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Jerry Greenberg
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Dear Jerry:

I am forwarding some excerpts from the Goldstein copyright treatise on the subject of fair use. Especially in the context of the CD-ROM project, you should find this interesting reading. The NGS lawyers, of course, are reading this, and much more, on the subject. As we discussed previously, they will rely heavily on the fair use doctrine, among other legal theories, to justify what they are doing.

A couple of admonitions. Goldstein's work is copyrighted, so please don't copy and share it. Secondly, this is a very hasty look at the law. It should suggest to you that the subject is complex, and you should be cautious in attempting to draw legal conclusions.

Sincerely,



Norman Davis

Enclosure

Section 107's first sentence identifies six exemplary purposes, any one of which will bring a use within the general scope of fair use — "criticism, comment, news reporting, teaching (including multiple copies for classroom use), scholarship or research." Section 107's second sentence lists four factors for courts to weigh in determining whether a use that falls within the general scope of fair use is in fact fair:

- (1) the purpose and character of the use, including whether such use is of a commercial nature or is for non-profit educational purposes;
- (2) the nature of the copyrighted work;
- (3) the amount and substantiality of the portion used in relation to the copyrighted work as a whole; and
- (4) the effect of the use upon the potential market for or value of the copyrighted work.

The House Report accompanying the 1976 Copyright Act illustrates section 107's reach with several examples: "quotation of excerpts in a review or criticism for purposes of illustration or comment; quotation of short passages in a scholarly or technical work, for illustration or clarification of the author's observations; use in a parody of some of the content of the work parodied; summary of an address or article, with brief quotations, in a news report; reproduction by a library of a portion of a work to replace part of a damaged copy; reproduction by a teacher or student of a small part of a work to illustrate a lesson; reproduction of a work in legislative or judicial proceedings or reports; incidental and fortuitous reproduction, in a newsreel or broadcast, of a work located in the scene of an event being reported."⁶

Section 107 and its decisional and legislative history leave no

described in *Folsom*, and the nascent fair use doctrine, to define the general contours of the copyright monopoly. With the addition of the rights to translate, dramatize, perform, complete, copy, execute and finish, in the 1870 Act, Act of July 8, ch. 230, §86, 16 Stat. 198, 212, and of the right to abridge in the 1909 Act, Act of March 4, 1909, ch. 320, §1(b), 35 Stat. 1075, fair use assumed a different role: to determine whether, under the facts of a particular case, an undisputed statutory right should nonetheless be withheld for reasons of private or public benefit. See §§10.1.1, 10.1.2, below.

⁶House Report, 65.

doubt that the object of the fair use defense is to confirm, not contradict, copyright law's basic goal—to put copyrighted works to their most beneficial use so that “the public good fully coincides . . . with the claims of individuals.”⁷ Congress and the courts have reconciled the public good with the claims of individuals through two, overlapping, approaches to the fair use defense. One, a private benefit approach, excuses uses that the copyright owner would have licensed but for insurmountable transaction costs.⁸ The other, a public benefit approach, will excuse a use, even in the absence of transaction costs, if the social benefit of the use outweighs the loss to the copyright owner.⁹

§10.1.1 The Private Benefit Approach

Two examples will illustrate the private benefit approach to fair use. In the first example, a publisher wishes to publish a chapter from a copyrighted textbook in a forthcoming anthology. Section 106(1), granting the exclusive right to reproduce copyrighted works in copies or phonorecords, gives the textbook publisher the opportunity to determine whether the license fee that the anthology publisher is offering to pay will at least offset the value of other uses of the copyrighted work that will consequently be foreclosed. For example, publication in one anthology might foreclose publication in another anthology promising a larger distribution and paying higher royalties. If the license fee that the anthology publisher offers to pay exceeds the value of any alternative uses, the copyright owner can be expected to enter into a license agreement with the publisher. Section 106, when taken together with the copyright owner's self-interest, will thus put the copyrighted work to its most beneficial use, including publication of excerpts in an anthology.

In the second example, a daily newspaper wishes to publish two paragraphs from the same textbook in a review of the textbook. If the value of the proposed use exceeds the value of any alternative uses foreclosed, section 106(1) and the copyright owner's self-

⁷The Federalist No. 43, at 267 (H. Lodge ed. 1888). *See generally* §1.1, above.

