the sponsor of two pending bills, has stated that "[t]he Ninth Circuit's interpretation of the law was correct." 128 Cong. Rec. H322 (daily ed. Feb. 9, 1982).

I.

BECAUSE THE COURT OF APPEALS REMANDED THE CASE TO THE DISTRICT COURT TO CONSIDER THREE AFFIRMATIVE DEFENSES AND TO FASHION A REMEDY THE DECISION BELOW IS NOT FINAL AND THEREFORE NOT RIPE FOR REVIEW.

This Court has stated repeatedly that except in "extraordinary" circumstances it will decline to review non-final decisions because they often "become quite unimportant by reason of the final result or intervening matters." n11 Since the Court of Appeals remanded this case to the district court to consider three unresolved affirmative defenses and to fashion an appropriate remedy, the decision below is not final and therefore is not ripe for review. Indeed, the reasons for application of the normal rule against review of nonfinal decrees are particularly strong here.

n11 American Construction Co. v. Jacksonville, Tampa & Key West Ry. Co., 148 U.S. 372, 384 (1893). Accord, Brotherhood of Locomotive Firemen & Enginemen v. Bangor & Aroostook R.R. Co., 389 U.S. 327, 328 (1967) ("because the Court of Appeals remanded the case, it is not yet ripe for review by this Court"); Hamilton-Brown Shoe Co. v. Wolf Bros. & Co., 240 U.S. 251, 258 (1916) ("except in extraordinary cases, the writ [of certiorari] is not issued until final decree").

First, if upheld by the district court, petitioners' three remaining affirmative defenses would bar respondents' statutory infringement claims. These affirmative defenses could also have application to similar potential litigation involving other parties. n12 Thus, if petitioners prevail on their remaining defenses, it may never become necessary for this Court to consider the issues presented by the current pletition.

n12 Petitioners' contrary assertion (Pet. 11) is without foundation. Indeed, their misuse/unclean hands defense expressly implicates all VTR manufacturers and distributors and all major motion picture copyright owners (C.R. 18/179, pp. 17-21). Until the district court definitively rules on these remaining defenses, it is not possible to predict that they will have application only to this case.

Second, the remedy which the district court will fashion on remand could adequately accommodate the interests of all parties so that none will thereafter seek review by this Court. Moreover, as petitioners appear to recognize (Pet. 9, 11, 23), such a remedy would likely provide an acceptable resolution to similar potential lawsuits. More importantly, the issues raised by petitioners are integrally connected to the remedy questions which remain to be addressed on remand. n13 If considered at all by this Court, these interrelated issues should be addressed after remand in a single proceeding rather than piecemeal.

n13 For example, the extent of petitioners' knowledge as contributory infringers may affect the amount of statutory damages awarded. See 17 U.S.C. § 504(c)(2); Pet. App. 26. Similarly, the circumstances examined in the fair use analysis (e.g., the extent of harm to the copyright owner and the substantiality of the copying) may affect the amount of this award. See H.R. Rep. No. 94-1476, 94th Cong., 2d Sess. 161 (1976), [1976] U.S. Code Cong. & Ad. News 5777 (hereinafter "1976 House Report"). Petitioners are therefore in error in asserting (Pet. 12) that the remand in this case merely involves incidental questions of relief unrelated to the issues presented in their petition.

Third, as discussed more fully in Section II, *infra*, it is likely that before this case becomes ripe for decision by this Court after remand, Congress will pass legislation disposing for the future of the issues now raised by petitioners. In this event, it would be unnecessary for this Court to consider those issues.

Not only is this case not ripe for review, but petitioners have failed to demonstrate that "extraordinary" circumstances exist which compel departure from the normal rule against review of non-final decrees. Petitioners claim that immediate review is necessary here for two reasons: to prevent countless suits against individual VTR owners and to avoid destruction of the entire VTR industry (Pet. 2, 9, 11, 13, 23). This misleading parade of horrors does not provide an adequate basis for interlocutory review.

