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Contributory Infringement Liability in *Universal City Studios, Inc. v. Sony Corp.*: "The One and Only" Pays for Our Sins

INTRODUCTION

The introduction of Sony Corporation's Betamax videocassette recorders in November of 1975¹ has proved a mixed blessing for owners of film copyrights and distributors of audiovisual materials. On the one hand, the Betamax and similar machines marketed by Sony's competitors have opened up previously unknown markets for the sale and rental of films on videocassettes.² On the other hand, the ability of these videocassette recorders (VCRs) to record television programs off the air threatens to destroy the value of copyrights held by television program producers and distributors.³

In *Universal City Studios, Inc. v. Sony Corp.*,⁴ often referred to as the *Betamax* case, Universal City Studios and Walt Disney Productions joined in suing Sony Corporation for infringing their copyrighted materials through the recording of programs off the air on Sony Betamax VCRs. The Ninth Circuit Court of Appeals held that off-the-air recording constituted infringement and that Sony was liable for contributory copyright infringement.⁵ In so holding, the court expanded the existing doctrine of contributory infringement of copyright.⁶

1. Plaintiff's Preliminary Pre-Trial Memorandum of Points and Authorities at 4, *Universal City Studios, Inc. v. Sony Corp.*, No CV76-3560-F (C.D. Cal., filed Nov. 11, 1976).

2. These markets have proven quite lucrative. In order to capture a greater segment of these markets, various film distributors have changed their marketing strategies so as to control and benefit more from videocassette rentals. See, e.g., *Saved by the Numbers - A few handy stats for the home revolution*, TIME, Dec. 14, 1981, at 58 [hereinafter cited as *Saved by the Numbers*].

3. Citing predictions that 20,000,000 homes will have VCRs by 1986, Warner Home Video President, Mort Fink, said, "[W]hen 20,000,000 or more VCR's are in place, any feature film that appears on television will lose much of its future commercial value to the copyright holder because, overnight, millions of copies can be made." Daily Variety, Jan. 6, 1982, at 4, col. 2.

4. 480 F. Supp. 429 (C.D. Cal. 1979), *rev'd and remanded*, 659 F.2d 963 (9th Cir. 1981), *cert. granted*, 102 S. Ct. 2926 (1982). The case is often referred to as the *Betamax* case.

5. 659 F.2d at 976.

6. The court of appeals' finding that off-the-air taping constituted infringement promp-

This article is limited to a discussion of Sony's liability for contributory infringement.⁷ The history of contributory copyright infringement will be reviewed to place the *Betamax* case in the context of the development of contributory infringement liability. Then, the definition of contributory infringement of copyright will be examined in its component parts and applied to Sony's conduct in this case.⁸

BACKGROUND

Copyright and Contributory Infringement

Copyright infringement is a tort.⁹ Liability, however, is not limited to parties who perform, reproduce, or display a copyrighted work in violation of the copyright. All who unite in an infringement are responsible for damages resulting from the infringement.¹⁰

Liability for infringement of parties who have not directly engaged in the infringing acts derives from tort principles of joint and several liability.¹¹ Initially, liability was imposed on parties

ted a flurry of congressional action which may, in effect, overturn the court's decision and create an exemption for home videotaping from liability for copyright infringement. Four bills which would create exceptions for home videotaping to the exclusive rights granted to copyright holders under the Copyright Act, 17 U.S.C. §§101-810 (1976), were introduced shortly after the court of appeals' decision was reported. See H.R. 5488, H.R. 5705, 97th Cong., 1st Sess. (1981), which would impose a fixed royalty upon the sale of all videotapes and VCRs.

The bills in Congress would not, however, affect the Court's expansion of contributory infringement liability as they do not deal with contributory infringement at all. The bills do not seek to resolve the *Betamax* case itself by legislation. Instead, they handle the problem by removing the underlying, direct infringement without which there can be no contributory infringement. See *infra* notes 53, 71 and accompanying text.

7. The court of appeals addressed neither Sony's possible liability for direct infringement nor Sony's possible vicarious liability. Since neither theory formed the basis of Sony's liability, and both can be easily dismissed, they will not be covered in this article.

8. It is assumed throughout the article that off-the-air videotaping constitutes copyright infringement.

9. See *Porter v. United States*, 473 F.2d 1329, 1337 (5th Cir. 1973) (in deciding that publication of Lee Harvey Oswald's writings in the Warren Commission Report infringed Oswald's copy-rights and did not constitute a taking of property, the court stated, "it has always been held that infringement of copyright, whether common law . . . or statutory, . . . constitutes a tort."); *Leo Feist, Inc. v. Young*, 138 F.2d 972, 975 (7th Cir. 1943) ("Since infringement is a tort, . . ."); *Ted Browne Music Co. v. Fowler*, 290 F. 751, 754 (2d Cir. 1923) ("Courts have long recognized that infringement of a copyright is a tort, . . .").

10. *Gross v. Van Dyk Gravure Co.*, 230 F. 412, 414 (2d Cir. 1916) (defendant held liable even though he made no profit from another's sale of infringing photograph).

11. See, e.g., *Leo Feist, Inc. v. Young*, 138 F.2d 972 (7th Cir. 1943) (entertainment hall owner held severally liable with performer for copyright infringement when performer, hired by the hall owner, performed copyrighted song without license); *Ted Browne Music Co. v. Fowler*, 290 F. 751, 754 (2d Cir. 1923) ("Courts have long recognized that . . . all persons concerned [in infringement of copyright] are jointly and severally liable as such joint

not directly participating in the infringing activities under the doctrine of *respondeat superior*.¹² Masters were made liable for the infringing acts of their servants. Later, liability was imposed on parties for the infringing acts of independent contractors under certain circumstances.¹³

Vicarious liability for infringing acts developed next.¹⁴ Parties were held vicariously liable for the acts of a direct infringer if they had the right and ability to regulate the activity of the infringer plus a direct financial interest in such activity. Liability would attach despite the lack of an employment relationship between the infringer and the party held vicariously liable.¹⁵ Knowledge of the infringing activity is not an element of vicarious liability.¹⁶

The most recent development in copyright infringement liability is contributory infringement. The doctrine of contributory infringement of copyright deals with parties ancillary and implemental to the infringement. As with vicarious liability and liability under *respondeat superior*, the party upon whom liability is imposed is not directly involved in the infringing activity. Unlike vicarious liability and *respondeat superior*, however, liability is not imposed for contributory infringement solely on the basis of the party's relationship to the infringer, but rather primarily on the basis of the party's relationship to the infringement.¹⁷ The contributory infringer does not perform, reproduce, or exhibit the

tort-feasors.").

12. See *Gershwin Publishing Corp. v. Columbia Artists Management, Inc.*, 443 F.2d 1159, 1162 (2d Cir. 1971), discussed *infra* at notes 39-44 and accompanying text.

13. See, e.g., *Dreamland Ballroom, Inc. v. Shapiro, Bernstein & Co.*, 36 F.2d 354 (7th Cir. 1929); *M. Witmark & Sons v. Tremont Social & Athletic Club*, 188 F. Supp. 787 (D. Mass. 1960) (proprietors of dance halls held liable for infringing performances of orchestras hired as independent contractors).