⁸*See* §10.1.1, below.

⁹*See* §10.1.2, below.

interest should once again result in that use being made. The difference is that in this second example the delay and other costs to the newspaper of searching out the publisher, and the costs to the publisher and the newspaper of negotiating a license, are likely to far outweigh any benefits to be enjoyed. As a result—and unlike the first example—section 106 would prevent the more valuable use from being made. Consequently, the second example, unlike the first, calls for application of the fair use doctrine.

The private benefit approach to fair use vindicates the objects of section 106 by allowing uses that would have been made under license if transaction costs had not hobbled license negotiations.¹⁰ This approach requires that, in every case in which a defendant asserts fair use, the court first determine whether the benefits conferred by defendant's use exceed the losses that its use will inflict and, second whether, as a rule, transaction costs would stand in the way of a negotiated license. Only if both questions are answered affirmatively will the fair use defense apply.

Two points should be underscored about transaction costs. First, the transaction costs that may trigger the fair use defense entail not only search and negotiation costs, but also any other hurdles that may impede bargaining for the use of a copyrighted work. One such impediment may be a copyright owner's use of copyright to secure noncopyright interests. Although courts have long allowed plaintiffs to use the threat of injunctive relief to bargain for the full value of the copyrighted work to the defendant, courts have, at least in the case of published works, generally employed the fair use doctrine to repel efforts at using injunctive relief to secure interests independent of copyright.¹¹ For example, in

¹⁰See generally Gordon, Fair Use as Market Failure: A Structural and Economic Analysis of the *Betamax* Case and its Predecessors, 82 Colum. L. Rev. 1600 (1982). See also Cirace, When Does Complete Copying of Copyrighted Works for Purposes Other Than for Profit or Sale Constitute Fair Use? An Economic Analysis of the *Sony Betamax* and *Williams & Wilkins* Cases, 28 St. Louis U.L.J. 647 (1984); Sinclair, Fair Use Old and New: The *Betamax* Case and Its Forebears, 33 Buffalo L. Rev. 269 (1984).

¹¹In the case of unpublished works, particularly letters and diaries, the close connection between common law copyright and the right of privacy may justify the grant of relief even though it is evident that the plaintiff is more interested in preventing the publication of private, possibly embarrassing, information than he is in extracting the full economic value of the work. See generally Brandeis &

Rosemont Enterprises v. Random House, Inc.,¹² the court found that the defendant's use was fair because plaintiff, the corporate alter ego of a reclusive billionaire, was evidently seeking to use copyrights that it had acquired in magazine articles about the billionaire to halt the publication of an unauthorized biography that drew in part on the articles.¹³ In *Triangle Publications, Inc. v. Knight-Ridder Newspapers, Inc.*,¹⁴ the court held that defendant's use was fair because it appeared that plaintiff's motive in seeking to enjoin defendants' comparative advertisement featuring the copyrighted cover of plaintiff's magazine, side by side with the cover of defendant's magazine, was to ward off competition in the television magazine trade.¹⁵ The tipping point in both cases was the plaintiff's attempted use of copyright to secure interests — privacy in *Rosemont*, market share in *Triangle* — that were unrelated to the copyright in suit.¹⁶

Second, transaction costs are undesirable because they stand in

Warren, *The Right of Privacy*, 4 Harv. L. Rev. 193 (1890). Cf. *Harper & Row, Publishers, Inc. v. Nation Enters.*, 471 U.S. 539, 225 U.S.P.Q. 1073 (1985).

See also §10.2.2.2, below.

¹² 366 F.2d 303, 150 U.S.P.Q. 715 (2d Cir. 1966), *cert. denied*, 385 U.S. 1009, 152 U.S.P.Q. 844 (1967).