During the six years that this case has been pending, neither respondents nor any other copyright owner has sued any individual VTR owner for VTR copying. Nor is there any intention of doing so (see *supra*, at p. 6, lines 14-17). Thus, intervention by this Court is unnecessary to protect the interests of individual VTR owners.

It is also inaccurate to presage the demise of the VTR industry before the district court fashions a remedy. Petitioners' own actions conclusively demonstrate that the VTR industry will not be destroyed during the pendency of a remand in this case. They are marketing VTR's and have announced that they will continue to do so unless enjoined on remand by the district court (see *supra*, at p. 6, lines 10-14). n14 Moreover, if the district court orders payment of continuing royalties instead of a permanent injunction (Pet. App. 28-29), VTR sales will continue after remand

without interruption. Such sales will also continue unabated if, as is likely. Congress passes any one of the pending bills.

n14 Even if such an injunction were to issue, petitioners could seek a stay of the injunction pending appellate review. See Fed.R.Civ.P. 61(c); Fed.R.App.P. 8(a); 28 U.S.C. § 2101(f).

Thus, the reasons advanced by petitioners for immediate review are neither reliable nor accurate and afford no basis for treating the decision below differently from any other ordinary non-final decree.

## II. PENDING CONGRESSIONAL LEGISLATION WILL LIKELY DISPOSE OF THE ISSUES BEFORE THIS COURT.

This Court has routinely refused to review cases where congressional modification of the statutory scheme in issue makes consideration by the Court unnecessary or minimizes the future importance of the question presented. n15 Here, Congress has not yet enacted new legislation. However, the Senate has already concluded its hearings, and it seems clear from Congress' expeditious and serious consideration of the pending bills that such legislation is imminent. n16 It is also clear that any one of the bills, if enacted, would dispose of the issues raised in the petition for the future and render a decision by this Court unnecessary and of virtually no general effect. n17

n15 E.g., *Cook v. Hudson*, 429 U.S. 165, 165-66 (1976) (per curiam); *Sanks v. Georgia*, 401 U.S. 144, 149-53 (1971); *District of Columbia v. Sweeny*, 310 U.S. 631 (1940).

n16 See *supra*, at pp. 5-6.

n17 Petitioners' individual interests in securing an adjudication by this Court regarding their past conduct under a superseded statute would have no general significance warranting Supreme Court review.

Given the imminence of congressional action, this Court should defer to the legislative process already underway and deny review at this time. Such judicial restraint is particularly appropriate here because even if Congress fails to act, this Court will have adequate opportunity to review after remand the precise issues currently raised by petitioners.

## III. THE COURT OF APPEALS' DECISION IS CORRECT, IS IN HARMONY WITH DECISIONS OF ALL OTHER COURTS, AND RAISES NO ISSUES WORTHY OF REVIEW BY THIS COURT.

A. The Court of Appeals Correctly Interpreted the Statutory Provisions of the Copyright Act to Prohibit Home Video Recording.

Petitioners do not dispute the Court of Appeals' conclusion that on its face the

language of both the 1909 and 1976 Acts unambiguously proscribes home video recording of copyrighted motion pictures (Pet. App. 4-12; Pet. 14). Rather, they assert that review is warranted because the Court of Appeals erred in refusing to find in the legislative history of the 1976 Act an implied exemption permitting such recording (Pet. 14-16). n18 As the following discussion demonstrates, this refusal to imply an exemption to clear statutory language (Pet. App. 6-12) was correct.

n18 Petitioners do not assert that this legislative history requires recognition of an implied home VTR recording exemption in the 1909 Act (see Pet. App. 14).