14. See, e.g., *Chess Music, Inc. v. Sipe*, 442 F. Supp. 1184 (D. Minn. 1977) (owner of public restaurant and bar held liable for infringing performances of band hired to entertain restaurant patrons, even though the owner neither selected the music nor knew it was copyrighted). See also *Gershwin Publishing Co. v. Columbia Artists Management, Inc.*, 443 F.2d 1159 (2d Cir. 1971).

15. *Gershwin Publishing*, 443 F.2d at 1162; *Shapiro, Bernstein & Co. v. H.L. Green Co.*, 316 F.2d 304, 307 (2d Cir. 1963) (liability imposed when right and ability to supervise coalesce with a direct financial interest in the infringement of copyright).

16. See, e.g., *Shapiro, Bernstein & Co. v. H.L. Green Co.*, 316 F.2d 304 (2d Cir. 1963) (store owner held vicariously liable for infringing sales of record concessionaire even though store owner did not know records contained infringing material); *Boz Scaggs Music v. KND Corp.*, 491 F. Supp. 908 (D. Conn. 1980) (general manager/vice president of radio station held vicariously liable for infringing selections played over the radio even though he did not know about the infringement).

17. Since vicarious liability is imposed whenever there is a relationship consisting of control and financial interest, and liability under *respondeat superior* is imposed whenever

copyrighted work, nor control the direct infringer. Policy considerations, nevertheless, dictate the imposition of liability.¹⁸

Contributory infringement is not defined in the Copyright Act as it is in the Patent Act.¹⁹ Thus, a judicial definition of contributory copyright infringement has evolved. The definition is most clearly stated in *Gershwin Publishing Corp. v. Columbia Artists Management, Inc.*:²⁰ "[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."²¹

Contributory Infringement Case Law

Case law on contributory copyright infringement prior to the *Betamax* case consisted essentially of four cases:²² *Universal Pic-*

there is a master-servant relationship, liability is based solely on the relationship between direct infringer and party liable. In most cases of vicarious liability and liability under *respondeat superior*, the party liable did nothing to aid the infringement. See cases cited *supra* notes 11-16.

In cases of contributory infringement liability, the party liable has contributed to the infringement and by his contribution has become liable. As discussed later in the article, there has been a relationship between the direct and contributory infringers in previous cases, but it has been the activities of the contributor which formed the basis of the liability and not the relationship. See *infra* notes 50-63 and accompanying text.

18. See *Shapiro, Bernstein & Co. v. H.L. Green Co.*, 316 F.2d at 307 ("the purposes of the copyright law may be best effectuated by the imposition of liability upon the beneficiary of [the] exploitation [of copyrighted materials]").

19. The Copyright Act only defines an infringer, 17 U.S.C. § 501 (1976), whereas the Patent Act defines a contributory infringer of patents:

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 non-infringing use, shall be liable as a contributory infringer.

35 U.S.C. § 271(c)(1976).

It is important to remember that patent law and copyright law are different. Although there are some similarities between the two areas, they are covered by entirely separate titles in the United States Code. Because the nature of the rights and subject matter protected by copyright and patent laws differ, reasoning in copyright cases is not always applicable to patent cases, and vice versa, although such reasoning from one area is sometimes persuasive in the other. See *infra* note 104.

20. 443 F.2d 1159 (2d Cir. 1971). The *Gershwin Publishing* definition of contributory copyright infringement has been adopted in several subsequent cases. See *Stewart v. Southern Music Distrib. Co., Inc.*, 503 F. Supp. 258, 259 (M.D. Fla. 1980), F.E.L. Publications, Ltd. v. National Conference of Catholic Bishops, 466 F. Supp. 1034, 1040 (N.D. Ill. 1978), as well as both the district court and appeals court decisions in the *Betamax* case.

21. 443 F.2d at 1162.

22. Other cases in which liability has been imposed on parties other than the direct infringer are more properly classified as cases of vicarious liability, that is, where the party

tures Co., Inc. v. Harold Lloyd Corp.,²³ Screen Gems-Columbia Music, Inc. v. Mark-Fi Records, Inc.,²⁴ Gershwin Publishing Corp. v. Columbia Artists Management, Inc.,²⁵ and Johnson v. Salomon.²⁶ In all four cases, the contributory infringer, although not directly involved in the infringing activity, aided the infringement in some way.

In the 1947 case, *Universal Pictures Co., Inc. v. Harold Lloyd Corp.*,²⁷ an individual defendant, Clyde Bruckman, had written a script for Universal for the movie, "So's Your Uncle," containing a comedy routine virtually identical to one in an earlier Harold Lloyd film, "Movie Crazy."²⁸ Bruckman had worked on the earlier movie and later suggested to the producers at Universal that they use the routine in their movie.²⁹

Bruckman attempted to escape all liability for the infringement, claiming that, although he knew he had copied the material, he had told the other defendants of his copying and had not participated in the production, release, or exhibition of the infringing movie.³⁰ Bruckman could not be held liable for the infringement under the theory of vicarious liability because he did not have the right or ability to control the infringing activity. The court, however, refused to excuse Bruckman, finding that one who contributes to the infringement is liable with the direct infringer. The court found that Bruckman had contributed to the infringement by supplying the script which described the infringing comedy routine.³¹

held liable has the right and ability to control the infringing activity and receives a direct financial benefit from such activity. See, e.g., *Shapiro, Bernstein & Co. v. H.L. Green Co.*, 316 F.2d 3304 (2d Cir. 1963); *Rexnord, Inc. v. Modern Handling Sys., Inc.*, 379 F. Supp. 1190 (D. Del. 1974) (on denial of motion for summary judgment, the court found that defendant company could be held liable for infringing catalog printed for it, even though it directed the printer not to copy copyrighted catalog supplied to printer by defendant. The court found that the defendant had the ability to control the printer and received a direct financial benefit from the printing and distribution of the infringing catalog).

23. 162 F.2d 354 (9th Cir. 1947).

24. 256 F. Supp. 399 (S.D.N.Y. 1966), *enforced*, 327 F. Supp. 788 (S.D.N.Y. 1971), *rev'd on other grounds sub nom.* *Screen Gems-Columbia Music, Inc. v. Metlis & Lebow Corp.*, 453 F.2d 552 (2d Cir. 1972).

25. 443 F.2d 1159 (2d Cir. 1971).

26. 197 U.S.P.Q. (BNA) 801 (D. Minn. 1977).

27. 162 F.2d 354 (9th Cir. 1947).

28. The comedy routine involved the hero mistakenly donning a magician's coat. *Id.* at 358.

29. *Id.* at 365.