¹³ Cf. *Marvin Worth Prods. v. Superior Films Corp.*, 319 F. Supp. 1269, 1275, 168 U.S.P.Q. 693 (S.D.N.Y. 1970) (holding fair use defense not established; "In *Rosemont*, the court held that the plaintiff appeared to be acting in bad faith and to have acquired the copyrights solely for the purpose of *suppressing* the publication of other biographical matter; here there is no dispute that the plaintiffs acquired the material in good faith and, as distinct from *Rosemont*, intended themselves to *publicize* the facts of [Lenny] Bruce's life.").

¹⁴ 626 F.2d 1171, 207 U.S.P.Q. 977 (5th Cir. 1980).

¹⁵ 626 F.2d at 1177, 207 U.S.P.Q. 977 ("At no point has Triangle offered a cogent explanation of the logical link between the showing of [its] TV Guide covers and the alleged harm to the copyright").

But cf. *Supermarket of Homes, Inc. v. San Fernando Valley Board of Realtors*, 786 F.2d 1400, 1409, 230 U.S.P.Q. 316 (9th Cir. 1986).

¹⁶ Cf. *Consumers Union of United States, Inc. v. General Signal Corp.*, 724 F.2d 1044, 1050, 221 U.S.P.Q. 400 (2d Cir.) (holding that defendant's use, in commercials for its product, of excerpts from plaintiff's independent consumer magazine favorable to the product, constituted fair use; "In truth, CU is not really objecting to Regina's copying CU's expression. . . . The copyright laws are intended to prevent copiers from taking the owner's intellectual property and are not aimed at recompensing damages which may flow indirectly from copying. . . ."), *cert. denied*, 469 U.S. 823, 224 U.S.P.Q. 616 (1984); *Consumers Union of the United States, Inc. v. Hobart Mfg.* 189 F. Supp. 275, 125 U.S.P.Q. 296 (S.D.N.Y. 1960).

the way of freely negotiated licenses. Consequently, in cases where the defendant asserts fair use, courts should be alert to the possibilities for reducing transaction costs. In the case of transaction costs imposed unilaterally by plaintiffs who seek to use copyright to protect noncopyright interests, no way exists to remove these costs other than through a finding of fair use. Search and negotiation costs, by contrast, can be reduced through technical measures such as computer retrieval systems or institutional innovations such as clearinghouses. Indeed, the very decision to withhold the fair use defense may spur the interested parties to develop mechanisms to lower transaction costs.¹⁷

§10.1.2 The Public Benefit Approach

The public benefit approach to fair use will excuse uses, even in the absence of transaction costs, if the social benefit of the use outweighs the loss to the copyright owner. This approach recognizes that in many cases the value of the private benefit enjoyed by the party asserting the fair use defense will not be sufficiently high to ensure that a license fee proposed by the party will entice the copyright owner to license the use. This approach also recognizes that in some of these cases society will receive benefits that, when added to the benefits enjoyed by the immediate user, will outweigh any dampening effect on the copyright owner's incentives to produce works of the type in issue. On the premise that the copyright owner would license these uses if it could capture both their private and public value, the public benefit approach excuses these uses as fair use.¹⁸

¹⁷ Before the formation of ASCAP in 1914 to collect and distribute royalties for performances of copyrighted musical compositions, *see* §5.9, above, individual performers might reasonably have argued that, because of the costs and delay of identifying and negotiating with musical copyright owners, their performances should be excused as fair use. With ASCAP's formation and the consequent substantial reduction of transaction costs, reason no longer existed to withhold absolute liability as a general rule.

¹⁸ *See, e.g., MCA, Inc. v. Wilson*, 677 F.2d 180, 183, 211 U.S.P.Q. 577 (2d Cir. 1981) ("[W]here a claim of fair use is made, a balance must sometimes be struck between the benefit the public will derive if the use is permitted and the personal gain the copyright owner will receive if the use is denied. The less

§10.1.2

An example will illustrate the operation of the public benefit approach to fair use. A schoolteacher who decides to photocopy a chapter from a copyrighted textbook for use in his class faces no greater transaction costs in obtaining a license than does the publisher who decides to reprint the chapter in an anthology. Under the private benefit approach to fair use, the schoolteacher, like the anthology publisher, would have to obtain a license for the proposed use.¹⁹ But even if the schoolteacher could get his students to pay for the copies, and offered to pass these payments on to the copyright owner, the amount collected might not be enough for the copyright owner to consent to a license. Although the private benefit approach would deny a fair use defense in these circumstances, a public benefit approach might allow it on the ground that the value to society of having a well-educated citizenry, when added to the private value enjoyed by the teacher and students, outweighs any loss to the publisher from the other uses it could have licensed.²⁰

§10.1.3 The Private and Public Benefit Approaches Compared

The private and public benefit approaches to fair use substantially overlap. Both approaches balance the benefits to be derived

adverse effect that an alleged infringing use has on the copyright owner's expectation of gain, the less public benefit need be shown to justify the use.").