The only exemptions from liability contained in the 1976 Act are set forth in Sections 107-118. See 17 U.S.C. § 106; 1976 House Report 61, [1976] U.S. Code Cong. & Ad. News 5674. Significantly, none of these exemptions permits uncompensated reproduction of copyrighted works for "private use." Indeed, with one narrow exception, none permits reproduction of copyrighted motion pictures for any purpose. n19 This carefully constructed statutory scheme in and of itself demonstrates that Congress did not intend, expressly or impliedly, to exempt VTR copying from statutory copyright liability. The legislative history of the 1976 Act further supports this conclusion. n20 Indeed, as the Court of Appeals noted (Pet. App. 8-9), this history underscores Congress' special concern for the protection of motion pictures in all circumstances. n21

n19 Section 111(e) permits limited copying of motion pictures by offshore cable systems for temporary use outside the continental United States.

n20 Petitioners err in asserting that the Court of Appeals refused to examine legislative history (Pet. 14). Although the Court held that resort to legislative history is unnecessary to interpret the unambiguous provisions of the 1976 Act, it nonetheless examined this history and found therein no support for the implied exemption urged by petitioners (Pet. App. 4-12).

n21 E.g., H.R. Rep. No. 83, 90th Cong., 1st Sess. 61 (1967) ("[t]he committee concluded that the special nature of motion pictures and audiovisual works makes them exceptionally vulnerable to copyright impairment under an ephemeral recording exemption, and therefore removed them from the scope of section 112"). Congress expressed this concern with full awareness of the capabilities of VTR technology. See Pet. 15; Pet. App. 9 (quoting 1976 House Report 77, [1976] U.S. Code Cong. & Ad. News 5690-91).

This ordinary issue of statutory construction does not warrant review by this Court. n22

n22 Ignoring the unequivocal provisions of the 1976 Act, petitioners claim that the Court of Appeals should have found an implied exemption in the Act for VTR copying based on (a) the legislative history of an entirely different statute, the Sound Recording Act of 1971, and (b) isolated, extemporaneous references to VTR's made by the Register of Copyrights and others while discussing problems other than VTR copying (Pet. 15-16). However, the Court of Appeals correctly found that Congress

never intended the Sound Recording Act to affect rights in motion pictures (Pet. App. 9-12; H.R. Rep. No. 92-487, 92d Cong., 1st Sess. 5-6 (1971), [1971] U.S. Code Cong. & Ad. News 1570-71). The Court further correctly found that casual comments in the legislative history concerning matters unrelated to VTR copying do not represent the type of considered review by Congress as a whole which is necessary to imply an exemption to unambiguous statutory language (Pet. App. 11-12). In so holding, the Court of Appeals followed uncontroverted principles of statutory construction. *T.V.A. v. Hill*, 437 U.S. 153, 191-93 (1978); *Gemsco v. Walling*, 324 U.S. 244, 260 (1945); *Libby Rod & Gun Club v. Poteat*, 594 F.2d 742, 746 (9th Cir. 1979).

#### B. The Court of Appeals' Holding That Home Video Recording Does Not Constitute Fair Use Is Correct and Does Not Conflict With Any Other Decision.

The Court of Appeals relied on two independent grounds in ruling that VTR copying does not constitute fair use. First, following established case law, it held that an unauthorized use -- such as VTR copying -- which does not involve independent creativity for purposes such as criticism, comment, news reporting, teaching, scholarship or research, i.e., a "productive use," can never constitute fair use (Pet. App. 15-18).<sup>n23</sup> Alternatively, the Court held that under a balancing of the traditional four fair use criteria (see 17 U.S.C. § 107), VTR copying is not fair use even if under some circumstances other nonproductive uses could constitute fair use (Pet. App. 18-25). Petitioners seek review of each of these holdings, recognizing that review of both is necessary to alter the result below.

<sup>n23</sup> It has long been settled that an unauthorized use must be for a productive purpose such as criticism, comment, news reporting, teaching, scholarship or research to qualify as fair use. 17 U.S.C. § 107; *Meeropol v. Nizer*, 560 F.2d 1061, 1068 (2d Cir. 1977), cert. denied, 434 U.S. 1013 (1978); *Rosemont Enterprises, Inc. v. Random House, Inc.*, 366 F.2d 303, 307 (2d Cir. 1966), cert. denied, 385 U.S. 1009.