30. *Id.*

31. *Id.*

Screen Gems-Columbia Music, Inc. v. Mark-Fi Records, Inc.,³² decided almost twenty years after the *Harold Lloyd* case, involved the contribution of an advertising agency, two radio stations, and a service corporation to the infringing activity of a fly-by-night record manufacturer. The record manufacturer had included four of the plaintiffs' copyrighted compositions on a record without obtaining licenses. The plaintiffs attempted to serve and bring suit against this record "pirate," but because the record pirate had since disappeared without a trace, the plaintiffs sought to recover from the parties who had helped the record pirate effect his scheme.³³

The plaintiffs contended that the advertising agency knew or should have known that Mark-Fi Records was a record pirate from its method of operation.³⁴ Further, plaintiffs contended that both the ad agency and the service company which had been hired to package and ship the infringing records knew or should have known of Mark-Fi's piracy from the records' low price.³⁵ In denying the defendants' motion for summary judgment, the court found that whether the defendants had actual or constructive knowledge raised a question of fact and held that, if such knowledge were shown, the defendants could be held jointly liable with the record pirate.³⁶

At trial, the evidence showed that an employee of the ad agency was an active participant in the record piracy scheme. The employee's knowledge was attributed to the agency, and the agency was held liable, in essence, under *respondeat superior*.³⁷ The other defendants settled out of court (admitting, however, no liability for infringement).³⁸ Thus, the court was foreclosed from considering whether constructive knowledge of the piracy/infringement would have been sufficient to hold the ad agency or the other defendants contributorily liable.

The defendant in *Gershwin Publishing Corp. v. Columbia*

32. 256 F. Supp. 399 (S.D.N.Y. 1966).

33. *Id.* at 401, 403.

34. *Id.* at 404.

35. *Id.*

36. *Id.*

37. 327 F. Supp. 788, 792 (S.D.N.Y. 1971). Professor Nimmer has surmised that liability was imposed in this case due "to the difficulty then faced by many copyright proprietors in bringing to account fly-by-night record pirates . . ." M. NIMMER, 1 NIMMER ON COPYRIGHT §12.04[A](1981).

38. 327 F. Supp. at 792.

Artists Management, Inc.,³⁹ CAMI, performed booking and management services for its artist-clients. CAMI also sought new markets for the artists and helped local communities establish entertainment programs in which its clients would perform.⁴⁰ CAMI knew that the artists would be performing copyrighted works.⁴¹ Further, it knew that the artists were not obtaining licenses to perform these works while failing itself to obtain the licenses for the artists.⁴²

The court found CAMI vicariously liable for its clients' infringing activity because CAMI had the ability to control the artists' activities plus the opportunity to receive direct financial benefit from its clients' work.⁴³ The court went further, however. Besides finding CAMI liable under a vicarious liability theory, the court found that CAMI was liable for contributory infringement.⁴⁴ Although the court did not indicate whether CAMI's activities induced, caused or materially contributed to the infringement, it seemed to base its finding of liability on the fact that CAMI knew of the infringing acts and participated in the overall business venture which encompassed the infringement, just as the ad agency had in *Screen Gems*.⁴⁵

Finally, in the 1977 case *Johnson v. Salomon*,⁴⁶ defendant Salomon claimed to be acting as an independent sales representative. He claimed that he merely solicited, arranged and provided support for the sales of a 3-D chess set and rule book, which plaintiff had copyrighted, but which were sold without a license from the plaintiff.⁴⁷ Salomon was in fact much more deeply involved in the infringing enterprise than merely selling the infringing items. He told the other infringers that he had a license from the plaintiff, when he knew he did not.⁴⁸ He also misrepresented to the plaintiff the true facts so that the plaintiff would not learn of the infringing activity or take steps to stop it. Finally, Salomon not only approved the printing of the infringing rule book, but appar-

39. 443 F.2d 1159 (2d Cir. 1971).

40. *Id.* at 1160-61.

41. The performers would supply CAMI with lists of the works they would be performing. CAMI would then have programs printed. *Id.* at 1161.

42. *Id.* at 1161, 1163.

43. *Id.* at 1162-63.

44. *Id.*

45. *Id.*

46. 197 U.S.P.Q. (BNA) 801 (D. Minn. 1977).

47. *Id.* at 803, 814.

48. *Id.* at 815.

ently instigated the enterprise that resulted in the copyright infringement.⁴⁹

Salomon was found contributorily liable for his involvement in the enterprise, even though he had not directly participated in the manufacture or actual sale of the infringing 3-D chess games and rule books. The court held that his activities both induced the other defendants to infringe and materially contributed to the success of the infringing venture.⁵⁰

Several factors are common to all four cases. First, in each case, the defendant(s) knew of the infringing activity. Second, they participated in the infringing enterprise, even though they did not themselves directly infringe any copyrights. Their activities made the infringement possible or enabled it to continue. Without the aid of the contributory infringers, the infringement in these cases would probably not have occurred or succeeded.

Third, a continuing relationship concerning the infringing activities existed between the direct and the contributory infringers. The contributory infringers had direct contact with the infringer more than once during the course of the infringing enterprise; business transactions between the parties were substantial. For example, in *Harold Lloyd*, the direct infringer employed Bruckman to write the script which contained the infringing gags, and in *Gershwin Publishing*, CAMI managed, or obtained bookings for, the performers, who then performed the copyrighted works without licenses. The contact between the direct and contributory infringers was not informal, casual or indirect contact in or through the marketplace.

The first two factors are the principal components of the definition of contributory infringement as formulated in *Gershwin Publishing*—knowledge and participation. Every case of contributory infringement has contained these two factors. The third factor, however, has not been incorporated into the definition, even though a substantial relationship between the direct and contributory infringers has existed whenever the courts have found contributory infringement.

The potentially broad application of the *Gershwin Publishing* definition to situations in which it would be undesirable to impose liability could be limited by requiring as a factor such a relation-

49. *Id.* at 830.

50. *Id.*

ship between direct and contributory infringers before imposing liability. Thus, a seller of paper, for example, could not be held liable if a purchaser used the paper in making infringing copies of a copyrighted work, since their relationship would be limited to and concerned only with the sale of the paper and not the production of the infringing copies.

In the absence of this third factor, liability might otherwise be limited by an explanation of what constitutes inducing, causing, or materially contributing to an infringement. None of the prior cases, however, explains or defines the *nature* of these contributory infringement acts so as to facilitate its application to other factual settings such as that presented in the *Betamax* case. Given this lack of explanation, Sony's conduct in the *Betamax* case will be evaluated by applying only the *Gershwin Publishing* two-factor definition without reference to the third, direct-relationship factor.

THE BETAMAX CASE

Lower Court Disposition

The United States District Court for the Central District of California and the United States Court of Appeals for the Ninth Circuit applied the *Gershwin Publishing* definition to a different set of facts in *Universal City Studios, Inc. v. Sony Corp.*⁵¹ In that case, Universal City Studios and Walt Disney Productions brought suit in an attempt to preserve the value of their copyrights against Sony Corporation, its American distributor, four retailers who sold Betamax VCRs, Sony's advertising agency, and one individual. The plaintiffs claimed that taping their programs off the air without a license constituted infringement of their copyrights.⁵² They further claimed that Sony and the other corporate defendants were liable for direct and contributory infringement as well as liable vicariously for the individual infringement.⁵³

Sony's participation in the copyright infringement consisted of its advertising, manufacturing and sale of Betamax VCRs which

51. 480 F. Supp. 429 (C.D. Cal. 1979), *rev'd and remanded*, 659 F.2d 963 (9th Cir. 1981), *cert. granted*, 102 S. Ct. 2926 (1982).