¹⁹ See §10.1.1, above.

²⁰ Early in the revision process leading to enactment of the 1976 Copyright Act, the Register of Copyrights acknowledged the important role that social benefits, as well as transaction costs, play in the operation of the fair use defense. Rejecting a categorical exemption for educational uses, the Register observed that: "We do not favor sweeping, across-the-board exemptions from the author's exclusive rights unless an overriding public need can be conclusively demonstrated. There is hardly any public need today that is more urgent than education, but we are convinced that this need would be ill-served if educators, by making copies of the materials they need, cut off a large part of the revenue to authors and publishers that induces the creation and publication of those materials. We believe that a statutory recognition of fair use would be sufficient to serve the reasonable needs of education with respect to the copying of short extracts from copyrighted works, and that the problem of obtaining clearances for copying larger portions or entire works could best be solved through a clearinghouse arrangement worked out between the educational groups and the author-publisher interests." Register's Supplementary Report, 27-28.

from a use against the losses that the use will inflict on the copyright owner; the difference between the two is that the private benefit approach weighs only the private benefits to be derived from a use while the public benefit approach weighs the sum of private and public benefits. Both the private and public benefit approaches stem from the problem of transaction costs. The private benefit approach indicates fair use in cases where transaction costs prevent the copyright owner from capturing the value of the use to the immediate user. The public benefit approach indicates fair use in cases where transaction costs prevent the copyright owner from collecting a fee from all who benefit from the use — both the immediate user and society at large.

The overlap between the private and public benefit approaches is evident from the text of section 107, which intermingles considerations of social benefit, private benefit and transaction costs. The purposes stated in the first sentence of section 107 — criticism, comment, news reporting, teaching, scholarship and research — involve uses that typically possess a high social value relative to the losses suffered by the copyright proprietor. Further, the search and negotiation costs surrounding these generally fast-paced uses will often disable the parties from negotiating a license. Section 107's first and second factors — the purpose and character of the use and the nature of the copyrighted work — bear directly on the benefits that will result from the proposed use, just as the third and fourth factors — the amount and substantiality of the portion used and the effect of the use on the market for or value of the copyrighted work — bear directly on the losses incurred by the copyright proprietor. All four factors bear to varying degrees on the effect of search and negotiation costs.

The private and public benefit approaches explain why the fair use defense has held such an extraordinary fascination for courts and commentators. More than any other doctrine in copyright, the fair use defense lays bare the foundations and architecture of the entire copyright system. Each time they balance section 107's four factors in a particular case, courts trace anew the balances that Congress struck in designing the copyright system as a whole — determining what types of uses should be entitled to draw on copyrighted works without charge; differentiating between those types of works that need the copyright incentive and those that need it less; determining the point at which an unexcused taking will cut too deeply into

a producer's incentives; and, most fundamental of all, weighing the effect of free use on incentives to produce literary, musical and artistic works. The difference between the role of Congress in shaping the copyright system and the role of courts in applying the fair use defense is that Congress is constrained in its task only by the loose harness of the Constitution's copyright clause and by its own sense of political expedience while courts are constrained by the purposes and factors that Congress expressly laid down in section 107 and by the precedents that gave shape to section 107 and that will continue to define its reach over time.