It is also clear that without some independent creation by the unauthorized user there can be no fair use. *Benny v. Loew's, Inc.*, 239 F.2d 532, 536 (9th Cir. 1956), aff'd by equally divided court, 356 U.S. 43 (1958); *L. Seltzer, Exemptions And Fair Use In Copyright* 24 (1978); see *Wainwright Securities Inc. v. Wall Street Transcript Corp.*, 558 F.2d 91, 96 (2d Cir. 1977), cert. denied, 434 U.S. 1014 (1978).

In an attempt to elevate the "productive use" requirement of the fair use doctrine to a status worthy of review by this Court, petitioners assert that in applying this established requirement, the Court of Appeals rendered a decision in conflict with the decision of the Court of Claims in *Williams & Wilkins Co. v. United States*, 487 F.2d 1345 (Ct. Cl. 1973), aff'd by equally divided court, 420 U.S. 376 (1975) (library photocopying by the United States government from medical journals for medical research purposes) (Pet. 22-23). In particular, petitioners assert that unlike the decision below, *Williams & Wilkins* refused to require a productive use as a necessary basis for the fair use defense (Pet. 22). As the following discussion demonstrates, there is no conflict between these decisions.

Although the Court of Appeals criticized *Williams & Wilkins* -- as have many others<sup>n24</sup> -- it correctly found *Williams & Wilkins* "clearly distinguishable" (Pet. App. 16-

17), thus avoiding the "head-on clash" which petitioners perceive (Pet. 22) between the Court of Appeals and the Court of Claims. As the Court of Appeals noted, in *Williams & Wilkins*, the purpose of the unauthorized use -- library photocopying by the United States Government -- was to advance science, medicine and medical research, and thus was the type of productive use required by the fair use doctrine. See note 23, *supra*. VTR copying does not further either science, research or scholarship. Hence, on its facts this case is distinguishable from, and does not conflict with, *Williams & Wilkins*. n25

n24 E.g., *Nimmer, Photocopying & Record Piracy: Of Dred Scott And Alice In Wonderland*, 22 U.C.L.A. L. Rev. 1052, 1054 (1975).

n25 Even the district court held that *Williams & Wilkins* "has little precedential value [and] is specifically limited to its unique factual situation" (Pet. App. 73).

Moreover, *Williams & Wilkins*, which was decided under the 1909 Act, has little, if any, application under the 1976 Act under which the instant case was decided. The Court in *Williams & Wilkins* recognized that its decision was a "holding operation" designed to protect library photocopying by the United States Government until "Congress enacted its preferred solution." S.Rep. No. 94-473, 94th Cong., 1st Sess. 71 (1975) (hereinafter "1975 Senate Report") (quoting *Williams & Wilkins*, *supra*, 487 F.2d at 1363). In response to *Williams & Wilkins*, and because "the several opinions in the *Wilkins* case [gave] the Congress little guidance as to the [then] current state of the law on fair use," Congress included a specific provision in the 1976 Act (17 U.S.C. § 108) dealing with library photocopying. In so doing, Congress sharply limited the permissible scope of such activities and resolved the confusion created by *Williams & Wilkins* under the 1909 Act. 1975 Senate Report 71. When Congress acted on this issue in 1976, the "holding operation" of *Williams & Wilkins* came to an end and the Court of Claims' approach to the fair use doctrine lost its vitality.

Petitioners next assert that this Court should grant review to correct the Court of Appeals' alleged improper application of the four traditional fair use criteria to VTR copying (Pet. 17-21). Petitioners do not claim that the Court below rested its decision on incorrect legal principles. They merely ask this Court to reapply the undisputed legal principles to the facts of this case. In particular, petitioners claim that the Court of Appeals ignored several findings of the district court and that this Court should correct this error. These issues are not worthy of review. This Court does not customarily grant certiorari to correct the improper application of settled rules of law to individual cases. R. Stern & E. Gressman, *Supreme Court Practice* 298 (5th ed. 1978). Petitioners have shown no reason to depart from the Court's customary practice in this case. Moreover, the Court of Appeals correctly applied the fair use criteria and did not ignore any relevant findings. n26