52. 480 F. Supp. at 432.

53. *Id.* The parties stipulated that the individual defendant, a client of plaintiffs' attorneys, would not be held liable for damages. The joinder of an individual who had used a Betamax machine to tape copyrighted programs off the air was necessary to establish direct infringement. Liability for contributory infringement is based upon proof of direct infringement. Absent a finding of direct infringement, Sony could not have been held liable for

are capable of taping television broadcasts off the air.⁵⁴ The district court held, *inter alia*, that Sony would not be liable as a direct or contributory infringer and would not be liable for any infringement practiced by individuals owning Betamax VCRs.⁵⁵

Relying on the two-factor test established in *Gershwin Publishing*, the Ninth Circuit Court of Appeals reversed, finding Sony contributorily liable for copyright infringement. After examining these factors, knowledge and participation, the court concluded that Sony intended Betamax machines to be used to record programs, most of which are copyrighted, off the air. Thus, Sony knew the VCRs would be used to infringe copyrights.⁵⁶ Sony's advertising of Betamax machines extolled their ability to record programs off the air. Additionally, Sony must have materially contributed to such infringement because without a VCR it would be impossible to record the copyrighted programs. In slightly different terms, Sony's substantial involvement in the infringing enterprise was sufficient contribution to render Sony accountable.⁵⁷

The Ninth Circuit's application of the *Gershwin Publishing* definition of contributory infringement was uncritical, mechanical, and unwarranted in this case. The *Betamax* case presents a situation substantially different from previous cases of contributory copyright infringement. Sony is simply the manufacturer of a machine that can be used to infringe. No manufacturer of such machinery has ever been held contributorily liable for an infringement perpetrated with its machine.⁵⁸ Sony has only an indirect and limited business relationship with the direct infringers—the users of Betamax VCRs. All previous cases involved regular and

contributory infringement. See *infra* note 71 and accompanying text.

54. Sony Corporation manufactures and sells Betamax videocassette recorders. These VCRs are composed of mainly two parts: the videocassette recorder component which records television signals and the tuner component which translates broadcast television signals into a form which can be recorded. The RF adapter mentioned by the district court is only used during playback of recorded material, and is not involved in the infringing act of videotaping off the air. 480 F. Supp. at 435.

55. 480 F. Supp. at 469.

56. 659 F.2d at 975.

57. *Id.* at 976.

58. None of the previous cases of contributory infringement involved a claim that the manufacturer of a machine contributed to the infringement by supplying the machine. Even in cases of direct infringement, manufacturers of the instrumentality which produced infringing copies have never been charged with liability or joined as defendants. As the district court in the *Betamax* case noted, neither the maker of the film and cameras used to produce the infringing *Ben Hur* movie in *Kalem Co. v. Harper Brothers*, 222 U.S. 55 (1911), nor the manufacturer of the Make-A-Tape machine involved in *Elektra Records Co. v. Gem Elec. Distrib., Inc.*, 360 F. Supp. 821 (E.D.N.Y. 1973), which made copies of copyrighted

direct business relationships. In contrast, Sony merely advertised and sold its VCRs to the general public. In no previous case of contributory copyright infringement has advertising to the general public been found to constitute inducement.

Factor Analysis

The facts of the *Betamax* case are crucial to a determination of the nature of Sony's involvement or lack of involvement in the infringement. This determination calls for a careful and reasoned application of the *Gershwin Publishing* two-factor test. A closer examination of these two factors, as applied to the *Betamax* case, follows.

Knowledge

To be liable for contributory infringement, the defendant must have knowledge of the infringing activity.⁵⁹ The district court argued that Sony lacked such knowledge for two reasons. First, because it had no direct involvement or contact with Betamax purchasers who had recorded programs, Sony had no direct knowledge of infringing activity.⁶⁰ Second, it was an unsettled question at the time whether off-the-air taping constituted copyright infringement. Thus, even if Sony had reason to know Betamax machines would be used to tape programs off the air, it "could not know that this was an infringing activity."⁶¹

audio tapes, were even sued. 480 F. Supp. at 459.

59. *Gershwin Publishing*, 443 F.2d at 1162; *Screen Gems-Columbia Music v. Mark-Fi Records*, 256 F. Supp. 399, 403-04 (S.D.N.Y. 1966). Cf. 18 C.J.S. *Copyright and Literary Property* § 95 (1939): "Guilty knowledge or intent is essential to liability for contributory infringement. . . ."

60. 480 F. Supp. at 460.

61. *Id.* The district court assumed that the knowledge requirement meant that the defendant had to know not only of the activity itself, but also of its infringing character. The court of appeals argued that knowledge of the character of the activity is irrelevant since the definition only requires "knowledge of the infringing activity," and since it is not necessary to know that one is infringing to be liable for infringement. 659 F.2d at 975.

The definition of infringement, however, has no knowledge requirement (17 U.S.C. § 501 (1976)), while the definition of contributory infringement does. See *Gershwin Publishing*, 443 F.2d at 1162, and *supra* note 59. In *Screen Gems-Columbia Music* there was no question that the ad agency knew the record pirate was selling records with the copyrighted songs on them. The issue was whether the ad agency knew that selling the records infringed the plaintiff's copyrights, i.e., whether the ad agency knew of the infringing character of the sales. Thus, knowledge of the character of the activity would appear to be required.

In the *Betamax* case, however, Sony was aware of the infringing character of recording

The court of appeals, however, ruled that Sony had sufficient knowledge that Betamax VCRs would be used to record off the air since "that is the most conspicuous use of the product."⁶² The court based its determination of Sony's knowledge merely on Sony's expectation that Betamax VCRs would be used to make these recordings.⁶³ The court did not characterize Sony's knowledge as "constructive," nevertheless, the court clearly did not require that Sony have direct or actual knowledge to impose liability.

The four precedents discussed above do not support the Ninth Circuit's construction of the knowledge requirement. In three of the four, the contributory infringers knew that no licenses had been obtained. In *Gershwin Publishing*, CAMI had been told copyrighted works would be performed.⁶⁴ In *Johnson v. Salomon*, Salomon knowingly misrepresented to the other infringers that he had a license for the 3-D chess game.⁶⁵ In *Harold Lloyd*, Bruckman knew and told the other infringers that he had copied from the earlier film.⁶⁶ Only in *Screen Gems* did the court intimate that "reason to know" might satisfy the knowledge requirement for contributory infringement liability.⁶⁷ Even in that case, however, the actual knowledge of the employee—imputed to the advertising agency—formed the basis of the agency's liability.⁶⁸

In all of the cases, liability was based on the actual knowledge of the contributory infringers, not on constructive knowledge. If the knowledge requirement was met by constructive knowledge, liability for contributory infringement might extend far beyond necessary limits. The manufacturer of a photocopying machine, for

copyrighted programs. On pre-Betamax VCRs, Sony had attached a warning, "This videotape recorder is not to be used to record copyrighted works," and, in the Betamax instruction book, had warned, "Television programs, films, videotapes and other materials may be copyrighted. Unauthorized recording of such material may be contrary to the provisions of the United States copyright laws." 480 F. Supp. at 436. Sony clearly knew copying copyrighted works constituted infringement. It would be nonsensical and impractical to require that Sony's knowledge of the infringing character of acts of copying in particular circumstances be confirmed by a court finding, which is what the district court appears to have required.