§10.2.2.3 "Amount and substantiality of the portion used in relation to the copyrighted work as a whole"

Beyond the rule de minimis, the amount that the defendant copied from the copyrighted work is never relevant to the question of infringement. So long as the amount appropriated constitutes protected expression, general infringement rules will protect the copyright owner.¹⁰¹ The amount and substantiality of defendant's appropriation is, however, directly relevant to fair use. If the defendant copied a substantial, rather than a trivial, portion from the plaintiff's work, the plaintiff's losses from the use are likely to approach, if not exceed, the defendant's gains. Also, the use of substantial portions from the copyrighted work is more likely to justify the expense of negotiating a license from the copyright owner than is the use of small excerpts. It only slightly oversimplifies the operation of the third factor to say that the "greater the amount of the copyrighted work used, the less likely it is that the fair use exception is applicable."¹⁰²

to them was restricted did not undermine their status as unpublished works), *cert. denied*, 108 S. Ct. 213 (1987).

Works that have never been published, or that have been published only within a closely defined circle, should be distinguished for these purposes from works that, at one time widely distributed, have since gone out of print. The case for fair use is even stronger for out-of-print works than it is for works still in circulation. *See* Senate Report, 64: A "key, though not necessarily determinative, factor in fair use is whether or not the work is available to the potential user. If the work is 'out of print' and unavailable for purchase through normal channels, the user may have more justification for reproducing it than in the ordinary case, but the existence of organizations licensed to provide photocopies of out-of-print works at reasonable cost is a factor to be considered."

But see *Meeropol v. Nizer*, 560 F.2d 1061, 1070, 195 U.S.P.Q. 273 (2d Cir. 1977) ("The fact that the Rosenberg letters have been out of print for 20 years does not necessarily mean that they have no future market which can be injured. The market for republication or for sale of motion picture rights might be affected by the infringing work."), *cert. denied*, 434 U.S. 1013, 196 U.S.P.Q. 592 (1978).

¹⁰¹ *See* §7.1, above.

¹⁰² *Association of Am. Medical Colleges v. Mikaelian*, 571 F. Supp. 144, 153, 219 U.S.P.Q. 1032 (E.D. Pa. 1983), *aff'd mem.*, 734 F.2d 3 (3rd Cir. 1984). *See also* *Radji v. Khakbaz*, 607 F. Supp. 1296, 1299, 1300, 226 U.S.P.Q. 610 (D.D.C. 1985) (defendant's copying of ten percent of plaintiff's

The decisions leave no doubt that "the amount and substantiality of the portion used" is but one of four factors to be weighed in applying the fair use calculus. If the value of the defendant's use outweighs the copyright owner's loss, and if bargaining costs are insuperably high, courts will find that the use is fair even though defendant took all of plaintiff's work.¹⁰³ Qualitative measures outweigh quantitative measures in determining the weight to be given the third factor. Even if the defendant took only a very small part of the plaintiff's work—300 words out of a total of 200,000 words,¹⁰⁴ 4 notes and 2 words out of 100 measures and a 45-word lyric,¹⁰⁵ or 2.5 minutes out of a 28-minute film¹⁰⁶—courts will hold that the use is not fair if the portions taken are "of critical importance to the work as a whole and taken by the infringer in order to save the time and expense incurred by the copyright owner."¹⁰⁷

book, and eighty-six percent of authorized excerpts from the book published by a newspaper, not a fair use; no defense that defendant translated plaintiff's work from English into Farsi).

¹⁰³See, e.g., *Sony Corp. of Am. v. Universal City Studios, Inc.*, 464 U.S. 417, 220 U.S.P.Q. 665 (1984); *Williams & Wilkins Co. v. United States*, 487 F.2d 1345, 1353, 180 U.S.P.Q. 49 (Ct. Cl. 1973) (rejecting the argument that "the copying of an entire work, any such work, cannot ever be 'fair use' " as an "overbroad generalization unsupported by the decisions"), *aff'd by an equally divided Court*, 420 U.S. 376, 184 U.S.P.Q. 705 (1975) (per curiam).

But cf. *Jackson v. MPI Home Video*, 694 F. Supp. 483, 490, 8 U.S.P.Q.2d 1572 (N.D. Ill. 1988); *Bourne Co. v. Speeks*, 670 F. Supp. 777, 780, 6 U.S.P.Q.2d 1046 (E.D. Tenn. 1987).