n26 For example, in analyzing the first fair use factor, the purpose and character of the infringing use, the Court of Appeals correctly ruled that copying for convenience, such as VTR copying (R.T. 965; PX 113), does not qualify as fair use. 1975 Senate Report 66 ("[t]he committee does not intend to suggest, however, that off-the-air recording for convenience would under any circumstances, be considered 'fair use'"). That such copying may increase access to the infringed works, as

claimed by petitioners (Pet. 18-19), is irrelevant (Pet. App. 19). Copyright infringement always increases access to the infringed work. If this fact alone justified copying as fair use, all infringements would be fair use.

In analyzing the second factor, the nature of the copyrighted works involved, the district court's only finding was that respondents voluntarily transmit their works over public airwaves (Pet. App. 79-80). The Court of Appeals correctly held that this finding was legally immaterial (Pet. App. 20-21). The proper focus under this factor is on the intrinsic qualities of the infringed work, not on the medium of its presentation. See *United States v. Loew's, Inc.*, 371 U.S. 38, 48 (1962) ("[a] copyrighted feature film does not lose its legal or economic uniqueness because it is shown on a television rather than movie screen").

As to the third factor, the amount of the taking involved, the district court found that VTR copying "usually involves copying the entire work" (Pet. App. 83). Typically, this fact alone precludes a finding of fair use. *Walt Disney Prods. v. Air Pirates*, 581 F.2d 751, 756, 758 (9th Cir. 1978), cert. denied, 439 U.S. 1132 (1979); *Rosemont Enterprises, Inc. v. Random House, Inc.*, 366 F.2d 303, 310 (2d Cir. 1966); *Wihtol v. Crow*, 309 F.2d 777 (8th Cir. 1962). Accordingly, the Court of Appeals properly ruled that this factor weighed against the fair use defense (Pet. App. 21-22).

Finally, in its analysis of the fourth factor, the effect of home recording on the potential market for or value of respondents' works, the Court of Appeals relied on the district court's finding (Pet. App. 81) that VTR copies are "used for the same purpose as the original[s]" (Pet. App. 23, n. 13). Under settled judicial authority such a finding establishes the existence of potential harm as a matter of law for fair use purposes. *Meeropol v. Nizer*, supra, 560 F.2d at 1069; *Metro-Goldwyn-Mayer, Inc. v. Showcase Atlanta Cooperative Prods., Inc.*, 479 F.Supp. 351, 360-61 (N.D. Ga. 1979). The Court of Appeals also correctly ruled (Pet. App. 23-24) that the district court's finding that VTR copying had caused "no measurable harm to date" (Pet. App. 50, 76) is legally immaterial because the proper inquiry is not whether VTR infringements have caused past damage, but is whether such mass infringements will tend to affect any potential market for or value of the infringed works. *Meeropol v. Nizer*, supra, 560 F.2d at 1069; *Metro-Goldwyn-Mayer, Inc. v. Showcase Atlanta Cooperative Prods., Inc.*, supra, 479 F.Supp. at 361; *Meredith Corp. v. Harper & Row Publishers, Inc.*, 378 F.Supp. 686, 689 (S.D. N.Y.), aff'd, 500 F.2d 1221 (2d Cir. 1974); see 1975 Senate Report 65. The district court did not (and rationally could not) find that VTR copies will not tend to affect any potential market for, or value of, respondents' copyrighted works. (Illegible Line).

#### C. The Court of Appeals' Conclusion That Petitioners Are Contributory Infringers Is Correct and Does Not Conflict With Any Decision of This Court.