62. 659 F.2d at 975.

63. *Id.*

64. 443 F.2d at 1161. The court implied, however, that "reason to know" might be sufficient. *Id.* at 1162.

65. 197 U.S.P.Q. (BNA) at 815.

66. 162 F.2d at 366.

67. 256 F. Supp. at 404.

68. 327 F. Supp. at 792.

example, might be held liable for infringing uses of a machine it sold if aware of the press's possible infringing uses. To hold a party liable in such cases because of what he should have known might "block the wheels of commerce."⁶⁹ Manufacturers would not introduce new products if they feared liability for contributory infringement due to this type of constructive knowledge.

A finding of knowledge of infringing activity need not be based only on Sony's expectations and reasonable conclusions regarding the use of VCRs, however. Sony, in fact, had actual knowledge. An independent survey conducted for the defendants in 1978 showed that ninety-six percent of the Betamax owners had recorded programs on the VCRs for time shifting purposes.⁷⁰ Sony knew of the survey content because it introduced the survey as evidence at trial. Even if Sony's trial counsel had withheld the survey results from the corporation, Sony would likely have been stopped from denying it had actual knowledge of Betamax usage on agency principles. Thus, the court of appeals could have found that Sony had knowledge of infringement without adopting an unnecessarily broad, constructive knowledge standard.

Even though Sony knew someone was using Betamax VCRs to infringe copyrights, the question remains whether Sony had to know of a particular infringer's activities. Because liability for contributory infringement is based on acts of direct infringement,⁷¹

69. *Henry v. A.B. Dick Co.*, 224 U.S. 1, 48 (1912). The *A.B. Dick* case involved a patented mimeograph machine sold with a license restriction limiting the machine's use to operation only with nonpatented materials supplied by the patent licensor. Use of the machine with materials not supplied by the licensor violated the license and amounted to infringement. The Court considered whether the supplier of mimeograph ink contributorily infringed the patent. The Court suggested limits to contributory infringement liability, stating: "Undoubtedly a bare supposition that by a sale of an article which though adapted to an infringing use is also adapted to other and lawful uses, is not enough to make the seller a contributory infringer. Such a rule would block the wheels of commerce." 224 U.S. at 48. The limited monopolies of patent and copyright grants are intended to advance the public welfare. Thus, such grants must end when they act to halt commerce, and thereby interfere with the public welfare. The Court found, however, that the supplier of ink made the sale "with the purpose and intent that it would be . . . used" in an infringing way, and was therefore liable for contributory infringement. *Id.* at 49.

70. 480 F. Supp. at 438. Time shifting is the practice of recording programs off the air either while watching other programs or while not watching television at all to be able to view the recorded program at another, more convenient time. A recent study by Field Research Corporation shows that 75% of all VCR use is for time shifting. *Saved by the Numbers*, *supra* note 2, at 58.

71. Logically, there must be a direct infringement to contribute to. *Accord* cases in the patent field: *Deepsouth Packing Co. v. Laitram Corp.*, 406 U.S. 518, 526 (1972) ("But it is established that there can be no contributory infringement without the fact or intention of a

failure to prove the latter precludes a finding of the former. Thus, the question is whether the knowledge required must be of a proven act of direct infringement, or, in the *Betamax* case, whether Sony had to know of the infringing acts of William Griffiths, the individual defendant, or of the witnesses. Where there is a direct and substantial relationship between the direct and contributory infringers, as in the previous cases on contributory infringement, the problem does not arise. In the *Betamax* case, however, there are thousands of potential infringers, and Sony would not be actually aware of any one in particular.

The district court assumed that Sony had to have knowledge of the individual, direct infringer's activity or at least of the acts of infringement proven to the court, such as those acts of the witnesses.⁷² Thus, Sony's knowledge that infringement was being practiced somewhere by someone⁷³ would be irrelevant. Since Sony had no direct contact with Betamax users in general, nor with the individual defendant or witnesses in particular, Sony could not have the requisite knowledge for liability.

The court of appeals, however, made the contrary assumption that Sony only had to know that someone was using Betamax VCRs for infringing purposes;⁷⁴ whether Sony knew that the other defendants or the witnesses used Betamax VCRs to infringe was irrelevant. This assumption is, in part, supported by the *Gershwin Publishing* case. In that case, none of the individual artists, the direct infringers, were before the court, but CAMI, the booking agency, was still found liable for contributory infringement.⁷⁵ If the purpose of requiring knowledge of the infringement is, in part, to protect from liability those parties who inadvertently aid an infringement, requiring the direct infringer to be before the court would neither help nor hinder this purpose since the contributory infringer would have knowingly aided the acts of infringement in any event. Sony's knowledge, then, need not have been of the defendant's or witnesses' infringement.

direct infringement."); *Mercoid Corp. v. Mid-Continent Inv. Co.*, 320 U.S. 661, 677 (1944) (Frankfurter, J., dissenting) ("In a word, if there is no infringement of a patent there can be no contributory infringement.").

72. 480 F. Supp. at 459-60.

73. This would be so even if 96% of all Betamax owners practiced infringement.

74. 659 F.2d at 975.

75. It should be noted, however, that in *Gershwin Publishing* the contributory infringer, CAMI, was also vicariously liable. Under vicarious liability, the defendant need not be aware of any infringing activity, and may be held liable even if the infringing activity is

Sony knew, or at the very least could be estopped from denying it knew, that Betamax VCRs were being used to record copyrighted programs. Its knowledge was sufficient to render it liable if the other requirements for liability were met. The court of appeals reached the right decision in finding Sony had the requisite knowledge, but in doing so used an unnecessarily broad construction of the knowledge requirement.⁷⁶

Participation

Once knowledge of the infringing activity is shown, the contributory infringer must be shown to have participated in the infringement either by inducing, i.e., persuading or influencing, the direct infringer to infringe, or by materially contributing to the infringement.⁷⁷

1. Inducement

The district court concluded that neither the individual defendant nor any of the individual witnesses had been induced to infringe copyrights.⁷⁸ There was no evidence that they had been influenced or encouraged by Sony's advertisements.⁷⁹ The court of appeals, however, found that Sony had participated in infringement, but did not specify whether Sony had induced the infringing activity or had materially contributed to it.⁸⁰ The court merely stated that "[t]here can be no doubt that the corporate appellees meet [the *Gershwin Publishing*] definition"⁸¹ of contributory in-

performed against the defendant's orders. See *Rexnord, Inc. v. Modern Handling Sys., Inc.*, 379 F. Supp. 1190, 1196 (D. Del. 1974).