¹⁰⁴*Harper & Row, Publishers, Inc. v. Nation Enters.*, 471 U.S. 539, 565, 225 U.S.P.Q. 1073 (1985) ("the fact that a substantial portion of the infringing work was copied verbatim is evidence of the qualitative value of the copied material, both to the originator and to the plagiarist who seeks to profit from marketing someone else's copyrighted expression").

¹⁰⁵*Elsmere Music, Inc. v. National Broadcasting Co.*, 482 F. Supp. 741, 206 U.S.P.Q. 913 (S.D.N.Y.), *aff'd per curiam*, 623 F.2d 252, 207 U.S.P.Q. 277 (2d Cir. 1980).

¹⁰⁶*Iowa State Univ. Research Found., Inc. v. American Broadcasting Cos.*, 621 F.2d 57, 207 U.S.P.Q. 97 (2d Cir. 1980).

¹⁰⁷*Meredith Corp. v. Harper & Row, Publishers, Inc.*, 378 F. Supp. 686, 690 n.12, 182 U.S.P.Q. 609 (S.D.N.Y.), *aff'd*, 500 F.2d 1221, 182 U.S.P.Q. 577 (2d Cir. 1974). See also *United Telephone Co. of Mo. v. Johnson Publishing Co.*, 855 F.2d 604, 610, 8 U.S.P.Q.2d 1058 (8th Cir. 1988); *Salinger v. Random House, Inc.*, 811 F.2d 90, 98-99, 1 U.S.P.Q.2d 1673 (2d Cir.), *cert.*

§6.1 CONTRIBUTORY INFRINGEMENT AND VICARIOUS LIABILITY COMPARED

Section 106's authorization right encompasses two essentially distinct theories of liability — contributory infringement and vicarious liability.¹ Contributory infringement occurs when "one who, with knowledge of the infringing activity, induces, causes or materially contributes to the infringing conduct of another."² Vicarious liability arises when a defendant's "right and ability to supervise" the infringing activity "coalesce with an obvious and direct financial interest in the exploitation of copyrighted materials — even in the absence of actual knowledge that the copyright monopoly is being impaired."³ It is definitional that, for a defendant to be held contributorily or vicariously liable, a direct infringement must have occurred.⁴

sale of the machines. Plaintiffs did name a single home copier as a defendant, presumably to underscore the fact that a direct infringement had occurred. The *Sony* case is discussed at §6.2.2, below, and in connection with fair use at §10.1.5, below.

§6.1 ¹A third theory, sometimes available under state law, is conspiracy to commit copyright infringement. *See, e.g., Astor-Honor, Inc. v. Grosser & Dunlap, Inc.*, 441 F.2d 627 (2d Cir. 1971); *Schuchart & Assocs. v. Solo Serve Corp.*, 540 F. Supp. 928 (W.D. Tex. 1981); *Mount v. Viking Press, Inc.*, 204 U.S.P.Q. 353 (2d Cir. 1979); *Calloway v. Marvel Entertainment Group*, 1983-1984 Copyright L. Dec. (CCH) ¶25,622 (S.D.N.Y. 1983); *Universal City Studios, Inc. v. American Invsco Management, Inc.*, 1978-1981 Copyright L. Dec. (CCH) ¶25,271 (N.D. Ill. 1981).

²*Gershwin Publishing Corp. v. Columbia Artists Management, Inc.*, 443 F.2d 1159, 1162 (2d Cir. 1971).

³*Shapiro, Bernstein & Co. v. H.L. Green Co.*, 316 F.2d 304, 307 (2d Cir. 1963).

⁴*See, e.g., Sony Corp. of Am. v. Universal City Studios, Inc.*, 464 U.S. 417, 434-442 (1984).