In holding petitioners liable as contributory infringers, the Court of Appeals applied uncontroverted copyright doctrine (Pet. 24; Pet. App. 27). n27 Petitioners do not ask this Court to overturn that doctrine. They assert that review is warranted because the Court of Appeals' application of the contributory infringement doctrine allegedly conflicts with decisions of this Court (Pet. 23-25) and ignores the district court's conclusion that VTR's are staple articles of commerce. n28 These assertions are not well taken.

n27 "One who, with knowledge of the infringing activity, induces, causes, or materially contributes to the infringing conduct of another, may be held liable as a 'contributory infringer'." *Gershwin Publishing Corp. v. Columbia Artists Management, Inc.*, 443 F.2d 1159, 1162 (2d Cir. 1971).

n28 Petitioners also assert that the Court of Appeals disregarded findings by the district court that petitioners did not "in any way" induce or cause to be made any of the copies at issue (Pet. 24). The district court made no such findings. It found, and petitioners conceded, that petitioners' overall activities contribute to all recordings made on Betamax (Appellees and Cross-Appellants' Brief, p. 70; Pet. App. 97). More importantly, petitioners' assertion is irrelevant for purposes of certiorari, since this Court does not grant certiorari merely to review evidence and discuss specific facts. See § III.E, *infra*.

The decisions relied upon by petitioners are not only consistent in all respects with the Court of Appeals' decision, they dramatically underscore its validity. In *Kalem Co. v. Harper Brothers*, 222 U.S. 55 (1911), the only copyright case cited by petitioners, this Court held that the seller of an unauthorized film version of a copyrighted story was contributorily liable for his customers' infringing exhibitions of the film. In so holding, the Court reasoned:

"The defendant not only expected but invoked by advertisement the use of its films for dramatic reproduction of the story. That was the most conspicuous use for which they could be used, and the one for which especially they were made." *Id.* at 62-63.

Similarly, in *Henry v. A.B. Dick Co.*, 224 U.S. 1, 48-49 (1912), overruled on oth. grds. in *Motion Picture Patents Co. v. Universal Film Mfg. Co.*, 243 U.S. 502, 517 (1917), a case interpreting patent law, the Court held that the seller of an article capable of both infringing and non-infringing uses is liable for contributory patent infringement if he "intends and expects" that article to be used for infringing purposes, particularly when the infringing use is the "most conspicuous use" of the product and the one for which it is advertised.

The Court of Appeals in the instant case engaged in an analysis virtually identical to *Kalem* and *Henry*, finding petitioners liable for infringing VTR recordings because, as stipulated by petitioners (R.T. 1778-79), Betamax is "manufactured, advertised, and sold for the primary purpose of reproducing [copyrighted] television programming" and because petitioners

"know" that the Betamax will be used to reproduce copyrighted materials. In fact, that is the most conspicuous use of the product. That use is intended, expected, encouraged, and the source of the product's consumer appeal. The record establishes that [petitioners] knew and expected that Betamax's major use would be to record copyrighted programs off-the-air" (Pet. App. 25-26, 27). The court below thus fully adhered to this Court's decisions in *Kalem* and *Henry*.

The Court of Appeals' decision is also consistent with the final case cited by petitioners, *Aro Manufacturing Co. v. Convertible Top Replacement Co.*, 377 U.S. 476 (1964). Interpreting the patent statute, this Court held in *Aro* that the seller of a staple article of commerce cannot be liable for contributory patent infringement if the staple article "is suitable for substantial non-infringing uses." *Id.* at 485-88. In the instant case, the Court of Appeals, citing *Aro*, merely held that the district court's

reliance on the staple article of commerce theory was inappropriate because, among other reasons, VTR's are not suitable for substantial non-infringing uses (Pet. App. 25-26). Despite the inferences in the petition to the contrary, the district court did not find otherwise (Pet. App. 97, 114). n29 Accordingly, the Court of Appeals' decision is in complete harmony with Aro.

n29 The district court did find that VTR's are capable of some potential non-infringing uses (Pet. App. 104, 106-7, 114). However, it stopped short of finding that these uses were substantial (Pet. App. 97, 114) because the record established that such "potential" uses were negligible, constituting far less than 9% of all uses of Betamax (See Appellants' Opening Brief, pp. 52-53). Without this finding of substantial non-infringing uses, the district court's conclusion that VTR's are staple articles of commerce was insufficient to absolve petitioners of liability.