76. In support of its conclusion that the knowledge requirement was satisfied, the court stated, "The record establishes that appellees knew and expected that Betamax's major use *would be* to record copyrighted programs off-the-air." (emphasis supplied). 659 F.2d at 975. The statement suggests that Sony's expectation is relevant to a determination of Sony's knowledge of infringement and that Sony need not have actual knowledge of actual infringement. In all previous cases, the knowledge was not of potential infringement, but of actual infringement.

77. "Causes" has not been included as one of the components of participation since it is a nebulous word with myriad, different legal meanings. None of the cases specifically discusses "causes" in the context of contributory copyright infringement. Any conduct which might cause the infringement could probably be characterized as inducement or material contribution anyway.

78. 480 F. Supp. at 460.

79. *Id.*

80. 659 F.2d at 975-76.

81. *Id.* at 975.

fringers, and that "corporate appellees are sufficiently engaged in the enterprise to be held accountable."⁸²

Plaintiffs' claims that Sony's advertising constituted inducement are, to use the district court's word, "unprecedented."⁸³ Never before has a defendant been held liable for merely advertising a product which may be used to infringe copyrights. Arguably, if Sony's advertisements planted in some consumers the idea of buying Betamax VCRs to record copyrighted programs, then Sony at least minimally induced any recordation which was actually made.⁸⁴

It is not clear from the cases, however, whether the requirement of inducement is so easily met. In *Johnson v. Salomon*, defendant Salomon not only suggested to the other defendants the idea of manufacturing and selling the infringing chess games and rule books, but also instigated the entire enterprise.⁸⁵ *Johnson*, however, is a gross case of inducement and provides little guidance for the less clear *Betamax* case.

On the one hand, contributory copyright infringement liability has previously only been based on obvious inducement directed to the infringer,⁸⁶ and never on advertising to the general public. On the other hand, no court has held that advertising does not constitute inducement to infringe copyright. Thus, it is an open question whether advertising to the general public is sufficient inducement for liability to attach.

In the area of patent law, as in copyright law, the active inducement of infringement creates liability for the infringement.⁸⁷ To incur liability for inducement, a defendant must actively aid or abet actual infringement.⁸⁸ Liability for inducing patent infringement, however, is different from liability for contributory patent infringement. One who sells a component of a patented invention with knowledge that it has been especially made for use in infringing the patent will not incur liability for inducing infringement,

82. *Id.* at 976.

83. 480 F. Supp. at 460.

84. See Note, *Universal City Studios, Inc. v. Sony Corp.: "Fair Use" Looks Different on Videotape*, 66 VA. L. REV. 1005, 1022 (1980).

85. 197 U.S.P.Q. (BNA) 801, 818 (D. Minn. 1977).

86. *Id.*

87. 35 U.S.C. § 271(b) (1976) provides: "Whoever actively induces infringement of a patent shall be liable as an infringer."

88. E.g., by instructing a purchaser how to use the item in the patented combination. P. ROSENBERG, PATENT LAW FUNDAMENTALS §17.02[2] (1980).

even though such a sale literally induces the infringement.⁸⁹ Nevertheless, the patent cases provide some guidance on what constitutes inducement.

Advertising which may in effect instruct users of a product how to use it to infringe a method patent was held not to constitute inducement in *Plastering Development Center, Inc. v. Perma Glas-Mesh Corp.*⁹⁰ In that case, the court found that defendant's literature, which portrayed a plasterer applying defendant's fiberglass tape according to the patented method, did not induce infringement. The court stated that the defendant would be held liable only if the plaintiffs showed that the defendant had "encouraged others through its literature, to take each and every step of the method. . . ."⁹¹ The court concluded that "the mere sale of the [product] is not inducement to infringe the patent in issue, and the picture [suggesting its use in the patented method] in-and-of-itself does not induce a purchaser to infringe the method patent of plaintiff."⁹² Thus, more than a suggestion that the product may be used in an infringing manner is required to constitute inducement.

Under this standard of inducement, Sony did not induce purchasers of Betamax VCRs to infringe copyrights. Sony's advertising suggested that the Betamax machines could be used to record programs which may or may not be copyrighted. Consumers have purchased VCRs for their ability to record programs off the air,⁹³ but it is clear that Sony's advertising did not instigate the practice.⁹⁴ Sony's advertising of its VCRs would not "in-and-of-itself . . . induce a purchaser to infringe. . . ."⁹⁵

On the other hand, Sony did induce copyright infringement under the standard of inducement employed by the Second Circuit in *Ives Laboratories, Inc. v. Darby Drug Co.*,⁹⁶ a contributory

89. *Id.*

90. 371 F. Supp. 939 (N.D. Ohio 1973); *but cf.* *Dennison Mfg. Co. v. Ben Clements & Sons, Inc.*, 467 F. Supp. 391 (S.D.N.Y. 1979) (inducement found where manufacturer demonstrated use of infringing product to distributors, intended infringing use of product was readily apparent, and there was no substantial non-infringing use of product).

91. 371 F. Supp. at 950.

92. *Id.*

93. *See supra* note 70.

94. Indeed, the individual defendant, William Griffiths testified that he started recording programs off the air one to two years before Sony began marketing the Betamax VCRs. 480 F. Supp. at 436. One witness, Marc Wielage, testified that he also recorded programs off the air using pre-Betamax equipment. *Id.* at 437.

95. *Plastering Dev. Center, Inc. v. Perma Glas-Mesh Corp.*, 371 F. Supp. 939, 950 (N.D. Ohio 1973).

96. 601 F.2d 631 (2d Cir. 1979).

trademark infringement case. The court argued that participation in the infringement such as placing an infringing and misleading label on articles before delivering them to the retailer, was not necessary for contributory liability.

[A] manufacturer or wholesaler would be liable under §32 [of the Lanham Act, 15 U.S.C. §1114 (1976)] if he suggested, even if only by implication, that a retailer fill a bottle with the generic capsules and apply [plaintiff's] mark to the label, or continued to sell capsules containing the generic drug which facilitated this to a druggist whom he knew or had reason to know was engaging in the practices just described.⁹⁷

The contributory infringer's mere suggestion to infringe to the direct infringer coupled with the sale of a product which facilitated such infringement would appear to be sufficient inducement to create contributory liability. Under such a broad standard, Sony would be liable for contributory infringement. Sony's advertising clearly suggested an infringing alternative to watching programs at the time they are broadcast, an alternative many VCR purchasers may not have considered before seeing the advertising.

Cases in other areas of the law are of no further help in determining whether Sony's conduct constitutes inducement. It is easy to say simply that "salesmanship is inducement,"⁹⁸ and hold Sony liable for advertising and marketing a product which may be used to infringe copyrights. Such a low standard of inducement, however, would greatly expand liability for contributory copyright infringement.