A vexing question arises when the direct infringement occurs outside the United States and the conduct contributing to that infringement occurs within the United States. One court has held that where the defendant and the direct infringer executed a contract in the United States authorizing the direct infringer's exhibition of copyrighted motion pictures outside the United States, the unlawful act of authorization had occurred within the United States, thus making the putative licensor liable on a contributory infringement theory. *Peter Starr Prod. Co. v. Twin Continental Films, Inc.*, 783 F.2d 1440 (9th Cir. 1986). *But see Robert Stigwood Group Ltd. v. O'Reilly*, 530 F.2d 1096, 1100 (2d Cir.), *cert. denied*, 429 U.S. 848 (1976) (defendant's assembly and arrangement in the

and vicarious liability rest on distinct premises and impose distinct requirements. Liability for contributory infringement turns on the defendant's relationship to the direct infringement; if the defendant was implicated in the acts constituting the direct infringement, courts will hold him liable for contributory infringement.⁸ Vicarious liability, by contrast, rests not on the defendant's relationship to the direct infringement but, rather, on her relationship to the direct infringer; a financial interest in, and an ability to control, the direct infringer's conduct form the basis for liability.⁹ Thus a defendant will be liable for contributory infringement if he knew of, and contributed to, the direct infringement, even though he could not control, and had no financial interest in, the acts of infringement. A defendant will be vicariously liable if she could control, and had a financial interest in, the infringement, even though she did not know of it or contribute directly to it.¹⁰

§6.2 CONTRIBUTORY INFRINGEMENT

To be held liable for contributory infringement, a defendant must have acted in concert with the direct infringer and must have known of the infringing activity.¹ The two requirements are related. The closer the defendant's acts are to the directly infringing activity, the stronger will be the inference that the defendant knew of the activity. Where the defendant's activities are relatively close to the directly infringing acts, the plaintiff may meet the knowledge requirement by a showing that, though the defendant lacked actual

⁸See F. Harper, F. James & O. Gray, *The Law of Torts*, §10.1 (2d ed. 1986).

⁹See F. Harper, F. James & O. Gray, *The Law of Torts*, §§26.1-26.3 (2d ed. 1986).

¹⁰See, e.g., *Southern Bell Tel. & Tel. Co. v. Associated Telephone Directory Publishers*, 756 F.2d 801, 811 (11th Cir. 1985); *Mallven Music v. 2001 VIP of Lexington, Inc.*, 230 U.S.P.Q. 543, 545 (E.D. Ky. 1986); *Broadcast Music, Inc. v. Peppermint Club, Inc.*, 229 U.S.P.Q. 534, 538 (N.D. Ohio 1985).

§6.2 ¹To be liable for contributory infringement, the defendant need only know of the direct infringer's activities, and need not reach the legal conclusion that these activities infringe a copyrighted work. This rule is dictated by the more general rule that innocence is no defense to an action for copyright infringement. See §9.4, below.

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likely to occur in the context of corporate infringements. When a corporation commits a direct infringement — for example by publishing a book that contains infringing pictures — the corporation's officers and other employees will be liable as contributory infringers if they knowingly took part in the direct infringement, such as through the selection of the pictures to be published.⁶ Alternatively, and particularly in the case of close corporations, officers and stockholders may be held vicariously liable for a direct infringement because of their ability to control, and their financial interest in the production of, the infringing work.⁷

Despite their occasional overlaps, contributory infringement

⁶See, e.g., *Adventures in Good Eating, Inc. v. Best Places to Eat, Inc.*, 131 F.2d 809, 813-814 (7th Cir. 1942); *Sailor Music v. Mai Kai of Concord, Inc.*, 640 F. Supp. 629, 633 (D.N.H. 1986) (corporate officer with dominant influence in corporation contributorily liable for infringing performances because his policies led to infringement); *Lauratex Textile Corp. v. Allton Knitting Mills, Inc.*, 517 F. Supp. 900, 904 (S.D.N.Y. 1981); *Samet & Wells, Inc. v. Shalom Toy Co.*, 429 F. Supp. 895 (E.D.N.Y. 1977), *aff'd*, 578 F.2d 1369 (2d Cir. 1978); *Southwestern Bell Tel. Co. v. Nationwide Indep. Directory Serv., Inc.*, 371 F. Supp. 900 (W.D. Ark. 1974); *Warner Bros.-Seven Arts, Inc. v. Kalantzakis*, 326 F. Supp. 80 (S.D. Tex. 1971); *Chappell & Co. v. Frankel*, 285 F. Supp. 798 (S.D.N.Y. 1968); *Morser v. Bengor Prods. Co.*, 283 F. Supp. 926 (S.D.N.Y. 1968); *Shapiro, Bernstein & Co. v. Gabor*, 266 F. Supp. 613 (S.D.N.Y. 1966); *H.M. Kolbe Co. v. Shaff*, 240 F. Supp. 588 (S.D.N.Y.), *aff'd*, 352 F.2d 285 (2d Cir. 1965). *Cf. Sygma Photo News, Inc. v. High Society Magazine*, 778 F.2d 89, 92 (2d Cir. 1985).