It is thus clear that contrary to petitioners' unexplained assertion (Pet. 23-25), the Court of Appeals did not hold petitioners liable "per se" as contributory infringers for the mere marketing of alleged staple articles of commerce. Rather, it imposed liability based on a standard application of the doctrine of contributory copyright infringement. n30

n30 Respondents assert that petitioners are also liable under the doctrines of vicarious liability, direct infringement and unfair competition. See supra, at p. 3. Since the Court of Appeals did not reach these issues, even if this Court were to disagree with the Court of Appeals' contributory infringement holding, it would remain necessary to consider these other theories of liability.

D. It Would Be Premature for This Court to Determine the Remedy to Be Imposed in This Case Before the District Court Has Ordered a Remedy on Remand.

The fourth question presented for review -- whether the district court, after remand, may order as a remedy in this case the payment of a continuing royalty in lieu of a permanent injunction (Pet. 26) -- is premature. Indeed, at this point the issue posed is purely hypothetical. The Court of Appeals did not order the district court to enter such a remedy. Rather, recognizing the difficulties posed by the remedy question, the Court of Appeals simply remanded the case for the fashioning of an appropriate remedy, noting that the district court might consider whether a continuing royalty would be "an acceptable resolution in this context" (Pet. App. 28-29). n31 Since the district court has not yet considered the remedy question, any pronouncement by this Court concerning the issue would be wholly advisory and without the benefit of a factual record. This issue therefore is not ripe for review.

n31 Petitioners assert that there is no statutory authority for a continuing royalty (Pet. 26). To the contrary, 17 U.S.C. § 502(a) authorizes the district court to issue "final injunctions on such terms as it may deem reasonable." Presumably, such terms could include withholding an injunction if an adequate continuing royalty is paid.

E. The Question Whether the Court of Appeals Ignored Relevant Findings of the District Court Is Not Worthy of Review.

The last issue presented for review is whether this Court should exercise its power of supervision to correct the Court of Appeals' alleged disregard of the district court's findings of fact (Pet. 26-28). As previously discussed, the Court of Appeals did not disregard any relevant findings. See notes 26, 28 and 29 & accompanying text, supra. Moreover, petitioners in essence ask this Court to review the evidence contained in 3350 pages of trial transcript and in hundreds of exhibits to determine whether the Court of Appeals did, in fact, ignore relevant fact findings which were not clearly erroneous. However, as this Court frequently has noted, it "do[es] not grant a certiorari to review evidence and discuss specific facts." *United States v. Johnston*, 268 U.S. 220, 227 (1925); *Accord, General Talking Pictures Corp. v. Western Electric Co.*, 304 U.S. 175, 178 (1938). Petitioners have demonstrated no reason to depart from this rule in this case.

IV.

CONCLUSION.

The Petition for Writ of Certiorari should be denied.

Respectfully submitted,

STEPHEN A. KROFT, (Counsel of Record ), JOHN G. DAVIES, SONDR A. BERCHIN, Attorneys for Respondents Universal City Studios, Inc. and Walt Disney Productions.

Of Counsel: ROSENFELD, MEYER & SUSMAN.

APPENDIX 1.

OFFICE OF THE CLERK, SUPREME COURT OF THE UNITED STATES, WASHINGTON, D.C., 20543.

March 22, 1982.

Sondra E. Berchin, Esq., Rosenfeld, Meyer & Susman, 9601 Wilshire Boulevard, Beverly Hills, California 90210.

RE: Sony Corporation of America, et al. v. Universal City Studios, Inc., etc., et al. No. 81-1687.

Dear Ms. Berchin:

Your request of March 19, 1982 for an extension of time within which to file a response to the petition for a writ of certiorri in the above-entitled case has been grnted, and your time has been extended to and including May 10, 1982.

Very truly yours,

ALEXANDER L. STEVAS, Clerk

By /s/ Francis J. Lorson

Francis J. Lorson, Chief Deputy Clerk

rjb

cc: Dean C. Dunlavey, Esq.