Prior cases of contributory infringement do not mandate a low standard for inducement since none involved inducement by general advertising. Clearly, basing liability upon such a low standard extends contributory infringement liability beyond the gross case of inducement involved in *Johnson v. Salomon*. It may be undesirable to extend liability to cases where the contributor has merely suggested the infringement. Extensive contributory liability may "block the wheels of commerce,"⁹⁹ causing manufacturers not to sell items which may be used in infringing activities for fear

97. *Id.* at 636.

98. *Commonwealth v. Mason*, 381 Pa. 309, 315, 112 A.2d 174, 177 (1959) (Musmanno, J., dissenting) (defendant convicted of inducing another to sell stocks in violation of Pennsylvania Securities Act).

99. *Henry v. A.B. Dick Co.*, 224 U.S. 1, 48 (1912).

that their advertising and sale alone might induce copyright infringement and lead to liability.

On the other hand, the cases do not mandate a high standard of inducement. Indeed, it may well serve the policies behind the doctrine of contributory infringement to hold liable anyone who knowingly encourages another in any way to infringe. A party should not escape liability simply because he has been able to entice someone else to perform the infringing acts for him in a subtle, rather than gross, manner.

Sony's inducement to infringe in the *Betamax* case falls somewhere in between the two standards. Whether Sony should be held liable for inducing infringement cannot be determined solely from an application of the *Gershwin Publishing* definition of contributory infringement, and depends on other policy considerations which determine which standard to use.

2. Material Contribution

Material contribution is the second category of participation. A party who has helped an infringer in a more than minimal fashion may be held liable for contributory infringement even though it had not induced the infringement.¹⁰⁰ "Material contribution" however, is potentially a very broad category that might be interpreted to include conduct which, for policy or other reasons, should not be considered contributory infringement. For example, no court would hold a power company liable for contributory infringement for supplying the electricity which powers a printing press used to make infringing copies of a book.

Material contribution does not, however, mean substantial contribution. Substantial contribution is a quantitative measure of the contribution to infringement, i.e., how much the contributor helped the infringer, while material contribution is a qualitative measure of the contribution, i.e., the manner in which the contributor helped the infringer. Thus, an assessment of the quality of the contribution, not the quantity, is the basis of the proper test of liability.¹⁰¹ Previous cases of contributory copyright infringement provide little or no instruction on how to assess the quality of the

100. *E.g.*, *Screen Gems-Columbia Music, Inc. v. Mark-Fi Records, Inc.*, 256 F. Supp. 399 (S.D.N.Y. 1966).

101. See *Fortnightly Corp. v. United Artists Television, Inc.*, 392 U.S. 390, 397 (1968), where the Supreme Court stated, "mere quantitative contribution cannot be the proper test to determine copyright liability in the context of television broadcasting."

contribution and give little guidance on what contribution is material in a case like the *Betamax* case.

The district court in the *Betamax* case pointed out that all conduct which helps the infringer pursue his unlawful activity technically contributes to the infringement.¹⁰² Sony's contribution to the infringing activity was, and is, the manufacture and sale of VCRs capable of recording programs off the air. Without the sales of Betamax and Sony's competitors' VCRs, approximately three million households¹⁰³ would not engage in copyright infringement. It is difficult to deny that Sony's contribution to this mass copyright infringement is substantial.

Although substantial, Sony's contribution may not be material, however. In patent law, for example, the seller of a staple article of commerce suitable for substantial noninfringing use¹⁰⁴ is not liable for contributory infringement even if the article is used in an infringing manner.¹⁰⁵ Applying this concept to the copyright context, a determination that a product is a staple article of commerce which thereby excuses the seller from liability amounts to concluding that the contribution of the seller of the product is not material. This conclusion is true in terms of practical outcome. A party introduces an apparatus which makes an infringement possible, knowing of its infringing uses. The party will be held liable for contributory infringement if, *inter alia*, its conduct is deemed a material contribution because the apparatus is a staple article of commerce. Hence, the contribution must not be material, because a material contribution would have led to liability.

The contribution should not be considered material for policy reasons as well. The manufacturer of a staple article of commerce may be aware of the infringing uses of his product, but does not intend or expect that the product will be used to infringe. Whether it is used to infringe is not the choice of the manufacturer, but of the consumer. If the product may be used in a noninfringing manner, an infringement is caused by the infringer's choice to use the product unlawfully and not by any inherent limitation in the product

102. 480 F. Supp. at 461.

103. This was the approximate number of households with VCRs at the time this article was written. *Saved by the Numbers*, *supra* note 2, at 58.

104. See 35 U.S.C. § 271(c) (1976).

105. See *Aralac, Inc. v. Hat Corp. of Am.*, 166 F.2d 286, 295 (3d Cir. 1948) ("it was and still is the law that the sale of an article of commerce of ordinary use without relation to any apparatus does not make the manufacturer guilty of contributory infringement if the buyer later makes use of the article in an infringing apparatus.").

itself. The manufacturer should not incur liability for a choice it did not make. Such liability might deter manufacturers from selling products with possible infringing uses, making useful products unavailable.

On the other hand, if the article does not have substantial non-infringing uses, then almost any use of it will cause it to be used in an infringing manner. The choice of the user to infringe or not to infringe will be inconsequential. The manufacturer will have made the choice for the user. Thus, the sale of the article alone encourages the infringement; the sale with the intended use accomplishes the infringement.

Applying this patent law concept to the *Betamax* case, the district court found the Betamax VCR to be a staple article of commerce, excusing the sellers from liability on the basis of that determination.¹⁰⁶ The district court acknowledged that Sony had contributed to the infringements practiced by purchasers of Betamax VCRs, but held that the contribution was not material since VCRs were staple articles of commerce.¹⁰⁷ The court found that VCRs had substantial noninfringing uses since they could be

106. 480 F. Supp. at 461. Patent law concepts are appropriate in this case for several reasons. First, copyright and patent law both protect the exclusive right to exploit the embodiment of ideas—Copyright law protects the idea as it is embodied in a literary, audiovisual, or other similar work, and patent law, as it is embodied in a process, machine, manufacture, or composition. Second, copyright and patent law serve a similar goal, that is, the encouragement of individual effort for the public benefit, by providing the incentive of a limited grant of exclusive rights of exploitation. See *Mazer v. Stein*, 347 U.S. 201, 219 (1954) (“The economic philosophy behind the clause empowering Congress to grant patents and copyrights is the conviction that encouragement of individual effort by personal gain is the best way to advance public welfare through the talents of authors and inventors in ‘Science and useful Arts.’”).

Last, the contribution to infringement in this case is much more akin to the contribution in patent infringement cases than in previous copyright cases. In patent cases, the contribution to the infringement consists of providing material or an apparatus which makes it possible to practice the patented process, or a component to manufacture the patented article. In other words, the contribution is supplying an item which enables the infringer to infringe, for example, the tape which enables the infringer to practice a patented method of taping drywall or plaster joints.

In previous cases of contributory copyright infringement, the contribution has consisted of providing a service of some kind, rather than goods, to the infringer, e.g., writing a script in *Harold Lloyd* and providing booking and management services in *Gershwin Publishing*.