⁷See, e.g., *Sailor Music v. Mai Kai of Concord, Inc.*, 640 F. Supp. 629, 633 (D.N.H. 1986) (corporate officer vicariously liable because he had right and ability to supervise infringing performances, and profited from them); *Blendingwell Music, Inc. v. Moor-Law, Inc.*, 612 F. Supp. 474 (D. Del. 1985); *Boz Scaggs Music v. KND Corp.*, 491 F. Supp. 908 (D. Conn. 1980); *L&L White Metal Casting Corp. v. Cornell Metal Specialties Corp.*, 353 F. Supp. 1170 (E.D.N.Y. 1972), *aff'd*, 177 U.S.P.Q. 673 (2d Cir. 1973). *Cf. Famous Music Corp. v. Bay State Harness Horse Racing & Breeding Assn.*, 423 F. Supp. 341, 344 (D. Mass. 1976), *aff'd*, 554 F.2d 1213 (1st Cir. 1977) (although summary judgment entered against corporate defendant, facts that individual defendant was president and treasurer of corporate defendant and managed and controlled premises where infringement occurred, insufficient to support summary judgment against individual defendant).

See also *Broadcast Music, Inc. v. Behulak*, 651 F. Supp. 57 (M.D. Fla. 1986) (officer, director and fifty-percent shareholder of corporation not vicariously liable because she did not participate in the operation, management or supervision of lounge where infringing performances occurred).

Some examples will illustrate the relationship between direct infringement, contributory infringement and vicarious liability. When a musical group performs a copyrighted work in public, each member of the group will directly infringe the performance right unless the group has obtained permission from the copyright owner or unless one of the statutory exemptions or defenses applies. The group's manager, who selects the musical compositions to be performed, will be liable as a contributory infringer because she effectively induces the infringing performance. The owner of the theater in which the performance occurs, and who is compensated from ticket sales for the performance, will be vicariously liable if he has the ability to control the content of the performance.

Contributory infringement and vicarious liability sometimes overlap. For example, if a concert promoter who has the ability to control a musical group's selection of compositions actually takes part in that selection and has an economic stake in the performances, she may be both contributorily and vicariously liable.⁵ Overlaps between the two grounds for liability are particularly

United States of "all the necessary elements" for an unauthorized performance in Canada was not "an integral part" of the Canadian performance, so that plaintiff could not receive damages for Canadian performances).

Peter Starr's interpretation of section 106's authorization right would appear to be at least literally correct since the statute nowhere requires that the direct infringement occur within the United States. However, in cases where the law of the foreign country, under which direct infringement has been found, substantially differs from United States domestic law, the *Peter Starr* decision may violate at least the spirit of the rule that copyright has no extraterritorial effect. See §16.3, below.

Cf. DeepSouth Packing Co. v. Laitram Corp., 406 U.S. 518, 526-527 (1972) (shipment from the United States of parts of a patented invention manufactured in the United States for assembly abroad did not constitute contributory patent infringement; if defendant's "conduct were intended to lead to use of patented devices inside the United States its production and sales activity would be subject to injunction as an induced or contributory infringement. But it is established that there can be no contributory infringement without the fact or intention of a direct infringement. . . . The statute makes it clear that it is not an infringement to make or use a patented product outside the United States."). Congress subsequently reversed the result in *DeepSouth*. See 35 U.S.C. §271(f) (Supp. III 1985).

⁵See, e.g., *Gershwin Publishing Corp. v. Columbia Artists Management, Inc.*, 443 F.2d 1159, 1161-1163 (2d Cir. 1971) (defendant, an artist manager and concert promoter, held liable as vicarious and contributory infringer).

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⁷See, e.g.
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