In the *Betamax* case, Sony contributed to the infringement by selling an apparatus—the VCRs—which enabled the infringers to copy television programs off the air. Thus, the same concept which allows the seller of an apparatus to escape liability for contributory infringement of a patent—the staple article of commerce—would be applicable to the *Betamax* case as it would serve the same policy in a similar situation which is under copyright law instead of patent law. P. ROSENBERG, *supra* note 88, at § 17.02; 35 U.S.C. § 271(c) (1976).

107. See 480 F. Supp. at 461.

used to record various kinds of uncopyrighted and uncopyrightable television programs, such as news, religious and sports programs.¹⁰⁸

The court of appeals did not dispute the district court's application of the patent law concept of staple articles of commerce to copyright law, but did not agree with the lower court's characterization of VCRs.¹⁰⁹ The court flatly asserted that Betamax VCRs are not staple articles of commerce suitable for substantial noninfringing use.¹¹⁰

"Staple article of commerce" is most easily defined in a negative manner. A "nonstaple" article is one that has no commercial use except in connection with a patented method or combination.¹¹¹ To form the basis for contributory infringement, the nonstaple article must almost be uniquely suited to use in the patented invention.¹¹² Articles which can be used in noninfringing ways, but only less safely¹¹³ or in a manner inconsistent with their design,¹¹⁴ have been held to be nonstaple articles. To be a staple article of commerce, a product must be suitable for substantial noninfringing uses. Such uses must not be far-fetched or illusory, but rather customary and intended.¹¹⁵

Taken as a whole, Betamax VCRs, with recorder and tuner combined in one unit, are almost uniquely adapted to taping programs off the air. The tuner receives the broadcast signals and translates them into a form which the recorder portion can record. Without the tuner, the recorder could not record programs off the air, while without the recorder, the tuner would be useless to make copies of televised programs. The most conspicuous use of the combination is to record programs off the air. That some television programming is not copyrighted and that Betamax VCRs may be used to tape noncopyrighted programs do not render VCRs suitable for substantial noninfringing use.¹¹⁶ Use of the VCR in a noninfringing manner by taping noncopyrighted programs would

108. *Id.* at 465, 468.

109. 659 F.2d at 975.

110. *Id.*

111. *Dawson Chem. Co. v. Rohm & Haas Co.*, 448 U.S. 176, 184 (1980).

112. *P. ROSENBERG, supra* note 88, at § 17.02.

113. *Bliss & Laughlin Indus., Inc. v. Bil-Jax, Inc.*, 356 F. Supp. 577, 581 (N.D. Ohio 1972).

114. *Dennison Mfg. Co. v. Ben Clements & Sons, Inc.*, 467 F. Supp. 391, 428 (S.D.N.Y. 1979).

115. *Spee-Flo Mfg. Corp. v. Gray Co.*, 255 F. Supp. 618, 620 (S.D. Tex. 1964).

116. 659 F.2d at 975; *see M. NIMMER, supra* note 37, at § 12.04 [A].

occur merely by chance, if the user happened to select a noncopyrighted program to tape; whether a program is copyrighted is usually not a factor in the user's selection.

Patent case law does not indicate whether uses of less than the whole product may be counted among the noninfringing uses in determining whether the product is a staple article of commerce. Neither *Betamax* court considered whether uses of only part of the article are relevant to the determination, and neither court considered all of the VCR's noninfringing uses.

VCRs are capable, without modification, of noninfringing uses which are not far-fetched or illusory, but rather are customary, intended, and advertised. VCRs may be used to record live action through a camera and to play pre-recorded tapes.¹¹⁷ When a VCR is so used, the tuner section of the machine is not used, however. Arguably, Sony could sell VCRs without tuners (and consequently without a substantial amount of their present appeal) if it wanted to avoid liability for materially contributing to copyright infringement.

Thus, on the one hand, VCRs with integral tuners are *especially* adapted to recording programs off the air, and to infringing, but they are not *uniquely* adapted to such use. One of the major attractions of VCRs is their ability to record television programs; they are intended to be used to do so, although they have other customary and intended uses. It may be wholly frivolous to argue that such uses constitute substantial noninfringing uses, when the only use which employs the article in its entirety is the infringing use. Indeed, Sony could, and does, sell VCRs without the tuner which are suitable almost only for the noninfringing uses.

On the other hand, the noninfringing uses constitute two out of three of the customary uses. Betamax VCRs do not, by their own nature, compel the user to use them to infringe. Thus, the alternative noninfringing uses are arguably substantial enough to render Betamax VCRs staple articles of commerce, and Sony's contribution would then not be material.

Although the patent law concept of a staple article of commerce offers some guidance on what constitutes material contribution

117. Although surveys show that the majority of VCR use is for time shifting, they also show that rental of prerecorded tapes is substantial. The average "VCR household" rents 20 tapes per year. *Saved by the Numbers*, supra note 2, at 58. Sales of cameras are also substantial. RCA, for example, expects to sell 500,000 videocameras in 1982. *Daily Variety*, Jan. 8, 1982, at 1, col. 4.

when the contributory infringer provides the apparatus for making infringing copies, the definition of a staple article of commerce is not clear enough to determine whether Betamax VCRs are staple articles of commerce. Thus, whether Sony's contribution to copyright infringement is material cannot be determined solely by resort to prior case law.

CONCLUSION

The *Betamax* case is a novel case. It presents facts quite different from all previous cases of contributory copyright infringement. One fact, however, is particularly significant. Sony only had contact with the direct infringers through a marketplace distribution chain. In all previous cases the direct and contributory infringers had direct contact and a substantial relationship. The absence of such a relationship takes the case outside of the rule of liability created by the precedents, and finding Sony liable in this absence would thereby expand the doctrine of contributory copyright infringement.

In applying the *Gershwin Publishing* definition of contributory infringement, the Ninth Circuit Court of Appeals made no reference to the relationship between direct and contributory infringer that was present in all prior cases. The definition itself does not take into account the relationship. Because the *Betamax* case presents novel circumstances, it may have been necessary to apply just the definition and not reason from past cases. The decision to do so, however, involves two policy decisions—first, that liability should not be limited to situations similar to those in previous cases, and second, that liability should extend to a party in Sony's position.

The conclusion that Sony was liable for contributory infringement does not flow inevitably from an application of settled rules. While it is clear that the knowledge requirement for liability was satisfied because Sony knew how Betamax VCRs would be and were used, whether Sony induced or materially contributed to infringement is far from clear. The standards are not defined sharply enough to mandate a decision one way or the other, and arguments can be made to support both sides. To reach a decision on Sony's liability required a choice between the policies underlying the free flow of commerce on the one hand and copyright protection on the other.

The Ninth Circuit chose to favor copyright protection over commerce, Universal's and Disney's rights to their programs over the market for VCRs. A possible result of the choice is that manufacturers might not introduce new products in the future lest they find themselves saddled with liability for contributory infringement due to their awareness that these products had infringing uses. The choice had to be made to decide the case, but the policy decisions behind the choice should not have been hidden behind a sparsely reasoned application of a nebulous definition.

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